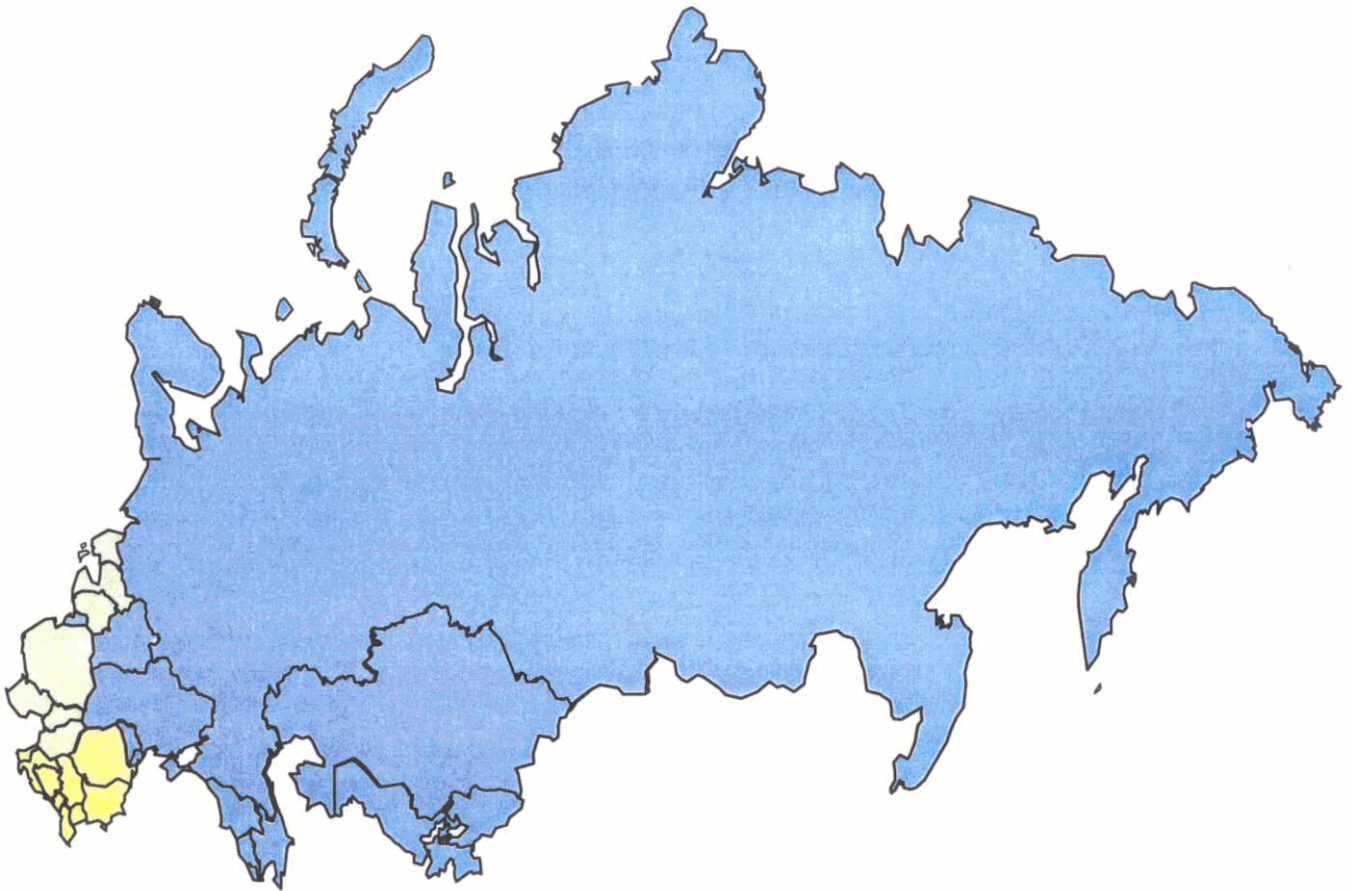


The 2002 NGO Sustainability Index

for Central and Eastern Europe and Eurasia



Sixth Edition – May 2003



Developed by:
United States Agency for International Development
Bureau for Europe and Eurasia
Office of Democracy, Governance and Social Transition

The 2002 NGO Sustainability Index for Central and Eastern Europe and Eurasia



Edited by Jennifer Stuart

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THE 2002 NGO SUSTAINABILITY INDEX

EXECUTIVE SUMMARY

The *2002 NGO Sustainability Index for Central and Eastern Europe and Eurasia* is the seventh edition of this comprehensive and comparative study of the strength and viability of the NGO sectors in each country in the region. This edition of the Index continues to measure seven dimensions deemed critical to NGO sustainability.

Individual country scores for the Index are reached through a collaborative process involving experts in the field and an editorial committee in Washington, DC. The in-country expert panel consists of representatives of local NGO support centers and intermediary support organizations; local NGOs; academic experts; partners from the government, business, and media sectors; international donors; and USAID implementing partners. After they arrive at a score for each dimension, a report is sent to Washington where an Editorial Committee reviews it from a comparative perspective to ensure that scores make sense both across countries and over time. While it is impossible to make these scores completely objective, this methodology removes much of the subjectivity from the process, and allows for a meaningful comparison of scores between countries and from year to year. In order to facilitate the monitoring of progress within an individual country, historical scores for the last five years are provided in each section of each country report, rather than as a statistical annex in the back. As always, the Index utilizes the scoring scale developed by Freedom House and used in *Nations in Transit* and *Freedom in the World*, with a seven (7) representing the lowest level of development and a one (1) the highest.

NGO Index Dimensions of Sustainability

- Legal Environment
- Organizational Capacity
- Financial Viability
- Advocacy
- Service Provision
- Infrastructure
- Public Image

The Index continues to be used by USAID missions and local and international partners alike, both to inform program design and to monitor and measure progress. The individual country reports in the Index provide a comprehensive introduction for those new to the region or a specific country, or an update for those already actively involved. The Index also serves as a convenient primer on some of the unique initiatives affecting NGO sectors across the region. The remainder of this section will highlight some of these developments, both positive and negative, in the hope that these lessons learned may inspire new programmatic directions by local and international NGOs.

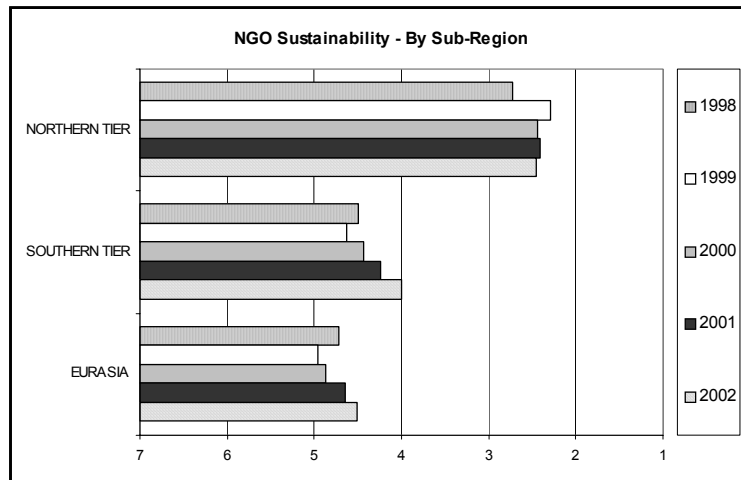
Overall NGO Sustainability

As the NGO sectors in Central and Eastern Europe and Eurasia continue to develop, so does the body of knowledge available about the sector. Where statistics and data about NGOs in the region were once sketchy, detailed research, studies, and analysis are now conducted on a regular basis. This information assists experts and activists in lobbying for new legislation, demonstrating the sector's impact, and making informed decisions about programmatic directions. Even more notable is the fact that these studies are being designed and conducted

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almost entirely by local NGOs who recognize the need for this kind of data. For example, in Moldova, the CONTACT Center gathered numerous statistics ranging from basic information on the NGO sector, such as area of activity and geographic location, to the level of public trust in NGOs through their Study on the Development of Non-Governmental Organizations in the Republic of Moldova. In Bulgaria,

MBMD conducts an annual survey that also covers a broad array of internal and external issues affecting NGO development. The Civil Society Development Foundation Hungary and BoardSource recently conducted research on NGO governance practices in Hungary, which revealed numerous deficiencies, particularly in regard to the role of boards.

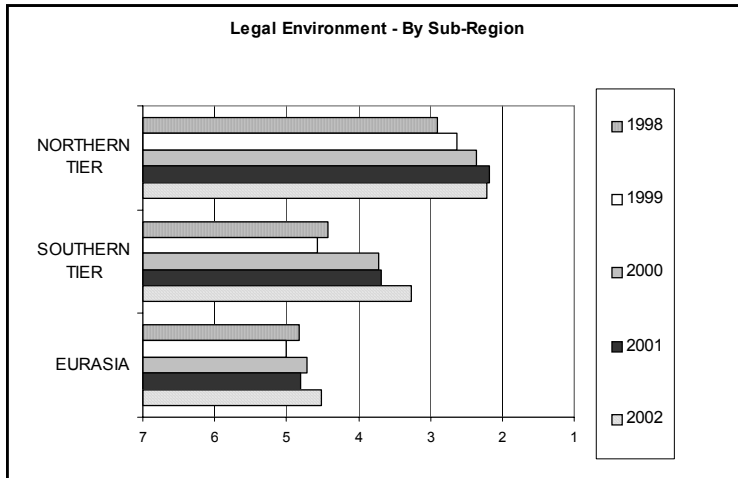


As NGOs expand their influence in their communities and countries, national governments are increasingly recognizing the important role they play. Over the past few years, Presidents in at least three Eurasian countries have made speeches commending the work of NGOs or participated in “civic forums”, thereby further legitimizing the role of civil society. In November 2001, President Putin personally opened the Civic Forum, which provided a venue for government officials and NGO representatives from throughout the country to discuss the development of civil society in Russia. President Rakhmonov of Tajikistan participated in an NGO conference on Social Partnerships in June 2002, where he publicly encouraged local government authorities to cooperate with NGOs. During an address to the spring session of Parliament, President Karimov of Uzbekistan called for stronger NGOs, as well as government support for social partnerships with NGOs. All of these events have had significant positive ramifications on the status of NGOs in these countries.

Similar initiatives are taking place in countries throughout Central and Eastern Europe, although on a more formalized basis. The most notable example of this occurred in December 2002, when the Estonian parliament unanimously passed the Estonian Civil Society Development Concept (EKAK), the first document of this type to be approved by a parliament in this region. The EKAK provides the framework for relations between the country’s NGOs and public authorities and states common principles of cooperation. The new government in Hungary is also planning to sign a contract with the NGO sector. In the Czech Republic, there is a Government Council for the Non-Profit Sector (RNNO), consisting of both government and NGO representatives, that is responsible for informing the government about the non-profit sector, cooperating in the preparation of new legislation for the sector, disseminating information on donations from public sources, and cooperating in the creation and operation of an information system about NGOs. The establishment of such formal mechanisms of cooperation between NGOs and the government is a direct result of the sector’s growing influence in these countries, and also ensures that NGOs will continue to have a public voice.

Legal Environment

Basic framework legislation is now in place in most countries throughout the region, although countries that passed their laws at the beginning of the transition, such as the Czech Republic, are now finding that changes are already needed. Ironically, this means that countries where laws were passed later, including many in Southeast Europe, now serve as models for their northern neighbors. Basic registration still remains a problem in some Eurasian countries, however. Most notably, registration is still very time-consuming in Azerbaijan and in Turkmenistan, it is virtually impossible to register an NGO. It is also very expensive and difficult for NGOs to register in Belarus.



NGOs have been increasingly successful at advocating for the passage of laws that promote their financial sustainability. In 1997, Hungary became the first country in the region to pass legislation allowing individual taxpayers to dedicate a percentage of their income taxes – 1% in this case – to registered NGOs. This model is now spreading throughout the region, particularly in the Northern Tier countries. Slovakia passed a 1% law in 2001, and in July 2002, the

Lithuanian parliament, the Seimas, passed a new law, which allows individuals to designate 2% of their income taxes to a selected NGO or public institution that benefits society. The Parliament in Poland is also considering similar legislation. The implementation of these laws greatly expands the pool of likely donors and also encourages NGOs to increase their effectiveness and visibility in order to attract donors in this manner.

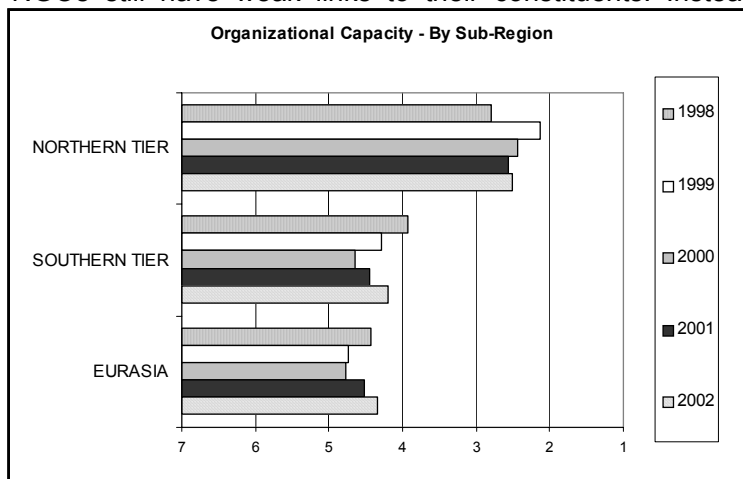
In contrast to these advances in the Northern Tier, NGOs in many Eurasian countries continue to face significant legal hurdles to financial sustainability. NGOs in several countries, including Georgia, are treated the same as private companies in terms of taxation on revenue earned. In Russia, the 2001 Tax Code removed tax incentives that previously encouraged corporate philanthropy, effectively discouraging businesses from contributing to NGO activities.

NGOs throughout the region have discovered that the existence or lack of government harassment is often governed more by personal attitudes than laws. For example, while the Croatia chapter notes that the Law on Foundations and Funds confers upon the government a great deal of unwarranted power regarding the appointment of an organization's board of directors, NGOs are able to take a stand on public issues and express criticism of the government without fear of retribution. Likewise, in Serbia, the poorly defined nature of the current legislation would seem to allow state interference. In practice, however, the state lets NGOs operate freely. The situation in Macedonia stands in contrast to that in Serbia and Croatia. While Macedonian NGOs have the freedom to organize public debates and express criticism from a legal standpoint, during 2002 a number of NGOs that had been strongly critical of the government were intimidated by the central government and criticized by the pro-government media.

Organizational Capacity

While the organizational capacity of NGOs in Central and Eastern Europe and Eurasia continues to develop, several deficiencies are still commonplace. Even in the more advanced Northern Tier countries, many NGOs still have weak links to their constituents. Instead of viewing clients and members as their key constituents, many organizations continue to respond primarily to donor needs and interests. Perhaps reflecting this weak link to local constituencies, volunteerism also tends to remain underdeveloped.

Similarly, only the most advanced NGOs in the region truly utilize strategic planning to guide the long-term development of their organizations. In large part, this is due to the fact that most organizations are financially dependent on foreign donors, with shifting areas of interest. NGOs therefore tend to change their missions in order to remain eligible for a variety of grant programs, rather than focus on the priority needs of their constituents as identified through a strategic planning process.

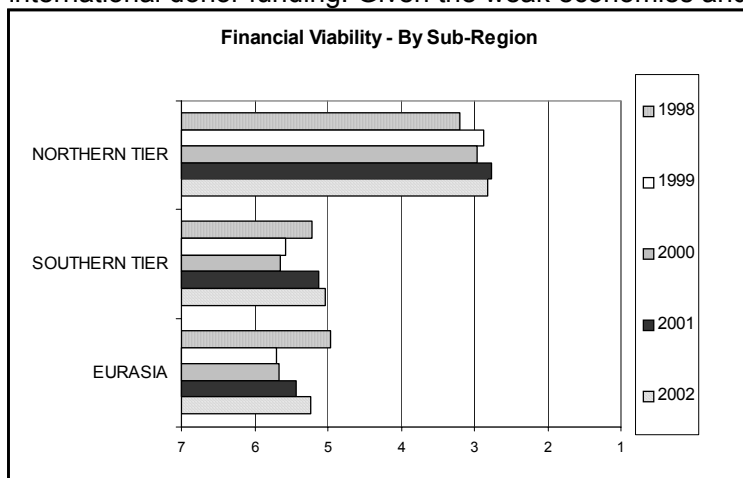


Boards of directors also remain a poorly understood concept by most organizations. While most countries' legislation requires the existence of a board of directors, these often exist just on paper. Few organizations have well-defined roles and responsibilities divided between the board and staff. Furthermore, it is not uncommon for the same individual to serve both on the board and as a staff member. Indeed, NGOs have not fully bought into the importance of independent boards. The Albanian chapter may summarize this sentiment best by stating that "boards are ... seen as a donor-driven development and their value to NGO operations is questioned."

While serious organizational weaknesses remain, there are signs of progress in this area. NGOs are becoming increasingly Internet savvy. Bulgaria reports that 60% of NGOs are now connected to the Internet. Hungary reports a need for more sophisticated types of training focused on various emerging specialties in the organizational development field, such as professional fundraising. In Kyrgyzstan, true non-governmental *organizations* are emerging where previously only non-governmental *individuals* had existed. In Russia, the skills and talent of NGO staff is being recognized in a manner that is actually hurting overall NGO capacity. Businesses and government agencies have come to recognize the talents and skills of NGO professionals, and are slowly pulling these individuals away from the NGO sector with higher salaries.

Financial Viability

The challenge in terms of financial viability for NGOs across Central and Eastern Europe and Eurasia is to develop domestic sources of funding and/or revenue to replace unreliable international donor funding. Given the weak economies and experiences with philanthropy, local



and national governments are often looked at as key sources of domestic funding, and many countries are experimenting with different ways to tap into this potential source.

The Czech Republic has perhaps had the most success in this regard. Czech NGOs receive approximately 39% of their funding from the government, and a quarter of organizations receive over half of their funding from state resources. Part of this

funding comes from a unique arrangement that provides Czech NGOs with access to a portion of the funds received from state privatization. As part of this, 73 Czech foundations received approximately \$47.5 million in 2002 to build their endowments. Ironically, in contrast to NGOs in neighboring countries that would welcome this level of state support, Czech NGOs are now expressing concern that they are *over-reliant* on state support.

Other countries in the region are also experimenting with various mechanisms to provide state support to NGOs. In Bosnia, the Council of Ministers dedicated \$150,000 from the state budget to assist local NGOs for the first time in the summer of 2002. Despite limitations in the plans to distribute these funds and the limited amount of money, NGOs view this as an important sign that the government recognizes the significant role of non-profits in the country. In Croatia, government support has been provided to the NGO sector through the Government Office of Cooperation with NGOs for many years. In 2002, however, funding was made available for initiatives longer than a year for the first time. Kazakhstan has taken the first steps towards drafting a law that would establish a legal channel for NGOs to compete in state tenders for social sector services.

In many countries, local-level governments are also a growing source of support to NGOs. In addition to financial support through grant competitions or tenders, many local government entities provide in-kind support to NGOs, often in the form of free or reduced cost office space.

In contrast to state support, corporate and individual philanthropy has been slow to develop, although there are also signs of progress in this regard. As mentioned previously, several countries in the region have adopted laws that allow individual taxpayers to dedicate a percentage of their income taxes to NGOs. Companies in some countries have also begun to contribute to NGO activities. For example, in Bulgaria, 23% of NGOs report receiving some support from Bulgarian businesses. Romanian NGOs report that while corporate philanthropy is still rare, social services and sports and cultural events are more successful at attracting sponsorship because of their great public impact and broad media coverage. In Lithuania, a few pioneering organizations have developed partnerships with businesses that in turn donate a portion of their sales to the NGO. Large Russian companies such as Yukos Oil and Alfa-Bank

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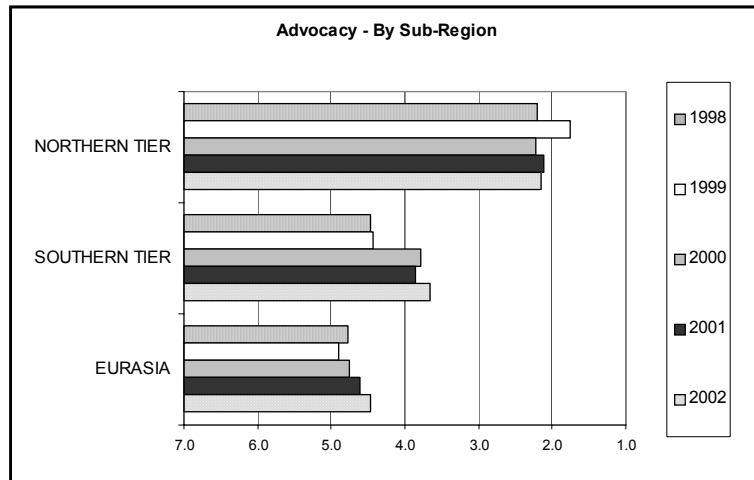
have created multi-million dollar community development programs that provide funding to NGOs.

NGOs throughout the region have also remained hesitant to become engaged in income-generating activities for a variety of reasons. First, few NGOs have the business management skills necessary to assess the market to see what it will bear. Many NGOs also fear that charging for their services will blur the distinction between them and for-profit businesses. Additionally, the tax regime in many countries of the regime discourages NGOs from charging for their products and services by charging them the same taxes as for-profits.

Advocacy

Advocacy skills continue to develop across the region. Over the past year, NGOs have been involved in a variety of advocacy activities, including civic education, election monitoring, and lobbying government to pass laws on topics ranging from NGO operations to the rights of

disabled children to education. While NGOs continue to have success in this area, many country chapters indicate that advocacy is often more *ad hoc* than institutionalized. For example, in both Serbia and Armenia, NGO experts report that advocacy successes are often based on personal contacts. In Bosnia, advocacy campaigns are often initiated by the international community, although local NGOs then play an important



role in implementing them. International initiative was also instrumental in activating NGOs in Azerbaijan to fight a harsh proposed Law on Grants. In Croatia, recent advocacy efforts related to new legislation on voluntarism, public benefit organizations, the lottery, and foundations was ironically initiated by the Government Office for Cooperation with NGOs, while in Georgia, the NGO sector finds itself in a reactive advocacy role, uniting to stop legislation rather than to initiate it.

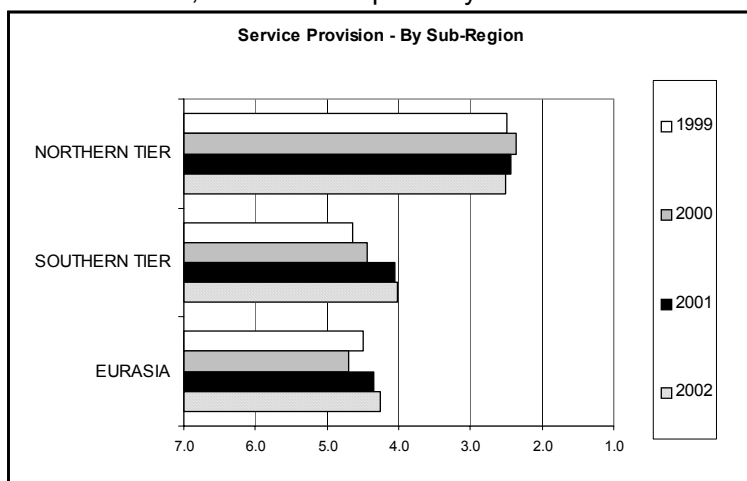
In contrast to the above examples, the influence of NGOs is being institutionalized in several countries, again primarily those in the Northern Tier. In Latvia, NGOs are represented at the weekly meetings of State Secretaries, the highest administrative body in each government ministry. In addition, the NGO Center is asked to provide comment on all legislation affecting the sector, and *all* draft legislation must have an annotation that NGOs have been contacted for comment. During the hotly contested 2002 parliamentary elections in Ukraine, the Central Election Commission involved leading NGOs in the field on an advisory board. Hungary is moving in similar directions. The new government there has announced plans for a national NGO Advocacy Body to serve as its major partner in implementing a new NGO strategy. This body will also participate in the development of NGO legislation, delegate members to the controlling body of the Civil Fund, and help develop an NGO Code of Ethics.

NGOs in Poland have gone a step further by creating a formal structure not to interact with their

national government, but with the European Union. In 2002, a Polish NGOs Representative Office was established in Brussels to influence relevant EU structures, the first such office of its kind among NGOs from EU accession countries.

Service Delivery

Financing continues to be the most significant factor in NGO service provision. In the case of social services, this revolves primarily around relations with the local and national governments.



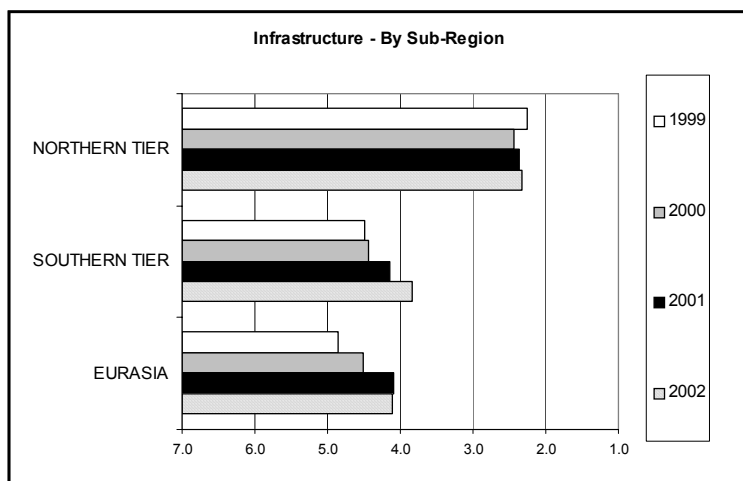
In many countries, local governments have started to rely on NGOs to provide some of the social services that they can no longer afford to provide themselves. Unfortunately, this reliance rarely includes the provision of financial resources to assist NGOs in their efforts. In fact, several countries, including Tajikistan and Armenia, report that there is government resentment towards NGOs due to the perception that NGOs have more access to donor funding

than they do. There is similar competition between local governments and NGOs in Latvia, although in this case, the competition is over funding from the national government for the provision of social services. In Kyrgyzstan, the government's recent poverty reduction plan depends on NGOs to deliver services without providing any financial support for this work.

The ability of NGOs to charge for the services they provide is often limited by public willingness and ability to pay. In many countries of the region, NGOs are not only faced with a clientele that often lacks the resources to pay for services, but also the general belief that NGO services should be free. Many other countries, including Georgia, report problems in charging for services as the target population of services generally consists of people who can not afford to pay.

Infrastructure

NGOs in most countries of the region now benefit from the services provided by resource centers and/or intermediary support organizations. However, these entities and the services they provide remain heavily dependent on foreign donors, throwing their long-term sustainability into question. Support organizations in a few countries are beginning to charge for their services, however. For



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example, in Poland, the SPLOT Network, Centers for Local Activity, and Citizens Advice Bureaus are all beginning to collect fees for services that were once provided for free. It is also becoming more common for NGOs in Ukraine to pay for training, and even those that cannot afford to pay state their understanding of why fees need to be instituted.

NGOs in different countries have developed various mechanisms to join together for general coordination or to discuss common problems. In Slovakia, the Gremium of the Third Sector (G3S) has served for many years as an informal advocacy group of elected NGO leaders that defends and pursues the interests of NGOs, and was recently replicated at the regional level. Moldovan NGOs meet every other year at the National Forum of NGOs to discuss issues of sectoral importance. In Macedonia, NGOs gathered together in October at the second NGO Fair to increase communication, coordination and exchange within the sector.

In other countries, however, efforts to unite the NGO sector have been less successful. In Bulgaria, NGOs report that there is no demand for a body that brings the whole sector together. Bosnian NGOs state that cooperation is often a problem due to competition and jealousy within the sector. In places such as Macedonia and Kosovo, NGOs have come together on certain issues only after donors have fostered the creation of coalitions.

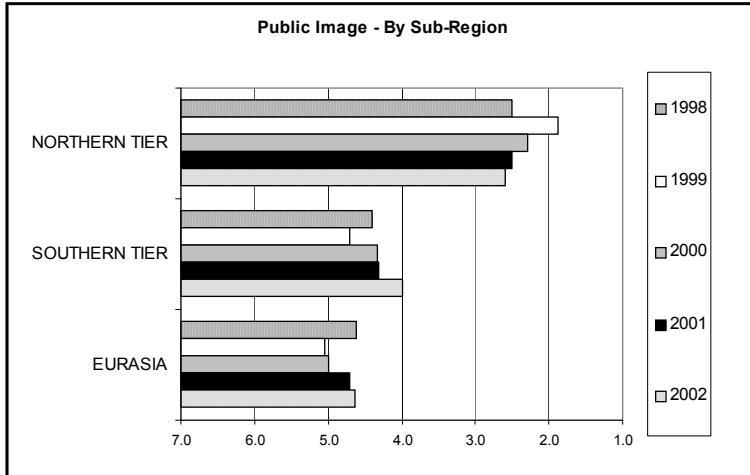
The development of local grant-making entities has been quite slow across the region, although there are some developments in this regard. For example, there are now 20 active community foundations in Russia, although only two have been successful in raising funds from local donors for community development. In Croatia, steps are being taken to transform the Government Office for Cooperation with NGOs into a private Foundation for Civil Society Development, which would begin operations sometime in 2003. In Tajikistan, preliminary steps are being taken to develop local grant-making capacity among Tajik NGOs by training local grant review committees.

Public Image

Despite all the positive effects that NGOs have had on their societies, the general public still knows relatively little about the role they play. In order to increase public understanding of the sector and foster a more positive public image, NGOs have employed a variety of techniques. In the Czech Republic, NGOs have organized an annual campaign since 1998 called "30 Days for the Non-Profit Sector". In Estonia, there is a monthly insert to the newspaper and a separate television show that covers NGOs. Similarly, Lithuanian National Radio airs a weekly radio show called "The Third Way".

NGOs occasionally air Public Service Announcements (PSAs) to educate the public about a specific issue. However, Armenia is one of the few countries to report the availability of free or reduced airtime charges for PSAs. Many more countries, ranging from Latvia to Serbia, do not offer free or reduced-cost airtime to NGOs for this purpose, making it virtually inaccessible.

EXECUTIVE SUMMARY



Another way that NGOs try to improve their public image is by making their operations and activities more transparent to the public. In Hungary, NGOs have begun to announce their incomes in national newspapers in order to ensure their eligibility to receive funds under the 1% law, and many newspapers offer space for such announcements at discounted prices. NGOs receiving public benefit status in Bulgaria are also required to publish annual reports and

make them available to the public. While few NGOs in Albania publish annual or financial reports at all, there are a few extraordinary exceptions to this rule that place their reports on the Internet for public scrutiny. Recently adopted laws are also encouraging transparency within the sector. The most notable example of this is in Bulgaria, where the 2001 NGO law resulted in the creation of an Internet-based Public Registry for Public Benefit Organizations.

In some countries, however, this kind of transparency is discouraged by repressive or hostile political environments. For example, in Ukraine, NGOs hesitate to make their operations or finances too transparent due to the politicized environment in the country.

NGOs throughout the region are increasingly talking about the development and adherence to a voluntary code of ethics to help them prove to their constituents, donors, and the general public that they are trustworthy and provide quality products and services. Unfortunately, few have been successful in implementing these to date. Latvia, however, has widely utilized codes of ethics for NGOs and volunteers and a Code of Ethics was recently drafted by the 3rd National NGO Forum in Moldova, although no NGOs are known to have adopted it yet. In Lithuania, while a set code of ethics has not yet been developed, a Social Ethics Institute recently opened to help NGOs in addressing issues related to competition between organizations and their relationships with donors, lobbying and advocacy measures, relationships with local authorities, and community.

CONCLUSIONS

NGO sectors throughout Central and Eastern Europe and Eurasia have developed into significant forces in their countries. NGOs now fulfill critical functions in terms of representing citizen interests to the government, monitoring government actions, and supplementing or replacing now defunct government services. The future sustainability of this sector is still far from assured, however. While NGOs in the Northern Tier countries have begun to tap into local resources, dependence on international donor funding continues to be a significant problem throughout the Southern Tier countries and all of Eurasia. Due in part to this donor orientation, many NGOs in these countries still have tenuous links with their communities. While international donor programs can effectively teach skills in fundraising and revenue generation, it is more difficult for them to convince NGOs that their true constituencies are their members, clients, and host communities. NGOs must learn that although they are financially accountable to their donors, it is their local communities to whom they must be primarily accountable. The challenge for donors is to continue providing financial support and technical assistance to the sector while simultaneously encouraging local NGOs to be more independent of them, and more integrated and responsive to their communities. International donors will gradually turn their attention elsewhere, but local communities will remain. NGOs must spread their roots at home in order to thrive and continue the important work they have begun.

– Jennifer Stuart, Editor

DIMENSIONS OF NGO SUSTAINABILITY

Seven different dimensions of the NGO sector are analyzed in the 2002 NGO Sustainability Index: legal environment, organizational capacity, financial viability, advocacy, service provision, NGO infrastructure and public image. In the Index, each of these dimensions is examined with a focus on the following questions:

1. What has been accomplished?
2. What remains a problem?
3. Do local actors recognize the nature of outstanding challenges?
4. Do the local actors have a strategy and the capacity to address these challenges?

A brief explanation of the criteria used to evaluate each dimension of sustainability follows:

Legal Environment

For an NGO sector to be sustainable, the legal and regulatory environment should support the needs of NGOs. It should facilitate new entrants, help prevent governmental interference, and give NGOs the necessary legal basis to engage in appropriate fund-raising activities and legitimate income-producing ventures. The legal environment dimension of the Index analyzes the legal status of non-governmental organizations. Factors shaping the legal environment include the ease of registration; legal rights and conditions regulating NGOs; and the degree to which laws and regulations regarding taxation, procurement, access to information and other issues benefit or deter NGOs' effectiveness and viability. The extent to which government officials, NGO representatives, and private lawyers have the legal knowledge and experience to work within and improve the legal and regulatory environment for NGOs is also examined.

Questions asked include: Is there a favorable law on NGO registration? Is the internal management, scope of permissible activities, financial reporting, and/or dissolution of NGOs well detailed in current legislation? Does clear legal terminology preclude unwanted State control over NGOs? Are NGOs and their representatives allowed to operate freely within the law? Are they free from harassment by the central government, local governments, and tax police? Can they freely address matters of public debate and express criticism? Are there local lawyers who are trained in and familiar with NGO law? Is legal advice available to NGOs in the capital city and secondary cities? Do NGOs receive any sort of tax exemption? Do individual or corporate donors receive tax deductions? Do NGOs have to pay taxes on grants? Are NGOs allowed legally to compete for government contracts/procurements at the local and central levels?

Organizational Capacity

A sustainable NGO sector will contain a critical mass of NGOs that are transparently governed and publicly accountable, capably managed, and that exhibit essential organizational skills. The organizational capacity dimension of the Index addresses the operation of NGOs.

Questions evaluated include: Do NGOs actively seek to build constituencies for their initiatives? Do most NGOs have a clearly defined mission to which they adhere? Do most NGOs incorporate strategic planning techniques in their decision making process? Is there a clearly defined management structure within NGOs, including a recognized division of responsibilities between the Board of Directors and staff members? Is there a permanent, paid staff in leading NGOs? Are potential volunteers sufficiently recruited and engaged? Do NGOs' resources generally allow for modernized basic office equipment?

Financial Viability

A critical mass of NGOs must be financially viable, and the economy must be robust enough to support NGO self-financing efforts and generate philanthropic donations from local sources. For many NGOs, financial viability may be equally dependent upon the availability of and their ability to compete for international donor support funds.

Factors influencing the financial viability of NGOs include the state of the economy, the extent to which philanthropy and volunteerism are being nurtured in the local culture, as well as the extent to which government procurement and commercial revenue raising opportunities are being developed. The sophistication and prevalence of fundraising and strong financial management skills are also considered..

Questions asked under this dimension include: Do NGOs raise a significant percentage of their funding from local sources? Are NGOs able to draw upon a core of volunteer and non-monetary support from their communities? Do NGOs typically have multiple/diverse sources of funding? Are there sound financial management systems in place? Have NGOs cultivated a loyal core of financial supporters? Do revenues from services, products, or rent from assets supplement the income of NGOs? Do government and/or local business contract with NGOs for services?

Advocacy

The political and advocacy environment must support the formation of coalitions and networks, and offer NGOs the means to communicate their message through the media to the broader public, articulate their demands to government officials, and monitor government actions to ensure accountability. The advocacy dimension looks at NGOs' record in influencing public policy. The prevalence of advocacy in different sectors, at different levels of government, as well as with the private sector is analyzed. The extent to which coalitions of NGOs have been formed around issues is considered, as well as whether NGOs monitor party platforms and government performance. This dimension does not measure the level of NGOs' engagement with political parties.

DIMENSIONS OF NGO SUSTAINABILITY

Questions include: Are there direct lines of communication between NGOs and policy makers? Have NGOs formed issue-based coalitions and conducted broad-based advocacy campaigns? Have these campaigns been effective at the local and/or national level at effecting policy change? Are there mechanisms and relationships for NGOs to participate in the political process? Have NGOs led efforts to raise awareness of problems or increase support for a particular position? Is there awareness in the wider NGO community on how a favorable legal and regulatory framework can enhance NGO effectiveness and sustainability? Is there a local NGO advocacy effort to promote legal reforms that will benefit NGOs, local philanthropy, etc.?

Service Provision

Sectoral sustainability will require a critical mass of NGOs that can efficiently provide services that consistently meet the needs, priorities and expectations of their constituents.

The index reviews questions such as: Do NGOs provide services in a variety of fields? Do the goods and services that NGOs produce reflect the needs and priorities of their constituents and communities? Are there goods and services that go beyond basic social needs provided to a constituency broader than NGOs' own memberships? When NGOs provide goods and services, do they recover any of their costs by charging fees? Do NGOs have knowledge of the market demand – and the ability of distinct constituencies to pay – for those products? Does the government, at the national and/or local level, recognize the value that NGOs can add in the provision of basic social services? Do they provide grants or contracts to NGOs to enable them to provide such services?

Infrastructure

A strong sectoral infrastructure is necessary that can provide NGOs with broad access to local NGO support services. Intermediary Support Organizations (ISOs) providing these services must be able to inform, train, and advise other NGOs; and provide access to NGO networks and coalitions that share information and pursue issues of common interest.

Questions include: Are there ISOs, NGO Resource Centers, or other means for NGOs to access information, technology, training and technical assistance throughout the country? Do ISOs and Resource Centers earn some of their operating revenue from earned income and other locally generated sources? Do local community foundations and/or ISOs provide grants from either locally raised funds or by re-granting international donor funds? Do NGOs share information with each other? Is there a network in place that facilitates such information sharing? Is there an organization or committee through which the sector promotes its interests? Are there capable local NGO management trainers? Is basic NGO management training available in the capital city and in secondary cities? Are training materials available in local languages? Are there examples of NGOs working in partnership, either formally or informally, with local business, government, and the media to achieve common objectives?

Public Image

For the sector to be sustainable, government, the business sector, and communities should have a positive public image of NGOs, including a broad understanding and appreciation of the role that NGOs play in society. Public awareness and credibility directly affect NGOs' ability to recruit members and volunteers, and encourage indigenous donors. The Index looks at the extent and nature of the media's coverage of NGOs, the awareness and willingness of government officials to engage NGOs, as well as the general public's knowledge and perception of the sector as a whole.

Typical questions in this section include: Do NGOs enjoy positive media coverage at the local and national level? Does the media provide positive analysis of the role that NGOs play in civil society? Does the general public have a positive perception of NGOs? Do the business sector and local and central government officials have a positive perception of NGOs? Do NGOs publicize their activities or promote their public image? Have NGOs adopted a code of ethics or tried to demonstrate transparency in their operations? Do leading NGOs publish annual reports?

RATINGS: GENERAL DEFINITIONS

The NGO Sustainability Index uses a seven-point scale, to facilitate comparisons to the Freedom House indices, with 7 indicating a low or poor level of development and 1 indicating a very advanced NGO sector. The following section elaborates on the characteristics of each level of development:

- 7 Erosion or no change since the Soviet era. A war, with its human and material costs, depleted economy, highly divided society or totalitarian regime and the like, has set the development of the sector back.
- 6 Little progress since Soviet era, one problem or constraint has replaced another. Facilitating the development of local capacity is severely limited by a hostile authoritarian regime; state-controlled media; brain drain; and/or a small or highly fractured community of activists with very little capacity or experience in organizing and initiating activities, running organizations, and/or little interest in doing so.
- 5 Programmatic success in developing the local capacity or facilitating progress in the aspect in question is hampered by a contracting economy; an authoritarian leader; highly centralized governance structure; a controlled or reactionary media; or a low level of capacity, will, or interest on the part of the NGO community. The absorptive capacity of the NGO sector is limited -- perhaps limited geographically to the capital city, or sectorally to two or three areas of activity or policy issues.
- 4 Progress in the aspect in question is hampered by the factors cited above, but to a lesser degree: perhaps by a stagnant rather than a contracting economy, a passive rather than hostile government, a disinterested rather than controlled or reactionary media, or a community of good-willed but inexperienced activists. While NGOs in the capital city or in three or four sectors are progressing, others lag far behind.
- 3 Foreign assistance is able to accelerate or facilitate reform because the environment is generally enabling and/or local progress and commitment to developing the aspect in question is strong. An enabling environment includes a government open to reform (legal), a growing economy (financial), some decentralization of governing structures (advocacy), or an independent media (image). NGOs in regional centers and in four or five sectors are beginning to mature.
- 2 The environment is enabling and the local NGO community demonstrates a commitment to pursuing needed reforms and to developing its professionalism. Foreign assistance continues to accelerate or facilitate these developments. Model NGOs can be found in most larger cities, in most regions of a country, and in a variety of sectors and issues.
- 1 While the needed reforms and/or the NGO sector's development is not complete, the local NGO community recognizes which reforms or developments are still needed, and has a plan and the ability to pursue them itself. Model NGOs can be found in cities and towns, in all regions of a country, in numerous different sectors.

RATINGS: A CLOSER LOOK

The following sections go into greater depth about the characteristics in each of the seven dimensions of the sector's development. These characteristics and stages are drawn from empirical observations of the sector's development in the region, rather than a causal theory of development.

Given the decentralized nature of NGO sectors, many contradictory developments may be taking place simultaneously. Therefore we do not attempt to break out the characteristics of the seven dimensions into seven distinct steps of development. Instead, these characteristics are clustered into three basic stages: Early Transition, Mid-Transition and Consolidation. The Early Transition stage corresponds to a score of 5 to 7 points on the scale, the Mid-Transition stage corresponds to a score between 3 and 5 points, and the most advanced stage, Consolidation, corresponds to a score between 1 and 3 points.

LEGAL ENVIRONMENT

Early Transition (5-7)

The absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation) on non-governmental organizations (NGOs) make it difficult to register and/or operate (i.e., regulation to the point of harassment). Assistance programs address status laws pertaining to registration, internal management/governance, scope of permissible activities, reporting, dissolution, and other topics; as well as the degree of bureaucratic and administrative impediments to NGO formation and operation; degree of state regulation, harassment of or violence toward NGOs.

Mid-Transition (3-5)

NGOs have little trouble registering and do not suffer from state harassment. They are permitted to engage in a broad range of activities, although taxation provisions, procurement procedures, etc. may inhibit NGOs' operation and development. Programs seek to reform or clarify existing NGO legislation, to allow NGOs to engage in revenue-raising and commercial activities, to allow national or local governments to privatize the provision of selected government services, to address basic tax and fiscal issues for CSOs, etc. The local NGO community understands the need to coalesce and advocate for legal reforms benefiting the NGO sector as a whole. A core of local lawyers begins to specialize in NGO law by providing legal services to local NGOs, advising the NGO community on needed legal reforms, crafting draft legislation, etc.

Consolidation (1-3)

The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives not-for-profit organizations special advantages such as: significant tax deductions for business or individual contributions, significant tax exemptions on CSOs, open competition among NGOs to provide government-funded service, etc. Legal reform efforts at this point are primarily a local NGO advocacy effort to reform or fine tune taxation laws, procurement processes, etc. Local and comparative expertise, as well as availability of legal services and materials, on the NGO legal framework exists.

Note: The International Center for Not-for-Profit Law (ICNL) contributed to defining these stages of development. ICNL's web site (www.icnl.org) provides comparative analyses of NGO laws.

ORGANIZATIONAL CAPACITY

Early Transition (5-7)

NGOs are "one-man shows," completely dependent upon the personality of one or two major figures. They often split apart due to personality clashes. NGOs lack a clearly defined sense of mission. At this stage, NGOs reflect little or no understanding of strategic planning or program formulation. They lack organizational skills and procedures for budgeting and tracking expenditures; and they lack the ability to monitor, report on, and evaluate programs. Organizations rarely have a board of directors, by-laws, staff, or more than a handful of active members. Programs provide basic organizational training to NGO activists.

Mid-Transition (3-5)

Individual NGOs, or a number of NGOs in individual sectors (women, environment, social services, etc.), demonstrate enhanced capacity to govern themselves and organize their work. Individual NGOs in at least the major sectors -- environment, business, social sector, human rights/democracy -- maintain full-time staff members and boast an orderly division of labor between board members and staff. Local NGO support centers are founded to inform, train, and advise other NGOs. Activities include newsletters, libraries, consultations or other services. NGO activists may demand that training be at a more advanced level. Programs train local trainers and develop local language materials and locally sponsored courses to teach organizational skills. Local trainers learn how to facilitate: strategic planning exercises and program development, financial management structures, appropriate communication channels both within and outside an organization, and team building.

Consolidation (1-3)

A few transparently governed and capably managed NGOs exist across a variety of sectors. Essential organizational skills are demonstrated, and include how to recruit, train, and manage a volunteer network. A professional cadre of local experts, consultants and trainers in non-profit management exists. An accessible network for identifying trainers and consultants exists. NGOs recognize the value of training. The lack of financial resources may remain a constraint for NGOs wanting to access locally provided NGO management training. Topics of available training cover: legal and tax issues for NGOs, accounting and bookkeeping, communication skills, volunteer management, media and public relations skills, sponsorship and fundraising.

FINANCIAL VIABILITY

Early Transition (5-7)

New NGOs survive from grant to grant and/or depend financially on one (foreign) sponsor. NGOs at this stage lack basic fundraising skills, such as how to write a proposal. Programs seek to teach fundraising skills in order to diversify funding sources. Even with a diversified funding base, donors remain overwhelmingly inter-national. A depressed local economy may contribute to this dependency.

Mid-Transition (3-5)

NGOs pioneer different approaches to financial independence and viability. Some might survive and continue to grow modestly, by reducing foreign funding and sticking to a minimal, volunteer-based operation. Individual NGOs experiment with raising revenues through providing services, winning contracts and grants from municipalities and ministries to provide services, or attempting to attract dues-paying members or domestic donors. NGOs begin to pool resources by sharing overhead costs, such as hiring one accountant for several NGOs. Efforts are made to simplify and/or establish uniform grant application procedures undertaken by donors or governmental agencies. A depressed local economy may hamper efforts to raise funds from local sources. Training programs accelerate financial viability by offering strategic planning, revenue raising and advanced fundraising skills through indigenous trainers and NGO support centers. NGOs begin to understand the importance of transparency and accountability from a fundraising perspective. NGO centers may provide "incubator" services to decrease administrative costs for fledgling NGOs.

Consolidation (1-3)

A critical mass of NGOs adopt rules on conflict of interest, prohibitions on self-dealing and private procurement, appropriate distribution of assets upon dissolution, etc., to win potential donors' confidence. In a conscious effort, the local NGO sector may lay the groundwork for financial viability by cultivating future sources of revenue for the sector. This might include lobbying for government procurement reform for NGO-delivered services, tax reform to encourage revenue-generating activities, providing exposure through NGO trainers and NGO support center to successful domestic precedents, cultivating a domestic tradition of corporate philanthropy, or cultivating international donors. There is also a growing economy, which makes growth in domestic giving possible.

ADVOCACY

Early Transition (5-7)

Broad umbrella movements, composed of activists concerned with a variety of sectors, and united in their opposition to the old regime fall apart or disappear. Some countries at this stage have not even experienced any initial burst of activism. Economic concerns become predominant for most citizens. There may be an increase in passivity, cynicism, or fear within the general public. NGO activists are afraid to engage in dialogue with the government, feel inadequate to offer their views and/or do not believe the government will listen to their recommendations. NGOs do not understand the role that they can play in "public policy" or do not understand concept of "public policy". Programmatic activities begin to introduce the importance of collecting empirical data and first-hand information in order to share facts rather than opinions with officials or concerned citizens.

Mid-Transition (3-5)

Narrowly defined advocacy organizations emerge and become politically active in response to specific issues, including issues that emerge during the transition: human rights, abortion, opportunities for the disabled, environment, etc. Organizations at Mid-Transition development may often present their concerns to inappropriate levels of government (local instead of national and vice versa). Weakness of the legislative branch might be revealed or incorrectly assumed, as activists choose to meet with executive branch officials instead ("where the power truly lies."). Beginnings of alternative policy analysis are found at universities and think tanks. The beginnings of information sharing and networking between NGOs, and the existence of an NGO support center to inform and advocate its needs within the government may develop. Programmatic initiatives include training in advocacy techniques, coalition building, communication techniques, and policy analysis.

Consolidation (1-3)

The NGO sector demonstrates the ability and capacity to respond to changing needs, issues and interests of the community and country. As NGOs secure their institutional and political base, they begin to 1) form coalitions to pursue issues of common interest, such as children's rights or handicapped care; 2) monitor and lobby political parties; 3) monitor and lobby legislatures and executive bodies. NGOs demonstrate the ability to mobilize citizens and other organizations to respond to changing needs, issues, and interests. NGOs at this stage of development will review their strategies, and possess an ability to adapt and respond to challenges by sector. A prime motivator for cooperation is self-interest: NGOs may form alliances around shared issues confronting them as non-profit, non-governmental organizations.

SERVICE PROVISION

Early Transition (5-7)

A limited number of NGOs are capable of providing basic social services—such as health, education, relief, housing, water or energy. Those who do provide such services receive few if any government subsidies or contracts. NGOs that produce publications, technical services or research do so only for their own members. Attempts to charge fees for goods and services are limited, and often fail. The volume of services to the poor is limited since there is little local private sector financial support and no cross-subsidization from services to better off constituencies.

Mid-Transition (3-5)

The contribution of NGOs to covering the gap in social services is recognized by government, which may on occasion subsidize or contract for these "public goods." NGOs recognize the need to charge fees for services and other products—such as publications and workshops—but even where legally allowed, such fees seldom recover their costs. The constituency for NGO expertise, reports and documents expands beyond their own members and the poor to include other NGOs, academia, churches, and government.

Consolidation (1-3)

Many NGOs provide goods and services, which reflect community and/or local donor priorities. Many NGOs produce products beyond basic social services to such sectors as economic development, environmental protection or democratic governance. NGOs in

several sectors have developed a sufficiently strong knowledge of the market demand for their services, the ability of government to contract for the delivery of such services or other sources of funding including private donations, grants and fees, where allowed by law. A number of NGOs find it possible to cross-subsidize those goods and services for which full cost recovery is not viable with income earned from more lucrative goods and services, or with funds raised from other sources.

INFRASTRUCTURE

Early Transition (5-7)

There are few, if any, active NGO Intermediary Support Organizations (ISOs), networks and umbrella organizations. Those that do operate, work primarily in the capital city and provide limited services such as access to computer equipment, faxes, email and meeting space. Local training and NGO development capacity is extremely limited and undeveloped. Primarily programs of international donors provide training and technical assistance. There is no coordinated effort to develop philanthropic traditions, improve fundraising or establish community foundations. NGO efforts to work together are limited by a perception of competition for foreign donor support and mistrust of other organizations.

Mid-Transition (3-5)

ISOs are active in most major population centers, and provide services such as distributing grants, publishing newsletters, maintaining a membership database, running a library of NGO literature, and providing basic training and consulting services. Other umbrella organizations are formed to facilitate networking and coordinate activities of groups of NGOs. Local trainers have the capacity to provide basic organizational training. Donors' fora are formed to coordinate the financial support of international donors, and to develop local corporate philanthropic activities.

Consolidation (1-3)

ISOs are active in all areas of the country and provide advanced training, legal support and advice, and philanthropic development activities. Efforts are underway to found and endow community foundations, indigenous grant-making institutions, and organizations to coordinate local fundraising. Local trainers are capable of providing high level training to NGOs throughout the country.

PUBLIC IMAGE

Early Transition (5-7)

The general public and/or government are uninformed or suspicious of NGOs as institutions. Most of the population does not understand the concept of "non-governmental" or "not-for-profit", including government officials, business leaders and journalists. Media coverage may be hostile, due to suspicion of a free but uninformed media, or due to the hostility of an authoritarian government. Charges of treason may be issued against NGOs. Due to a hostile atmosphere caused by an authoritarian government, if individuals or businesses donate to NGOs at all, they do so anonymously.

Mid-Transition (3-5)

The media generally does not tend to cover NGOs because it considers them weak and ineffective. Individual NGOs realize the need to educate the public, to become more transparent, and to seek out opportunities for media coverage. Individual local governments demonstrate strong working relationships with their local NGOs, as evidenced by their participation in advisory committees, consultations, public-private initiatives, and the funding of an occasional grant.

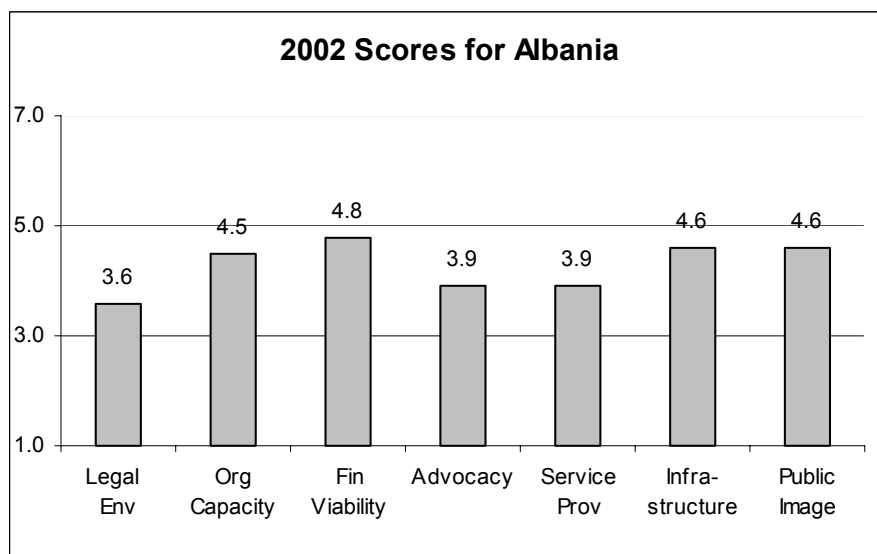
Consolidation (1-3)

This stage is characterized by growing public knowledge of and trust in NGOs, and increased rates of voluntarism. NGOs coalesce to mount a campaign to win public trust. Widespread examples of good working relationships between NGOs and national and local governments exist, and can result in public-private initiatives or NGO advisory committees for city councils and ministries. Increased accountability, transparency, and self-regulation exist within the NGO sector to win public trust, including existence of a generally accepted code of ethics or a code of conduct.

2002 Score Sheet

COUNTRY	LEGAL ENVIRON	ORG CAPACITY	FIN VIABILITY	ADVOCACY	SERVICE PROVISION	INFRA STRUCTURE	PUBLIC IMAGE	OVERALL SCORE
CZECH REPUBLIC	3.0	2.9	2.0	1.8	2.2	3.0	2.3	2.5
ESTONIA	2.0	2.2	2.6	2.1	2.5	1.9	2.0	2.2
HUNGARY	1.4	2.7	3.0	3.5	2.3	2.5	3.0	2.6
LATVIA	2.8	3.0	3.5	2.0	2.5	3.0	3.0	2.8
LITHUANIA	1.6	2.9	2.9	1.8	3.8	2.3	3.8	2.7
POLAND	2.1	2.2	2.8	2.2	2.1	1.9	2.3	2.2
SLOVAKIA	2.6	1.7	3.0	1.6	2.2	1.7	1.8	2.1
<i>Regional Average</i>	2.2	2.5	2.8	2.1	2.5	2.3	2.6	2.4
ALBANIA	3.6	4.5	4.8	3.9	3.9	4.6	4.6	4.3
BOSNIA	3.5	3.9	5.5	3.9	4.5	4.5	3.8	4.2
BULGARIA	2.0	4.5	3.8	2.5	2.8	2.5	3.5	3.1
CROATIA	2.8	4.0	5.1	3.0	3.7	3.9	3.5	3.7
KOSOVO	3.3	4.2	6.0	4.1	5.0	3.7	3.9	4.3
MACEDONIA	3.0	4.0	4.6	3.6	4.8	3.7	4.0	4.0
MONTENEGRO	3.7	4.8	5.5	4.7	4.2	4.6	4.8	4.6
ROMANIA	3.0	4.0	4.5	4.0	3.1	3.6	3.8	3.7
SERBIA	4.5	3.9	5.5	3.3	4.2	3.4	4.0	4.1
<i>Regional Average</i>	3.3	4.2	5.0	3.7	4.0	3.8	4.0	4.0
ARMENIA	3.8	3.9	5.6	4.2	4.0	4.2	4.0	4.2
AZERBAIJAN	5.0	5.0	6.0	5.0	5.0	4.6	5.5	5.2
BELARUS	6.5	4.7	5.7	5.4	4.9	4.5	5.2	5.3
GEORGIA	3.9	4.0	4.9	4.3	4.2	4.0	4.4	4.2
KAZAKHSTAN	4.2	4.0	4.8	4.0	4.0	3.9	3.9	4.1
KYRGYZ REPUBLIC	3.7	4.3	5.0	3.3	3.9	3.7	4.1	4.0
MOLDOVA	3.3	4.5	5.2	4.2	4.4	3.8	4.2	4.2
RUSSIA	4.0	3.9	4.4	4.2	3.7	3.2	4.4	4.0
TAJIKISTAN	4.6	4.5	5.5	4.5	4.5	4.1	4.5	4.6
TURKMENISTAN	6.5	5.3	5.3	6.1	5.0	5.2	6.0	5.6
UKRAINE	4.5	3.5	5.0	3.5	3.0	3.5	5.0	4.0
UZBEKISTAN	4.3	4.5	5.5	4.9	4.4	4.7	4.4	4.7
<i>Regional Average</i>	4.5	4.3	5.2	4.5	4.3	4.1	4.6	4.5

ALBANIA



Capital: Tirana

Polity:
Presidential-
parliamentary
democracy

Population:
3,544,841

**GDP per capita
(PPP):** \$3,800

NGO SUSTAINABILITY: 4.3

Albania continued down the road to normalcy over the past year, although not without meeting some political speed

NGO SUSTAINABILITY	
2002	4.3
2001	4.6
2000	4.6
1999	4.8
1998	4.2

bumps along the way. The Kosovo crisis receded in memory and public order was further strengthened.

However, there were three changes of government between December 2001 and July 2002. Fortunately, while the political debate accompanying these changes was extreme and acrimonious, there were no serious threats to public order.

It is believed that there are currently between 400 and 800 NGOs in Albania, approximately 300 of which are active. The strongest NGOs are those engaged in advocacy, youth issues and civic education. Women's organizations are also strong,

but few in number. Service organizations have also grown in strength.

The overall outlook for the sector is mixed. The implementation of the liberal and progressive NGO law, passed in May 2001, languishes. Only forty NGOs have been registered under the new law. A standardized registration procedure does not yet exist. On the positive side, the NGO coalition on anti-corruption has demonstrated marked progress and is seen by government as an important partner in the fight against corruption. Capacity building within the NGO sector continued and there has been some improvement, but needs are still great. Even the strongest NGOs remain donor-driven and dependent, as a result of the constricted Albanian economy and the absence of an Albanian history of individual and corporate philanthropy.

While Albanians have been confident of their physical safety since the collapse of

the pyramid schemes and the Kosovo crisis, the economy remains poor and civil society development is sluggish, at best. Priorities for development within Albania include strengthening organizations and

associations within the justice system, the media, the health care sector, small businesses, agriculture and the social services sector.

LEGAL ENVIRONMENT: 3.6

The current legal environment does not generally restrict the development of the NGO sector. While the most recent NGO legislation is perceived as very favorable to the NGO sector, the lack of clear regulations and the subsequent implementation

LEGAL ENVIRONMENT	
2002	3.6
2001	4.0
2000	4.0
1999	4.0
1998	4.0

of those regulations means that many issues remain unclear, including financial reporting, taxation, and registration procedures. Implementation of the

law has been uneven and arbitrary, depending largely on the whims of individual judges. In order to improve this situation, standardized forms are being developed and judges are being trained.

The package of NGO legislation contains excellent substantive criteria relating to NGO registration. One drawback is the requirement that all NGOs register in the Tirana District Court. However, this central registration requirement should make it fairly easy in the coming years to gather reliable data on how many NGOs are in Albania and in what sectors they are operating.

NGOs and their representatives are generally able to operate freely and without harassment by central or local govern-

ments. NGOs can address matters of public debate and express criticism.

There are a large number of local lawyers familiar with the NGO law. The *pro bono* efforts of the NGO-government working group on the NGO law show a positive impact on the sustainability of the NGO sector. However, most of these experts are in Tirana. While there is some limited legal advice outside of Tirana, it is insufficient to meet demands. Training will be provided in the coming years to expand the availability of legal services to the other regions of Albania. Government officials and Tirana District Court judges remain largely ignorant of the provisions of the law.

NGOs serving the public benefit are entitled to tax exemptions. Corporations engaged in “sponsorship” and individual “traders”—but not those on a wage contract—are entitled to receive tax deductions for donations. NGOs typically do not pay taxes on grants received. There is a need to clarify the tax framework and to provide additional tax benefits to NGOs and their benefactors, although the Ministry of Finance is unlikely to grant greater tax benefits to NGOs in the near future.

The new legislation allows NGOs to earn income from the provision of goods and services. It also generally states that NGOs are allowed to compete for government contracts and procurements.

ORGANIZATIONAL CAPACITY: 4.5

On the whole, there have been some positive changes in terms of organizational capacity in the NGO sector over the past

ORGANIZATIONAL CAPACITY	
2002	4.5
2001	5.0
2000	5.0
1999	5.0
1998	4.0

year, but much remains to be done. With few exceptions, Albanian NGOs remain donor-driven and dependent. Organizations change their missions to apply for grants rather than using their missions as a tool to build a constituency. Constituency-building remains one of the weakest elements of NGO organizational capacity. There is very little understanding among NGOs of how to involve communities in their work and donors offer little training or technical assistance to build the community development capacity of NGOs.

Advances have been reported over the past year in the areas of staffing and strategic planning, due largely to the ongoing training efforts of Partners for Democratic

Change. However, further improvements are needed in these areas. NGOs also remain weak in their management structures and technical advancement. A few NGOs are seeking training to set up new boards or train the existing ones on volunteer principles. The boards of most organizations, however, have little understanding of their relationship with the staff and most NGOs still tend to revolve around a single strong leader. Board members tend to play a weak role in terms of leadership and positive development, and many are there simply because they are paid. Boards are also seen as a donor-driven development and their value to NGO operations is questioned. Delegation of authority remains the odd exception and occurs primarily in Tirana. NGOs are still characterized by limited use of volunteers and there is little training for organizations on how to utilize and recruit for volunteers or for volunteers themselves.

FINANCIAL VIABILITY: 4.8

The NGO sector remains highly dependent

FINANCIAL VIABILITY	
2002	4.8
2001	5.0
2000	5.0
1999	5.0
1998	5.0

on the donor community for grants and as customers for their services. There are few opportunities to raise funds locally. Business is nascent and the government continues to face major financial, infrastructural and social problems with a minimal level of financial and human resources. While the legal framework has been modified to offer in-

centives to businesses to support charitable activities, the practice of philanthropy remains non-existent. NGOs are treated as businesses in regard to water, electricity and communications rates, paying twice the level of residential rates. Financial viability for the great majority of NGOs remains a distant dream.

Diversification of funding, financial management systems, fundraising abilities and possibilities for earned income are still widely lacking in the sector.

2002 NGO Sustainability Index

Donors offer little oversight of their grants, thereby passing up potential training opportunities. In turn, financial mismanagement is fairly widespread. The NGO sector is not immune from the pervasive corruption throughout Albania.

Unfortunately, the fiscal decentralization

that took effect on January 1, 2002 did not provide local NGOs with more opportunities for financial partnerships. Simply put, local governments did not have the resources to actively engage the NGO community as the central government failed to meet privatization targets and expected revenue levels.

ADVOCACY: 3.9

The most successful and developed NGOs have strong advocacy skills, al-

ADVOCACY	
2002	3.9
2001	3.0
2000	4.0
1999	4.0
1998	4.0

though these are often based on individual leaders' relationships with the government, whether local or central. NGOs are increasingly active in the formation of government policy and have continued to establish good working relationships with ministries and local governments. Despite these improvements in NGO-government relationships,

they remain at a rudimentary level.

they remain at a rudimentary level.

In fact, advocacy efforts slipped significantly during the past year for two reasons. First, because of the changes in government, government leaders were constantly being replaced, not allowing NGOs the time needed to develop strong working relationships with those in power. Second, the World Bank's social sector improvement program is being channeled through the NGO community. Many NGOs, therefore, moved from an advocacy focus to one of social service delivery.

SERVICE PROVISION: 3.9

There has been a marked improvement in NGO service provision in the recent past. The current NGO law allows NGOs to provide goods and services. Since the Kosovo crisis, the number of NGOs working in service delivery has been increasing, although delivery remains insufficient to meet demand. Most of

SERVICE PROVISION	
2002	3.9
2001	5.0
2000	5.0
1999	5.0

the newer social services NGOs are outside Tirana. In contrast to the past, most of the projects undertaken are long term and involve the communities, improving NGOs'

chances of sustainability. While NGOs still lack skills in project and financial management and cost recovery efforts, continued training is slowly improving this situation.

Albania recently became the first country in the Europe and Eurasia region to adopt a World Bank-mandated Poverty Reduction Strategy (PRS). As part of the PRS, the World Bank has insisted that NGOs, rather than public organizations, implement its social programs. This has encouraged NGOs to turn to the provision of services as a way to meet community needs and to access funding.

INFRASTRUCTURE: 4.6

Outside of Tirana, resource centers remain few and far between, while those that do exist are rudimentary, providing access

INFRASTRUCTURE	
2002	4.6
2001	5.0
2000	5.0
1999	5.5

only to computer equipment, photocopying, and, in some, language training. Access to the Internet is very limited as there are no

Internet Service Providers outside Tirana; therefore, expensive phone calls to Tirana are required to access the Internet. Internet access is a clear indicator of the general lack of access to information outside of the capital and explains the relative lack of development in the outlying regions. The few resource centers that do exist outside Tirana compete for information and have no network through which to distribute the information they have.

Organizational development services, very much a need within the NGO sector, are not widely available. ANTARC is the only organization offering such training, but it contracts its services to international NGOs and carries out most of its workshops in Kosovo. Over the medium term, the situation may improve somewhat as a new Albanian staffed NGO Resource Center will be established over the coming two years.

The creation of coalitions and partnerships is embryonic. Partnerships tend to be *ad hoc* and dissolve when the creative issue is resolved. Lack of trust in others is pervasive and makes long lasting relationships difficult. Donors attempt to encourage the development of coalitions, in part by giving priority to grant applications from groups of NGOs over individual organizations.

PUBLIC IMAGE: 4.6

The public image of NGOs has continued to improve slowly since the Kosovo crisis in 1999. However, many weaknesses remain. Very few NGOs publish annual reports or accounts,

PUBLIC IMAGE	
2002	4.6
2001	5.0
2000	4.5
1999	5.0
1998	4.0

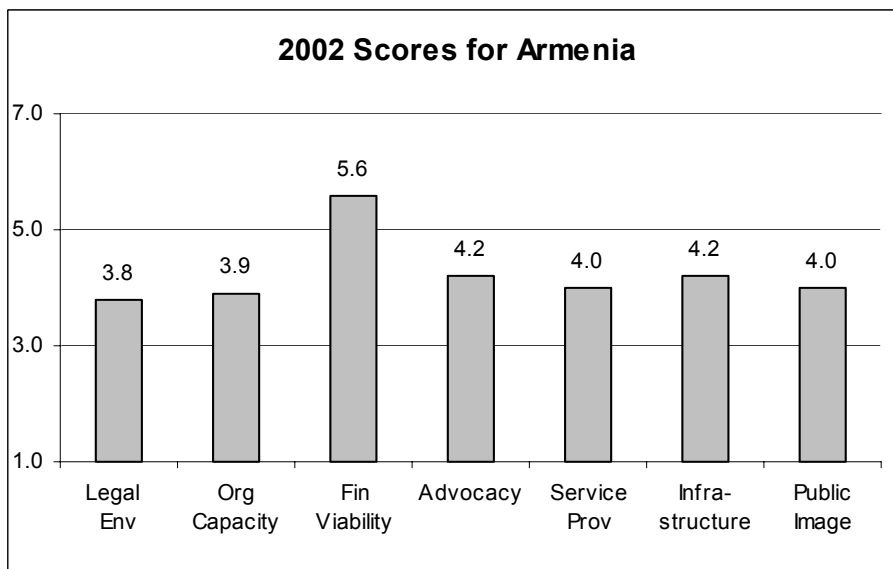
although there are a few extraordinary exceptions to this rule that place both programmatic and financial reports on the Internet for public scrutiny. There is

no Code of Ethics for NGOs in Albania.

Both NGOs and the media require training in order to increase understanding of each

other. The media lacks knowledge and understanding of NGOs' work and the role NGOs play in a civil society. The media has played a positive role in educating the public about some NGO activities but do not analyze the problems addressed by NGOs. Media outlets do not air Public Service Announcements for free; as a result, there are no PSAs. While NGOs still have little experience working with the media, they have become more proficient in getting their message out to the public. NGO relationships with government and business have improved recently as a result of donor-led initiatives such as the PRS and the Albanian Coalition Against Corruption.

ARMENIA



Capital:
Yerevan

Polity:
Presidential-parliamentary democracy

Population:
3,330,099

GDP per capita (PPP): \$3,350

NGO SUSTAINABILITY: 4.2

According to the Ministry of Justice, there are 2,815 registered NGOs, approximately 75% of which are active. The situation of

NGO SUSTAINABILITY	
2002	4.2
2001	4.4
2000	5.0
1999	5.1
1998	5.5

Armenian NGOs has continued to improve over the past year. Progress is visible particularly in the regions, where grants programs targeting nascent NGOs have given rise to a flurry of activity in formerly neglected areas of the country. Over the summer, NGOs in each region collaborated on putting together exhibitions for the first NGO fair in Armenia, which took place in Yerevan in November 2002. Signs of progress can also be seen in areas

such as organizational capacity and infrastructure. Partnerships between local authorities, on both formal and informal basis have increased this year. Local governments have begun to include NGOs on budget reviews and capital planning exercises and are providing in-kind support to local groups. Nowadays it is not uncommon to see NGOs included in working groups led by the central government, such as groups focused on anti-trafficking and children's rights. Nevertheless, Armenia's frail economy and difficult social conditions continue to hamper the sustainable development of NGOs. Despite the fact that most NGOs are reliant on the international community for financial support, the programs of a significant core group of advanced NGOs are pro-active rather than donor-driven.

LEGAL ENVIRONMENT: 3.8

At the moment, the Law on Public Organizations, passed in December 2001, is the primary law regulating NGO activities. While most NGOs are satisfied with the

LEGAL ENVIRONMENT	
2002	3.8
2001	4.0
2000	4.0
1999	4.0
1998	5.0

law, there have been complaints concerning implementation. NGOs, particularly in the regions, have encountered lengthy procedures due to faulty interpretation by civil servants. A recent training of NGO legal experts and their counterparts from various ministries on the NGO legal framework may result in an amendment that would finally allow NGOs to engage directly in entrepreneurial activities. Additionally, there are two laws in draft form, one on charities and the other on

foundations, which are near completion. The former will regulate humanitarian organizations and the latter foundations. The draft law on charities, which has already passed the third hearing in the National Assembly and only needs the President's signature to become law, has incorporated many suggestions by ICNL and the NGO community, including the notion of public benefit status. However, despite attempts by NGOs and ICNL to have it taken out, the law contains a clause stating that charitable status, and hence tax exemption, will be granted on a project-by-project basis rather than to an organization as a whole. Unlike the Law on Public Organizations, the draft law on Foundations, which incorporated input from ICNL, does allow foundations to engage directly in entrepreneurial activities.

ORGANIZATIONAL CAPACITY: 3.9

Despite the ever-present competition for grants from the limited number of donors, NGOs are beginning to define and stick to their missions. An

ORGANIZATIONAL CAPACITY	
2002	3.9
2001	4.0
2000	5.0
1999	5.0
1998	5.0

increasing number of NGOs are availing themselves of training in the area of institutional development. NGO strengthening programs have increased Armenian NGO capacity in the areas of personnel and financial management, board development and program monitoring. Volunteerism,

given the economic environment, is still rare and mainly initiated by international NGOs. Although the majority of salaried NGO employees are funded through projects, there are an increasing number of employees who volunteer their time between grants. Training, technical assistance and grants to regional NGOs are gradually lessening the divide between the capital and the region in terms of organizational capacity. NGOs active in the regions are beginning to intensify work with constituents at grass-roots level on issues such as domestic violence and poverty reduction.

FINANCIAL VIABILITY: 5.6

While the economic situation remains virtually the same, there is a light at the end of the tunnel for NGOs in the form of growing

FINANCIAL VIABILITY	
2002	5.6
2001	6.0
2000	6.0
1999	6.0
1998	6.0

recognition on the part of local governments of the utility of NGOs. Although this has not yet taken the form of grants or payment for services, many local governments are providing NGOs with in-kind donations in the form of free office space or transportation. Some

NGOs have formed separate companies so that they can offer services for a fee. On the whole, NGOs remain dependent on international donors for funding and find it difficult to sustain their activities without a constant infusion of outside support. Local sources of private philanthropy are still more or less nonexistent. NGOs' capacity to absorb large grants has increased significantly. For the first time in its ten-year history in Armenia, USAID began to give grants directly to Armenian NGOs who were able to satisfy USAID's administrative and financial management requirements.

ADVOCACY: 4.2

The slight drop in score from last year can be partially explained by the fact that it was the first year of an advocacy grants program and therefore the beginning of true advocacy efforts in Armenia. Expectations were high but since advocacy initiatives take considerable time to reach fruition, the impact is not always immediate. Nevertheless, advocacy efforts of NGOs

ADVOCACY	
2002	4.2
2001	4.0
2000	5.0
1999	5.0
1998	6.0

have resulted in several initiatives presently being reviewed by the National Assembly covering a wide range of issues. For example, an NGO comprised of parents of disabled children have cooperated with Ministries and MPs on the elaboration of amendments to five different laws and six regulations affecting disabled children's access to public education. Another NGO has advocated for the adoption of a law on the privatization of refugees' dwellings, patients' rights, and the family code. There

has, however, been a tendency to confuse advocacy with legislative drafting, resulting in a number of initiatives involving amendments to legislation but a disappointing lack of advocacy campaigns involving constituents. Due to the nature of Armenian politics, the practice of advocacy and lobbying remains a matter of personal contacts rather than broad-based initiatives. There have been coalitions formed around specific issues such as the Poverty Reduction Strategy Paper, domestic violence, anti-trafficking and Anti-Corruption. With local elections in October 2002, and Presidential and Parliamentary coming up in early 2003, a number of election-related initiatives involving NGOs at both the regional and national levels are being planned and implemented. Work with community groups and local election commissions on voters lists, training in election observation and voter education are some of the activities undertaken by NGOs.

SERVICE PROVISION: 4.0

There are an increasing number of NGOs providing much-needed social services. Soup kitchens for the elderly, hospice care

SERVICE PROVISION	
2002	4.0
2001	4.0
2000	4.0
1999	5.0

for the terminally ill, sex education in secondary schools and hygiene for preschoolers are some of the services provided by the NGO sector.

Alas, international donors, rather than the Armenian public sector, fund the majority of these activities.

There have been positive signs on the part of at least one Ministry (Social Security)

aimed at creating social partnerships with NGOs. A model program of social partnership has begun in Lori marz (region) where NGOs have been provided with an office in the newly created Integrated Social Service center. There is still resentment on the part of certain ministries that donor funding is going directly to NGOs rather than the government. The range of services offered by NGOs has broadened somewhat to include assistance to small businesses and media organizations; however, on the whole, the sector's 'product line' has not diversified.

INFRASTRUCTURE: 4.2

Intermediary Support Organizations (ISOs) and NGO Resource Centers have added branches now covering a large part of the country. Training and consultations are

INFRASTRUCTURE	
2002	4.2
2001	4.5
2000	6.0
1999	5.5

provided on proposal writing, financial reporting and organizational development. International donor funds

are re-granted through the Yerevan offices of the ISOs to regional NGOs for a particular project or as start-up funds. A cadre of local trainers has been formed, but in-

ternational donors fund these trainers. Few, if any NGOs, have their own resources to hire trainers themselves. As yet there are no community foundations using local funding for NGOs, although there are a few NGOs who collaborate with community action groups to raise some limited funds for community projects, such as repairing water pipes and cleaning public spaces. NGO networks have been formed around several issues: integration of handicapped children into the community and public education system; mass media regulations; freedom of information and domestic violence.

PUBLIC IMAGE: 4.0

There has been no major change in media coverage of NGO activities this year. Both print and broadcast media cover most major events organized by NGOs but do not offer any real analysis. While NGOs and media continue to

PUBLIC IMAGE	
2002	4.0
2001	4.0
2000	5.0
1999	5.0
1998	5.5

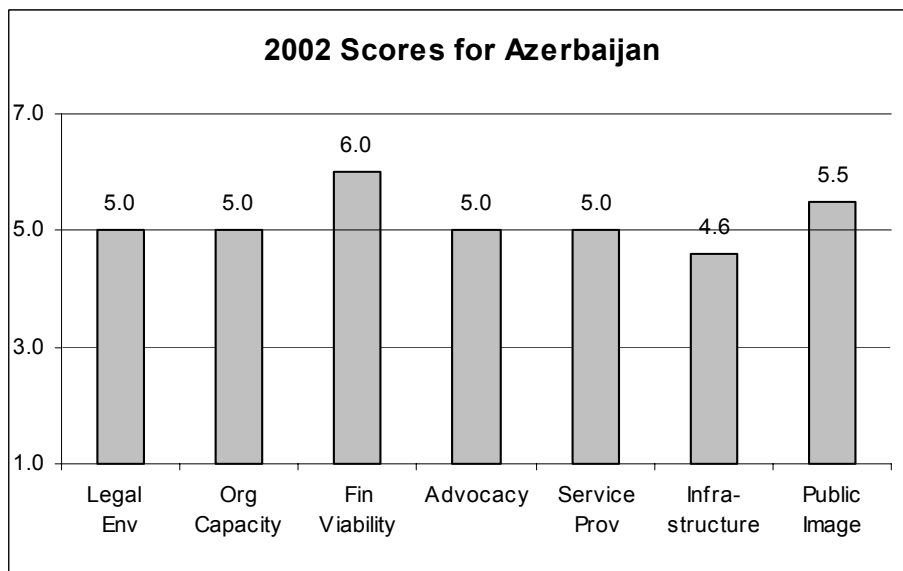
work closely on certain issues of mutual interest – anti-corruption or elections, most press coverage remains passive. NGOs continue to work with both private and public television to produce public service announcements and/or documentaries. Many stations will provide airtime for free or at a reduced cost for NGOs to broadcast PSAs or do more programs with the participation of NGO representatives. It is

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too early to see the results of recent targeted training for journalists and NGOs on media relations. The population at large still only recognizes the names of a few NGOs and those are mainly service providers. NGOs continue to make an effort to establish cooperative relations with government, particularly at the local level.

Over the past year, several ministries have invited NGOs to participate on working groups, including those focused on anti-trafficking and children's rights. Few, if any NGOs publish their annual reports, although this is due more to a lack of finances than lack of transparency.

AZERBAIJAN



Capital:
Baku

Polity:
Presidential
(dominant party)

Population:
7,798,497

**GDP per capita
(PPP):** \$3,300

NGO SUSTAINABILITY: 5.2

NGO SUSTAINABILITY

2002	5.2
2001	4.9
2000	5.0
1999	5.7
1998	6.4

Out of 1,400 NGOs registered with the Ministry of Justice, only 450 are active operating, primarily in areas such as education, health care, children's issues, environment, youth, human rights, gender issues, refugees and IDPs, economy, arts, and culture.

The most serious issue for development of the NGO sector is the inability of the vast number of initiative groups to register as NGOs with the Ministry of Justice. According to expert analysis, both the legislation itself and its implementation by Ministry of Justice officials are inadequate, thereby restricting the ability of NGOs to register and function.

NGO capacity in Azerbaijan is still quite low. They work mainly from project to project and rely heavily on a top-down management structure. Few NGOs develop or utilize constituencies, strategic plans, mission statements or maintain permanently paid staff. Only a small portion of the NGO sector, mostly in Baku, is technically well equipped. In terms of capacity, Baku-based NGOs are generally more advanced than their counterparts in the regions.

NGOs receive the majority of their funding from international organizations, foreign companies and diplomatic missions. A few NGOs have started fee-based services while others plan to initiate them, but progress in this area is constrained by the legal environment. For example, the Tax Code does not distinguish between income-generating activities of NGOs and for-profit operations of private businesses. Some areas like tax benefits for charitable

giving are not regulated by legislation and therefore do not promote philanthropic contributions to the work of NGOs.

Advocacy and lobbying are still nascent areas for Azerbaijani NGOs who have little understanding of this terminology and the benefits they could bring to their operating environment. During the past year any

progress made in this area should be attributed to the pressure placed on the NGOs themselves and the government by international organizations and foreign embassies. Government officials and the general population continue to perceive NGOs as anti-government, opposition, or business-related, and not a movement to be taken seriously.

LEGAL ENVIRONMENT: 5.0

NGOs in Azerbaijan operate in an unfavorable legal environment with multiple and sometimes conflicting laws and regulations governing their status, general operations and registration procedures.

LEGAL ENVIRONMENT	
2002	5.0
2001	5.0
2000	5.0
1999	6.0
1998	7.0

Current legislation includes the NGO Law of June 2000; the Law on the Registration of Legal Entities of 1996; the Grants Law of 1998; and, internal MOJ regulations on NGO Registration Procedures. In general, the legislation is vague on permissible activities, financial procedures and reporting requirements, thereby allowing the government to interpret or apply the law at their discretion.

The factor most hampering NGO development is the registration of NGOs, or the lack thereof. The Ministry of Justice, which is responsible for NGO registration, utilizes internal instructions and regulations that are not available to the public to regulate the registration of NGOs. This has resulted in a near halt in registration of new organizations over the past two years. The existing Law on the Registration of Legal Entities, however, requires that written notifications be provided to the applicant within ten days of an application being received and provides for a written explanation for any rejection. However, the Ministry does not issue receipts when applications are submitted and they very rarely proffer

loosely written rejection letters, thus providing the applicant with no recourse for challenging the Ministry's decision. Due to the severity of the problem, several international donor organizations and diplomatic missions are working with Azerbaijani NGOs to solve the registration problem.

Though legislation formally provides NGOs with the right to work without restraint, in reality this is not the case as officials create numerous artificial impediments for NGOs. The government uses spontaneous tax or labor inspections to place pressure on NGOs to conform or in some instances to dissolve them. In fear of being visited by these agencies, most NGOs do not involve themselves in political or social concerns if their involvement may be seen in an unfavorable light by the government. In other words, self-regulation is frequently practiced by NGOs in Azerbaijan.

The government also puts up barriers to discourage NGOs from operating in certain sensitive areas. For instance, the NGO Law precludes NGOs from monitoring presidential, parliamentary, and municipal elections if they receive money from foreign legal entities or Azerbaijani entities with significant foreign ownership or financing.

The Azerbaijani Tax Code provides NGOs with tax exemption on monies received in the form of grants but taxes them on any

income they generate from this money or other resources at an enormous 27%, making it difficult to attain financial viability. Additionally, the Tax Code does not provide for tax deductions for individual or corporate donors who contribute to the work of NGOs, thereby stunting the growth of philanthropy in Azerbaijan.

Qualified legal assistance for NGOs is insufficient to meet the growing needs of the NGO community. The few local lawyers with experience in aiding NGOs are based

in Baku, leaving those in the region with virtually no assistance. This is not likely to change, as there is little financial or political incentive to work in this area. Most NGOs cannot afford to pay for legal services nor can most attorneys afford to be seen supporting NGO, as this is viewed as opposition to the government. The few legal services that are provided are only generally carried out through grants to local groups such as the Center of Legal and Economic Education and the Society of Legal Education.

ORGANIZATIONAL CAPACITY: 5.0

In general, the internal capacity of NGOs and their management structures remain ineffectual. Most NGOs are organized around one or two individuals and the

ORGANIZATIONAL CAPACITY	
2002	5.0
2001	5.0
2000	5.2
1999	5.8
1998	6.0

general membership is made up of friends or family members who are unlikely to counter the authority of the founder. Many are organized for

economic reasons rather than to fulfill a societal need or civic responsibility as NGOs are seen as opportunities for employment and income. Large numbers of Azerbaijani NGOs do not have paid or permanent staff. Instead, they operate with a pool of temporary staff paid on a project to project basis.

Very few NGOs have functioning managing bodies. Boards of Directors or Advisory Boards often exist only on paper in order to meet legal requirements. The majority of NGOs also lack comprehensive record systems.

Most NGOs do not understand the concept or purpose of a mission statement, often confusing a mission statement with the broad activity areas listed in their by-laws. Unstable funding contributes to this. In their efforts to find funding, NGOs often switch from one area to another, sometimes doing projects outside their reported mission.

The majority of Azerbaijani NGOs have little understanding of the importance of constituency building and as such make little effort to develop constituencies. However, a very small number of NGOs are beginning to apply some strategic planning techniques.

Most NGOs, especially those in the regions, lack up-to-date equipment for their daily operations. Instead, they have old equipment or no equipment or office space at all. These NGOs can use equipment provided through resource centers. For office space, NGOs either rent space for the life of an individual activity or operate from a staff member's private apartment.

FINANCIAL VIABILITY: 6.0

Some NGOs try to conduct income-generating activities as allowed by law. However, revenues are limited and taxed

FINANCIAL VIABILITY	
2002	6.0
2001	6.0
2000	6.0
1999	6.0
1998	6.0

on the same scale as for-profit organizations. Further constricting income generating abilities is the lack of marketing skills and the non-competitive goods and services

that are often produced. Very few NGOs collect membership fees. The situation is even worse in the regions where overall financial capabilities are more limited.

Because of scarce funding, most NGOs do not see a need to produce financial reports regularly or at all. Due to insufficient funding, they can neither afford professional financial services nor pay for external audits. Although required by law, NGOs do

not publish annual financial statements and reporting to donors is only done when specifically required by a donor.

Azerbaijani NGOs practice few fundraising techniques. A few have attempted to engage in outreach and fundraising activities, but with little or no success at building their membership base or adding to their coffers. The weakness of Azerbaijani legislation further hinders fundraising as it neither regulates nor provides incentives for the growth of philanthropy. Therefore, international donor organizations, foreign companies and diplomatic missions almost exclusively provide the funding resources for Azerbaijani NGOs.

Very few NGOs have service contracts with businesses and government, as NGOs are not sufficiently marketing their services to them.

ADVOCACY: 5.0

Very few issue-based NGO coalitions exist and there is little or no understanding of the concept of lobbying by NGOs in Azerbaijan.

ADVOCACY	
2002	5.0
2001	5.0
2000	5.5
1999	6.0
1998	6.5

Local NGOs compete with each other for limited funding, which often results in unhealthy competition between them. This is especially applicable in the

regions of Azerbaijan, where access to financial support is not readily available.

However, in 2002 with the encouragement of the international community, local NGOs did come together to fight proposed changes to the Law on Grants that would have required both grant recipients and donor organizations to register their agreements with the respective govern-

ment agencies. Unfortunately, after the lobbying efforts of the coalition successfully stopped the President from signing the amendment, the group quickly disbanded and returned to their previous competitive relationships. By doing so, an opportunity was lost to use the coalition's momentum to address other issues such as registration concerns and a new draft Law on the Registration of Legal Entities.

NGOs understand the importance of cooperation with the government better than the government does. The government cooperates with NGOs only when it sees such cooperation as being to its advantage. This is largely due to the mistrust that still exists between the government and the NGO sector in Azerbaijan.

Yet, in 2002 there appeared to be some moderate break through in this area as

well. For instance, in cooperation with the Ministry of Youth and Sport, the Azerbaijan Democratic Student and Youth Organization conducted a series of seminars on involving youth in building a democratic society. Additionally, the Center for Debate

in Civil Society cooperated with the Ministry of Education to introduce interactive teaching methods into educational institutions and the NGO Symmetry collaborated with police to develop training courses for policemen on women's rights.

SERVICE PROVISION: 5.0

Humanitarian issues, environmental concerns and youth initiatives constitute the areas where Azerbaijani NGOs are the

SERVICE PROVISION	
2002	5.0
2001	5.0
2000	4.5
1999	4.5

most active; however, groups operate in some twenty areas including conflict resolution, human rights, women's rights, education, community rights,

culture, and economics. Services that NGOs provide include the distribution of relief items, support for people with disabilities, consultative services for farmers

and businesses, civic and legal education, and increasing professional qualifications through training and linkages.

Many NGOs provide goods and services to constituencies broader than their members but they rarely include outside stakeholders in the planning, development or implementation of those projects. In general, NGOs implement their projects based on their own understanding of the situation or the interests of international donors. In either case, NGOs do not conduct surveys to prioritize needs existing in their areas of activity.

INFRASTRUCTURE: 4.6

The state of the infrastructure for Azerbaijan's NGO sector has changed little over the past year. However, several serious weaknesses in this dimension were over-

INFRASTRUCTURE	
2002	4.6
2001	3.0
2000	4.5
1999	5.5

looked in last year's report, thereby explaining the lower score this year. There are ISOs and resource

centers operating both in Baku and the regions of Azerbaijan, which are operated mostly by international organizations, either directly or through local coalitions like the NGO Forum. These centers provide services to NGOs that include access to the Internet and other information resources and to the use of basic office equipment. Beyond access to information and technology, some centers provide

training and legal consultations to NGOs and, in some cases, the general public. ISOs and resource centers do not usually charge for their services.

International organizations continue to provide the bulk of a wide range of NGO management training courses. The availability of these programs is more frequent in Baku and sporadic at best in the regions, although the availability of regional programs is slowly expanding. The professionalism of local NGO trainers is low, but increasing. Additionally, while much of the training materials are still produced in Russian or English, the production of training materials in Azerbaijani is on the rise.

NGOs understand the importance of information exchange and regularly meet, exchange information and discuss common problems when international organi-

zations initiate such discussions. However, there is little coordination among these groups to carry out common actions and to promote the interests of local NGOs. In general it remains the role of the interna-

tional community to promote, organize and coordinate joint actions of local NGOs. Intersectoral partnerships do not exist.

PUBLIC IMAGE: 5.5

NGOs do not take sufficient efforts to create a positive public image. They do not promote transparency in their activities and they remain closed from the general

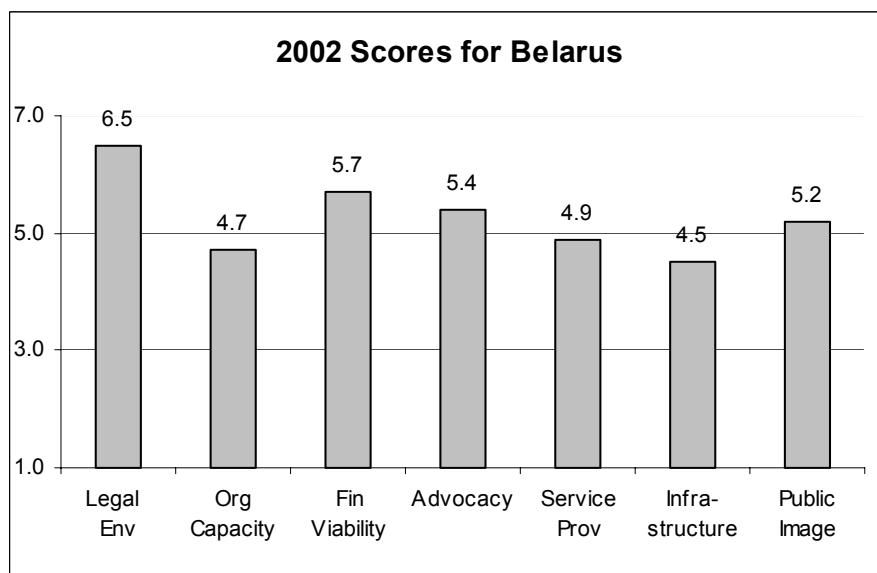
PUBLIC IMAGE	
2002	5.5
2001	5.0
2000	4.5
1999	6.0
1998	6.5

population. As a result, public awareness about NGOs and their activities remains low. According to the IFES 2002 Public Opinion Survey, only 13% of those surveyed were aware of an NGO operating in their area. More astonishingly though was that 68% of those surveyed were not aware of what an NGO is. Furthermore, NGOs are often negatively associated with a political party, are confused with private businesses, or are considered either pro- or anti-government rather than independent and contributing to the development of civil society. Government officials also

view NGOs in a negative light. While this is partly due to the old perception that NGOs are anti-government, it can also be partly attributed to the fact that NGOs provide little information about themselves and their programs to the public.

Nonetheless, in 2002 there was a limited increase in positive media coverage of NGOs at both the local and national levels. This is due in part to information and training provided to local NGOs by their international supporters on how to better market their programs and to make them newsworthy. However, for most NGOs, advertising their projects is still unaffordable and media outlets do not offer a mechanism whereby public service announcements are aired for free. Regardless, it is expected that media coverage of NGOs will continue to rise with the professionalism of both the media and NGOs.

BELARUS



Capital:
Minsk

Polity:
Presidential

Population:
10,335,382

**GDP per capita
(PPP):** \$8,200

NGO SUSTAINABILITY: 5.3

As of August 2002, there were 1,980 not-for-profit organizations registered in Belarus, including 196 international NGOs, 757 national NGOs, and 1,027 local NGOs.

NGO SUSTAINABILITY

2002 5.3
2001 5.5
2000 5.7

While the overall score did not change significantly over the past year, this lack of deterioration is a positive sign in and of itself, given the strong potential for erosion under the current regime. The NGO sector in Belarus operates within a very repressive regime. It is difficult and expensive for NGOs to register, there are ex-

amples of NGOs being closed for minor or fabricated pretexts, and it is virtually impossible for NGOs to invoke the tax-exemptions they are legally entitled to. As a result of government harassment, many NGOs exercise self-censorship when it comes to political activities, in order to avoid attracting unwanted attention. The repressive environment also leads to problems with financial sustainability. Few local sources of funding exist, and much foreign funding is provided in the form of cash to avoid excessive taxation or interference. As the majority of media outlets are state-run, it is also exceedingly difficult for NGOs to promote a positive image of themselves with the general public.

LEGAL ENVIRONMENT: 6.5

The NGO sector in Belarus is faced with numerous bureaucratic requirements and obstacles, several of which were introduced over the past year. The slow pace of NGO

registration by the Ministry of Justice continues to be problematic, often taking more than twelve months, in clear violation of the legally prescribed two-month registration pe-

riod. Registration fees for membership NGOs were dramatically increased in July 2002: by 25% for local public associations, and by 300% for national and international NGOs. In contrast, "non-membership" public associations, such as some foundations, have less difficulty with registration.

LEGAL ENVIRONMENT	
2002	6.5
2001	7.0
2000	7.0

The inconsistency of NGO-related laws, bylaws and other regulations permit state authorities to persecute NGOs, sometimes violently.

The courts place obstacles on NGOs' rights to operate. NGOs can publish materials, advocate, and bring cases to court; but they practice self-censorship when it comes to implementing activities that may be viewed as political to avoid attracting unwanted attention. There are examples of NGOs being closed for minor or fabricated pretexts, presumably as punishment for advocating a position contrary to the authorities.

The capacity of local lawyers to address NGO law issues is improving. NGOs have access to free legal consultations not only in

capital and regional centers, but also in other industrially developed cities.

Tax exemptions for NGOs exist in theory, but the process to invoke tax-exempt status is very complicated and centralized. Various agencies of the central government apply the tax exemption laws in an arbitrary and inconsistent manner. Local businesses do not have any incentives to donate to the NGO sector as tax regulations do not provide for tax deductions for donations to NGOs. In January 2002, the tax status of local and foreign grants changed completely; local donations and grants are not treated as income and thus are exempt from income tax.

The existing legal environment does not encourage NGOs to earn revenue. While NGOs are permitted to engage in economic activities that are authorized under their organizational statute, these activities are subject to the same tax rates and regulations as for-profit companies. Procurement procedures in the country are designed only for goods and services produced by commercial entities.

ORGANIZATIONAL CAPACITY: 4.7

Most NGOs do not focus on constituency building, but are increasingly aware of its importance. The majority of NGOs have articulated missions and values, but only a few

ORGANIZATIONAL CAPACITY	
2002	4.7
2001	4.8
2000	5.0

leading NGOs make strategic planning a priority. Other NGOs lack the capacity and expertise to engage in a strategic planning process,

although even these organizations may incorporate some strategic planning techniques, including SWOT-analysis, prioritization of strategies, and historical analysis, into their operations. Strategic planning is also hampered by the cost of consulting services

and the unstable political and economic environment.

NGOs generally have clearly delineated responsibilities between staff and board members declared in their by-laws, although these principles often fail to be implemented in reality. There is still a tendency towards one-person leadership in NGOs. In part, this is because good governance is seen as primarily a donor-driven issue. Volunteerism is not yet a well-developed concept or practice. There are many training programs that offer professional development opportunities, although the precarious financial situation of many NGOs means that they are more concerned with their immediate survival than the professional development of their staff.

NGOs in major regional centers and larger towns have a sound technical base created mostly through donor funding. Many NGOs either have their own modern equipment or facilities such as other NGOs or resource centers where they can access such equipment. Nevertheless, in small towns and vil-

lages, NGOs lack equipment and access to the Internet, or lack the technical expertise to take advantage of these resources. In their grant applications, NGOs often request equipment that is too complex and expensive for their needs and capacity.

FINANCIAL VIABILITY: 5.7

Financial sustainability is still the to-most concern for NGOs in Belarus. Foreign funds continue to be the main source of NGO funding. In many cases, NGOs receive foreign donations in cash in order to avoid excessive government taxation or attention. While this may help their bottom line, it prevents them from being transparent or publishing annual reports. The weak economic

FINANCIAL VIABILITY	
2002	5.7
2001	6.0
2000	6.0

and legislative environment continues to impede access to domestic resources. Due to the weak private donor base, there is almost no local philanthropy. NGOs are “programmed” to seek grants from international donors and do not look for local sources, including volunteers, or use their imagination to diversify their resource base.

Accountants at many NGOs are experienced professionals, and work with tax and government structures to explain grants and their purpose. Many NGOs have sound accounting systems, due in part to the government regulations in this sphere. Some donors provide training and consultations on accounting; however given the prevalence of cash grants, financial reporting is only to the donors, and not society in a broader sense.

Diverse foreign aid sources exist, but are gradually decreasing. Other more sustainable sources, such as membership fees, are very limited. Nevertheless, enough NGOs have motivation and fundraising skills and experience to allow them to continue operating in the short-term. Most NGOs know how to write proposals and raise funds professionally, but these resources are not sufficient to sustain these organizations over the long term.

A few NGOs are able to draw upon non-monetary support from the local authorities by getting space free-of-charge for conducting events or office space for a reduced rate. They do not risk generating income, though perhaps this could change as a result of the introduction of social enterprise models by some donors. Contracting with the government to provide social services exists only in isolated cases, usually related to the environment or social service sectors. Some NGOs collect membership fees, but, at best, these are only sufficient to cover administrative costs. On the other hand, NGOs loyal to the government, for example, Belarusian Republican Union of Youth, veteran’s organizations, and others do enjoy government support, including financial support. However, while their sustainability is enhanced, their independence is questionable.

ADVOCACY: 5.4

NGO advocacy techniques can vary from boycott to compromise. While NGOs generally have little influence on legislation, there are some isolated instances where specialized NGOs have been invited to work with legislative drafting committees. Generally, however, there is weak cooperation between the sector and government and any positive collaboration is limited to roundtable events and meetings. NGOs increasingly understand the importance of building dialogue and establishing contacts to promote their interests, but the government does not reciprocate this attitude.

ADVOCACY	
2002	5.4
2001	5.5
2000	6.0

NGOs have not implemented any successful advocacy campaigns over the past year. There was an unsuccessful attempt to lobby against a restrictive Law on Freedom of Conscience and Religious Organizations. However, despite this public information and awareness campaign, the law was adopted.

Some coalitions are superficial and/or artificial, created to please donors and not to be viable over the long-term. Most campaigns are local, not national, and therefore have little impact or effect on policy.

There is no mechanism to support lobbying. Individual pro-democracy NGOs do continue to try to influence decision-making, however these are individual efforts and do not have the impact of broader coalition advocacy. At a local level, town councils may be receptive to NGO efforts, but larger political structures are resolute and do not allow them to act. Two recent NGO-related laws – Law on Charitable Activities and Charitable Organizations and the Tax Code – were enacted with little input from NGOs, due to lack of lobbying efforts and mechanisms. The lobbying that does take place with Parliament generally takes place “behind the scenes”.

SERVICE PROVISION: 4.9

The majority of active NGOs provide communities with some basic social services, especially in the areas of education, humanitarian assistance, and health care. In the capital and regional centers, NGOs are mainly providing educational and information services. In regional areas it is more characteristic for NGOs to provide humanitarian assistance. However, NGO technical capacity in a number of areas is limited and as such their potential for service delivery is also limited. Furthermore, abundant regulations, licensing services and strong central control exists over the provision of social services, so the ability of NGOs to use service provision as a means to gain constitu-

SERVICE PROVISION	
2002	4.9
2001	5.0
2000	5.0

encies and greater independence is also restrained.

NGOs do not always offer programs that correspond to community needs, reflecting an inability to assess and evaluate community needs. NGOs are still not used to conducting needs assessment within their communities. Among the reasons for these weak links to the community are limited NGO resources, technical knowledge, and experience. Belarusian NGOs have not refocused their activities towards promoting change in local communities and their marketing skills remain weak. On a positive note, NGOs are actively learning one from another and adopting new methods and techniques.

NGOs occasionally offer useful products to other NGOs and government. There are rare examples of NGOs being recognized as experts in specific areas and able to provide services to educational institutions, state bodies, and other NGOs. There is no experience with cost-recovery mechanisms – NGOs do not know or understand, nor plan financial strategies supporting cost-recovery.

Though laws provide for grants by government to NGOs, these are very rare. At best, government provides space for events and roundtables, but this does not mean that the government recognizes nor understands the value and role of NGOs in service provision.

INFRASTRUCTURE: 4.5

There is a network of NGO resource centers across the country which provide facilities, access to equipment and communication services, as well as some training and legal expertise. However, surveys show that there is a limited knowledge and use of these resource centers by NGOs in Belarus (only 27% of NGOs). The centers work well in re-

INFRASTRUCTURE	
2002	4.5
2001	4.5
2000	5.0

gional areas and small towns, and disseminate information and legal and educational support; including in technical

areas, such as fundraising and helping to find partners. The centers are technically well equipped, professional and provide needed support. However, resource centers are seen as “monopolies” that keep experience to themselves and they are seen to be highly selective with whom they choose to work.

There are several organizations, for instance resource centers, in Belarus that on-grant funds from international donors. The issue is not how many grant making organizations exist, but how those groups make decisions.

Often funds are released only to “friendly” NGOs. Donors have not sufficiently monitored or evaluated such programs. Information is not always correct or widely distributed and internet/electronic information exchange is not accessible to all. “Information providers”, who collect, analyze, and disseminate information, are few.

There are many NGOs with training capacity at the national and regional levels. There are also licensed educational and degree programs. However, the third sector is also subject to amateur trainers and unprofessional practices. Some training programs are chaotic, not thought out, or responsive to communities. Some donors provide training, monitoring and follow-up, but this is not commonplace.

There is some evidence of effective intersectoral partnerships where NGOs work together to achieve common goals. There are also some NGO-media, NGO-businesses or NGO-local government joint projects, but these relations are still not systemic, or necessarily mutually beneficial. Most authorities and businesses still react to NGOs with suspicion, fear, and lack of trust.

PUBLIC IMAGE: 5.2

NGO's role in the development of civil society is still not well understood by the general Belarusian population. 90% of media is

PUBLIC IMAGE	
2002	5.2
2001	5.5
2000	6.0

state-controlled. Public service announcements (PSAs) are not used sufficiently to promote a positive NGO image. A hostile governmental attitude toward NGOs and its

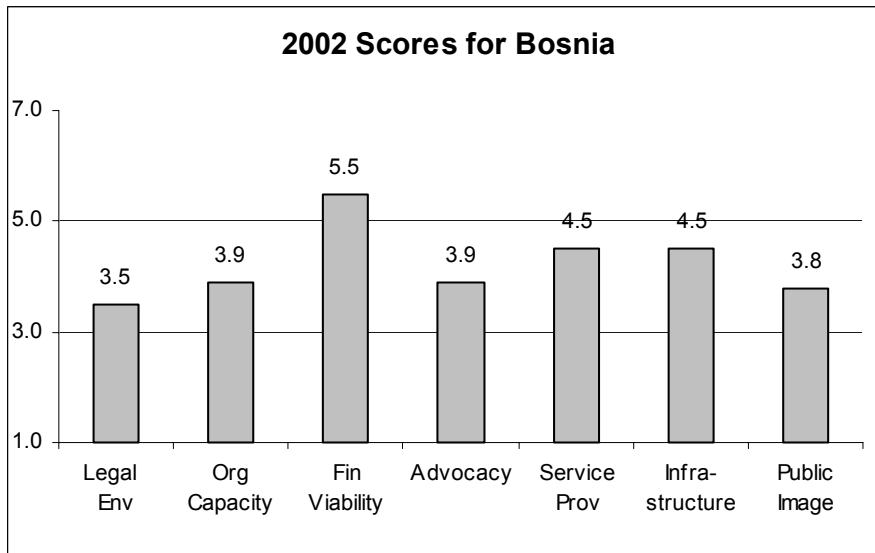
attempts to present NGOs' activities in a negative manner results in widespread suspicion, skepticism, and distrust of non-profit organizations. Though an NGO may indeed be well-developed, the public may not be aware of them. However, when the public learns about their contribution, the perception is generally positive.

Few NGOs have the capacity to launch professional public relations campaigns, and independent media does not want to take

the risk in light of the tight government control. There is a limited number of NGOs who develop successful public relations; have regular contacts with journalists; use mass media, electronic services and networks; use marketing materials and participate in community events for information dissemination. Those that work legally with grants are more pro-active and are not afraid to publicize their activities. Broadcast media is under-used; however, there are successful examples of innovative TV/radio talk shows. A few NGOs have staff members responsible for contacts with mass media.

NGOs are aware of the importance of ethics and transparency in their operations, but it is difficult to remain fully open and transparent in the Belarusian situation. Still, there are efforts by NGOs and their partners to discuss and negotiate declarations, campaigns and legal reforms, but these have yet to be implemented.

BOSNIA AND HERZEGOVINA



Capital:
Sarajevo

Polity:
International protectorate

Population:
3,922,205

GDP per capita (PPP): \$1,700

NGO SUSTAINABILITY: 4.2

The NGO sector in Bosnia and Herzegovina (BiH) remains fractured and limited in capacity, but continues to make important

NGO SUSTAINABILITY	
2002	4.2
2001	4.5
2000	4.9
1999	5.2
1998	5.6

contributions to lasting peace and democratic governance in BiH. Civil society in BiH is going through a difficult phase of democratic development due to the instability in both the economic and political environments. The many layers of government still do not effectively focus on real problems facing citizens. The post-conflict economy still produces only a fraction of what it did before the war. The international community, although with reduced funds, continues to play a major role in many aspects of life in BiH, which has diminished the perceived need for functioning local institutions. Citizens currently show little interest in becoming in-

involved in decision-making processes directly or through NGOs.

Local businesses are generally neither able nor motivated to invest in the non-profit sector, which makes local NGOs overly dependent on international donor funding. As international organizations have been reducing their assistance, or closing their BiH programs altogether, the non-profit sector in BiH finds itself increasingly unstable. Therefore, more advanced NGOs have begun the process of evaluating their own capacities, redefining missions and turning to other sources of funding. Many smaller NGOs are not expected to survive after international donors leave.

The lack of any tradition of civic activism, together with the difficult economic situation, has tended to make BiH citizens passive and discouraged towards engagement in political or public life. The concepts behind organized non-governmental public space, and the idea of NGOs in par-

ticular are not yet familiar to the wider public. Although the media regularly reports on NGO activities, NGOs are more often associated by the public with employment opportunities for the few rather than services or humanitarian relief for the many. This is recognized as a result of insufficient customer-orientation by local NGOs.

However, there were some positive trends noted over the previous year. A number of mission-oriented NGOs committed to a broad range of activities including human rights and media monitoring, legal advisory services, civic education, conflict resolution and micro-credit extension have emerged. New NGO legislation was passed that largely complies with interna-

tional standards, simplifies the registration process and allows NGOs registered in one entity to operate in the other entity as well. Furthermore, a core group of leading NGOs is working together to prepare a Code of Conduct for local NGOs, which will establish the preconditions for a sustainable NGO sector that responds to the needs of the community after international donors leave.

General elections, the first administered by the Bosnians, were held in October 2002 and resulted in the election of more nationalist parties than have been in power over the past few years. While it is still too early to predict the effect of the new government on the NGO sector, previous nationalist-led governments have not shown much willingness to engage in reforms.

LEGAL ENVIRONMENT: 3.5

A series of new NGO laws was passed in Bosnia since the 2001 NGO Sustainability Index was written. New NGO framework legislation was enacted in the Republika Srpska (RS) in October 2001, at the state level in December 2001, and in the Federation in September 2002. This new body

LEGAL ENVIRONMENT	
2002	3.5
2001	4.0
2000	4.5
1999	5.0
1998	5.0

of legislation introduces several significant improvements to the legal environment for NGOs. First, these laws permit voluntarily registration, thereby allowing an association to engage in activities before it is entered into the registry. The laws also reduce the number of founders required to establish an association to only three. For the first time, the laws allow legal persons (and not only natural persons) to be founders of an association. These laws also significantly improve the registration procedure for foreign NGOs. Very significantly, the laws

permit NGOs that are registered in one Entity to freely operate in the other Entity, although NGOs registered in the RS must undergo a procedure similar to re-registration in order to operate in the Federation. The consent of the government is no longer needed to establish a foundation. Finally, the new laws give the founders and members of NGOs a great deal of flexibility in regulating their internal affairs and prescribe reasonable reporting requirements.

The registration process on the State level, however, remains inconsistent. Registration officials lack knowledge and experience in dealing with registration issues and often use discretionary power. For example, a number of umbrella organizations have been denied registration because the registration authorities ruled that they were not technically associations.

While increasing the capacity of local lawyers on NGO legal and fiscal issues remains one of the most critical issues,

some progress has nevertheless been made. For example, the Center for the Promotion of Civil Society from Sarajevo now has a full-time lawyer on staff who deals with legal and fiscal issues pertinent to NGOs. Efforts are underway to make the Center a true resource organization that will facilitate the emergence of similar centers in other parts of the Federation.

There is no tax law at the state level as this falls within the jurisdiction of the respective Entities. The Income Tax Law, which ultimately seeks to harmonize the tax system in BiH, provides for only limited tax exemptions for NGOs. For example, it does not provide any exemptions for income generated from NGOs' economic

activities. With regard to exemptions for donations, it unduly restricts the list of activities deemed for public benefit.

An NGO may generate income from the provision of goods and services. However, due to the lack of a state-level tax regime, the tax treatment of the income generated from the provisions of good and services remains unclear. NGOs may also engage directly in related economic activities, although the state-level law unduly limits income generated from a separate corporation established by an NGO to 10,000 KM or one-third of the NGO's budget, whichever amount is higher. NGOs may also compete for government contracts/procurements.

ORGANIZATIONAL CAPACITY: 3.9

During the previous year, there was no significant progress in regard to the devel-

ORGANIZATIONAL CAPACITY	
2002	3.9
2001	4.0
2000	4.5
1999	4.5
1998	5.0

opment of organizational capacity of local NGOs. The few NGOs that have clearly defined internal structures and missions openly seek professional

staff education and work according to their strategic plans. Other NGOs still do not view such organizational restructuring as a priority.

Additionally, only a few NGOs have developed good management and organizational skills and capacities. Many local NGOs still function as a "one person show". The unstable financial situation, particularly the unpredictability of donor assistance, negatively influences the organizational structures of NGOs.

More advanced NGOs are attempting to address weaknesses in the sector by producing a general code of conduct for all NGOs in BiH. This idea was initiated by a group of DemNet NGOs but is still in the early phase of preparation.

FINANCIAL VIABILITY: 5.5

Past barriers to financial viability remain in place. The devastated and slow-to-recover

FINANCIAL VIABILITY	
2002	5.5
2001	5.7
2000	6.0
1999	6.5
1998	6.0

BiH economy, a limited pre-war tradition of philanthropy, and the lack of appropriate taxation legislation all hold back the NGO sector's financial sustainability. International donors are still

the major source of funding. The business sector is generally unresponsive and weak due to the fragile economic situation.

NGOs are able to generate some revenue through alternative financing methods such as membership fees, fees-for-services, in-kind contributions and government funding. In most cases, however, such sources of funding still remain underutilized.

Furthermore, in summer 2002, the Council of Ministers dedicated \$150,000 from the state budget to assist local NGOs. While not a huge amount of money, this is an important sign that the government recognizes the significant role of non-profit organizations in BiH. Unfortunately, the process for distributing these funds has several limitations. First, funding will be made available only to organizations that are registered at the state level and have "BiH" in their name. Additionally, the selection process is unclear, and few NGOs are aware of the fund's existence.

As mentioned previously, DemNet NGO graduates are developing the Local NGO Code of Conduct which will, among other things, establish the preconditions for constructive partnerships with the government and direct contracting of NGOs for service provision.

ADVOCACY: 3.9

During 2002, the sector continued to demonstrate increased interest in advocacy activities. Although the lines of communication between the decision-makers and the Third Sector are still somewhat weak, there were many initiatives in the previous

ADVOCACY	
2002	3.9
2001	4.2
2000	4.5
1999	5.5
1998	6.0

year that significantly influenced some important policy decisions. Although these ideas were in most cases initiated by international players in BiH, the advocacy campaigns were implemented by local NGOs. For example, a recent advocacy initiative focused on poverty reduction gathered local NGOs and government offi-

cial to develop a nationwide strategy on this issue.

A few large campaigns were launched before the October 2002 elections. One of them, entitled "Women Can Do It", focused on monitoring political parties. The result was an increased number of more effective women politicians and the inclusion of domestic violence laws into the Entities' criminal laws. Another pre-election campaign gathered more than 300 local NGOs and more than 6000 volunteers to serve as domestic monitors of electoral processes. A campaign launched by the Union of Invalids of BiH is starting to show results in the removal of physical barriers to public institutions.

SERVICE PROVISION: 4.5

Service provision by NGOs in BiH is still undeveloped. NGOs that provide legal assistance and legal protection are still the most active in providing services, although some services are being provided in education, health care, economics and business development, and social and environmental protection.

SERVICE PROVISION	
2002	4.5
2001	4.2
2000	4.5
1999	5.0

The outgoing moderate government did not recognize the value of local NGOs as service providers. Unfortunately, local NGOs were somewhat passive and did not try hard enough to convince government that they have the capacity to assume some responsibility from government agencies and become a valuable partner in service provision.

INFRASTRUCTURE: 4.5

The situation with intermediary support organizations (ISOs) and NGO resource centers is almost unchanged in comparison to last year. There are still no organizations that serve as information resource centers or ISOs for the entire sector. However, a few NGOs started to serve as regional resource centers assisting smaller NGOs and citizens groups in their region.

INFRASTRUCTURE	
2002	4.5
2001	4.8
2000	5.0
1999	5.0

centers is almost unchanged in comparison to last year. There are still no organizations that serve as information resource centers or ISOs for the entire sector. However, a few NGOs started to serve as regional resource centers assisting smaller NGOs and citizens groups in their region.

and the presence of competition and jealousy among NGOs. However, many issue-based networks survived and demonstrate significant capacity, including the “RING” trafficking network, STAR women’s network, Youth Information Agency, and project-based networks such as “OKO”, an election domestic monitoring network.

Several attempts to create ISOs in the past have failed due to a lack of interest

The only organization that provides informational and resource services to the NGO sector is International Council of Voluntary Agencies (ICVA), which acts as administrator for the NGO Council that gathers 75 major local and international NGOs. ICVA’s major task is information dissemination.

PUBLIC IMAGE: 3.8

In the last year there was increased coverage in the media of NGO activities, with most emphasis placed on the NGOs dealing with refugee returns and other social is-

PUBLIC IMAGE	
2002	3.8
2001	4.5
2000	5.0
1999	5.0
1998	6.0

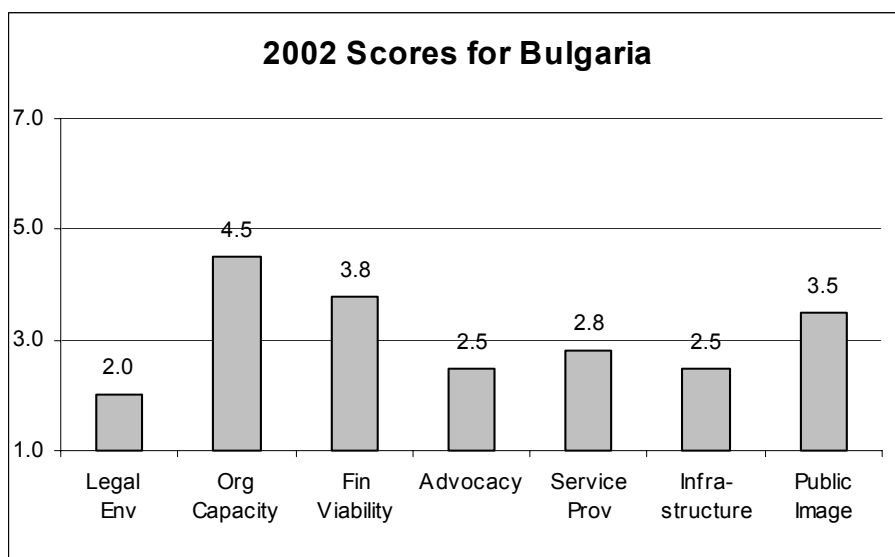
sues. While journalists are interested in presenting positive stories on the sector, local NGOs still lack needed skills in marketing and public relations. Few NGOs understand the need to properly present their activities to citizens through the media. As a result, much of the public still does not understand the concept of NGOs.

2002 NGO Sustainability Index

The public image of the NGO sector improved over the past year as a result of the significant role they played in the general elections in October 2002. In particular, the domestic monitoring campaign conducted by the Center for Civic Initia-

tives (CCI), which recruited over 6,000 volunteer observers, received extensive media coverage and became familiar to a significant portion of the Bosnian population.

BULGARIA



Capital:
Sofia

Polity:
Parliamentary
democracy

Population:
7,621,337

**GDP per capita
(PPP):** \$6,200

NGO SUSTAINABILITY: 3.1

There are around 8,000 NGOs in Bulgaria, including political and religious organizations. About half of these are “Chitalishta”,

NGO SUSTAINABILITY	
2002	3.1
2001	3.6
2000	3.7
1999	4.0
1998	3.6

and are not covered in this analysis. Approximately 1,900 organizations are considered “active”.

Several long-standing problems continue to hinder the development of the NGO sector in Bulgaria, including dependence on international donor funding, and limited

traditional Bulgarian educational and cultural organizations, most of which provide a very limited scope of services

possibilities for local fundraising and revenue collection; weak organizational capacity and insufficient service offerings, particularly in the social sphere; and the need to improve the sector’s public image.

At the same time, some important developments have taken place over the past year that promote NGO sustainability, which account for the improved score this year. Some important amendments to the tax and other related NGO legislation were adopted. The advocacy capacity and the infrastructure of the sector have also improved. NGOs managed to provide greater input in legislative and policy decisions at both national and local levels. Support networks and centers were strengthened, and information sharing and training activities gained momentum.

LEGAL ENVIRONMENT: 2.0

The 2001 NGO law clearly defines the registration and operation of NGOs and limits state power over the sector. The legal

LEGAL ENVIRONMENT	
2002	2.0
2001	3.5
2000	3.5
1999	4.5
1998	4.5

framework for NGOs was further improved this year with the introduction of the concept of public benefit organizations (PBOs) and subsequent amendments to the tax legislation.

The level of tax deductions for both self-employed persons and businesses donating to PBOs was increased from 5 to 10 percent. In addition, donations to PBOs of imported goods are now exempt from VAT. Amendments providing for additional tax deductions to donors of PBOs have been drafted and introduced to Parliament. Finally, recent amendments to the Public Procurement Law allow NGOs to compete for government contracts at the local and central levels. While the passage of this legislation is a positive step, it remains to be seen how all of these new amendments will be enforced.

To implement the new law, an electronic version and web site of the Public Registry for PBOs were developed and became fully operational in 2002 with the help of

the USAID-funded Resource Center Foundation. The number of registered organizations rose from 120 in 2001 to 373 by the end of October 2002. As the process of registration did not proceed at the expected pace initially, the deadline was extended until the end of the year in order to allow more organizations to register. The positive impacts of the registry include increased trust by the public and the donor community in the PBOs, and improved administrative structure and management of resources by all registered organizations in accordance with the new law.

There are several legal clinics and law courses on NGO law offered in secondary cities, such as Plovdiv and Veliko Turnovo. Additionally, training opportunities provided by local lawyers and organizations with expertise in NGO law have increased.

Overall, the improvement in the legal environment for NGOs can be attributed to the continuous work of NGOs and parliamentarians, and in particular the International Center for Not-for-Profit Law (ICNL), supported by USAID, and its affiliate partner organization the Bulgarian Center for Non-for-Profit Law (BCNL), which has established itself as the leading organization on NGO legal issues in Bulgaria since its establishment in July 2001.

ORGANIZATIONAL CAPACITY: 4.5

The organizational capacity of the NGO sector as a whole remains weak. Constituency-building has not become a core aspect of NGO activities, with the exception of a few associations like sports and business clubs. Most NGOs do not collect membership fees on a regular basis, nor do they try to expand their constituency base.

In terms of internal management structure, there is little change from last year. While there is a clear division between staff and members, as the law postulates, the internal staffing structure is quite unclear, especially for small, understaffed organizations, where one person often performs several different functions.

ORGANIZATIONAL CAPACITY

2002	4.5
2001	4.5
2000	4.5
1999	3.5
1998	3.0

According to MBMD survey data published in January 2003, the number of temporary personnel employed in the NGO sector remains small. Fur-

thermore, 61 percent of NGOs in the country have no staff employed on labor contract. According to NGO leaders, the majority of their personnel are volunteers. There is, however, a lack of clarity on what constitutes “volunteer” work, and whether or not it allows for some type of compensation.

There are great variations in the level of technical advancement within the NGO sector, ranging from well-equipped, larger

NGOs to smaller organizations with old computers and slow, dial-up Internet connections. Yet, in general, the level of technical equipment is relatively good. Internet connectivity has increased to 60%, compared to 25% in 1998, and the web-sites of many NGOs have been re-designed to serve better their communication needs.

In order to adhere to the new NGO law, most organizations have now declared a clear mission, to which they try to adhere. There is also an increased appreciation of the importance of strategic planning for organizational success, which is demonstrated by the rising number of requests for strategic planning courses and consulting services.

FINANCIAL VIABILITY: 3.8

NGO financial viability remains a problem, yet there are noticeable improvements since last year, mainly in the area of financial management systems and transparency that have resulted from requirements in the new NGO law. In accordance with the law, all PBOs listed in the public registry must provide the public with access to their annual reports and financial statements. While only NGOs with a turnover of a million levs or more must have independent financial audits, most PBOs are

FINANCIAL VIABILITY

2002	3.8
2001	4.5
2000	5.2
1999	5.5
1998	5.0

willing to share their financial documentation with the public and the donor community.

The new law allows NGOs to charge fees for services and products offered. This new legal possibility is already being exer-

cised and is starting to have results. At this point, around 15 percent of NGO income can be attributed to such revenues, and this amount is expected to grow in the future.

Overall, the sector has demonstrated greater awareness of the need to cultivate local financial and non-monetary support from communities and constituencies. While philanthropic support remains low, there are “success” stories of tapping into local resources, primarily in the business communities in secondary cities, such as Russe, Varna, Vidin and Chepelare. Some 23% of all NGOs report receiving donations from Bulgarian business. In part, this can be attributed to deductions that businesses get when donating to PBOs.

In this respect, a promising development has been the launch of the USAID-supported “community funds,” which have been set up in several regions. In most

2002 NGO Sustainability Index

places, they have proved to be a useful mechanism to mobilize local resources from multiple sources – including NGOs, businesses, municipal governments, and citizens – to address local needs.

Last year, approximately a quarter of all

organizations reported minimal revenues from membership fees. However, NGOs have to put more effort into cultivating their constituencies, increasing the level of membership fees, and collecting dues on a more regular basis.

ADVOCACY: 2.5

NGO advocacy capacity has increased over the last year. NGOs continued their work with policy-making committees, and provided valuable input into legislative activities. For example, the Bulgarian Media Coalition (BMC) continues to be a major player in the legislation and regulation of media.

ADVOCACY	
2002	2.5
2001	3.0
2000	3.0
1999	3.0
1998	2.8

NGOs have also expanded the range of their advocacy, getting involved in a variety of issues, ranging from anti-

corruption strategies to endorsing foreign policy objectives, such as future NATO and EU membership, to amending tax and environmental legislation. While NGOs have recently been active in drafting legislation, in many cases, this legislation has not yet been adopted.

In general, there is a favorable environment for NGOs to become involved in legislative and regulatory processes on various issues. This can be partly attributed to the greater degree of openness of the new government, both at the national and local levels.

SERVICE PROVISION: 2.8

While NGOs continue to provide services in a variety of fields, including democracy, economic development and environment, they do not sufficiently cover the social sphere. This is partly due to objective legislative constraints, such as the ban on individuals owning a health clinic. At the same time, with social safety nets disintegrating and social problems multiplying, there is a great need for NGOs to step in and provide services that were previously provided by the state. However, the government rarely awards grants or contracts to NGOs to provide such services. At the lo-

SERVICE PROVISION	
2002	2.8
2001	3.0
2000	3.0
1999	4.0

cal level, municipalities often make in-kind contributions to encourage NGO involvement in social service projects.

On the positive side, the development of stronger NGO networks, such as DemNet, have added to the quantity and the quality of goods and services provided, including workshops, publications and expert analysis. Intermediary Support Organizations (ISOs), such as the Resource Center Foundation, do get some of their operating revenues from earned income, primarily from training courses and conferences. Collecting revenues from services is a regular practice among the business associations.

INFRASTRUCTURE: 2.5

There is a clear improvement in the infrastructure of the NGO sector, with several support networks, and widely-used resource centers now in place. The networks unite organizations in various areas, such as democracy promotion, economic development, social services, environmental protection and culture.

Local community foundations and ISOs do provide grants for locally-identified needs, but mostly through re-granting of international donor assistance. Intersectoral partnerships have been on the rise, including collaboration with media, business, and government agencies.

PUBLIC IMAGE: 3.5

According to the MBMD survey data of January 2003, public awareness of NGOs continues to rise. About 68% of the respondents in this year's open-ended, public-awareness survey had a clear idea about the role and significance of NGOs, in comparison with 52% in 2000, 61% in 2001 and 64% in 2002. 46% of the population evaluated NGOs positively.

There is also an increase in local press coverage of NGO projects. For example,

Information sharing is a common practice. A new electronic registry created by Foundation Resource Center, which will be regularly updated, is likely to contribute further to strengthening intersectoral relations. The number of local trainers and training opportunities appears to address NGO needs. Moreover, best practices in training have been "exported" to the rest of the region.

There is no organization representing the interests of the sector as a whole since past attempts have proven that there is no demand for such a body. The Union of Bulgarian Foundations, created to represent the interests of the sector, still exists, but now fulfills different functions.

Club Open Society Russe funded 40 different projects aimed at increasing NGO sustainability. These projects attracted media attention that resulted in 600 publications in the local press. This extensive coverage has contributed to the rising awareness of the role of the sector, and most likely, to improving the sector's public image.

By law, PBOs are obliged to publish their annual reports, which also contributes to raising public awareness of NGO activity. In addition, the fact that government institutions are becoming more open to NGO input is likely to improve NGOs' social standing.

INFRASTRUCTURE	
2002	2.5
2001	3.0
2000	3.0
1999	3.0

PUBLIC IMAGE	
2002	3.5
2001	4.0
2000	4.0
1999	4.5
1998	2.8

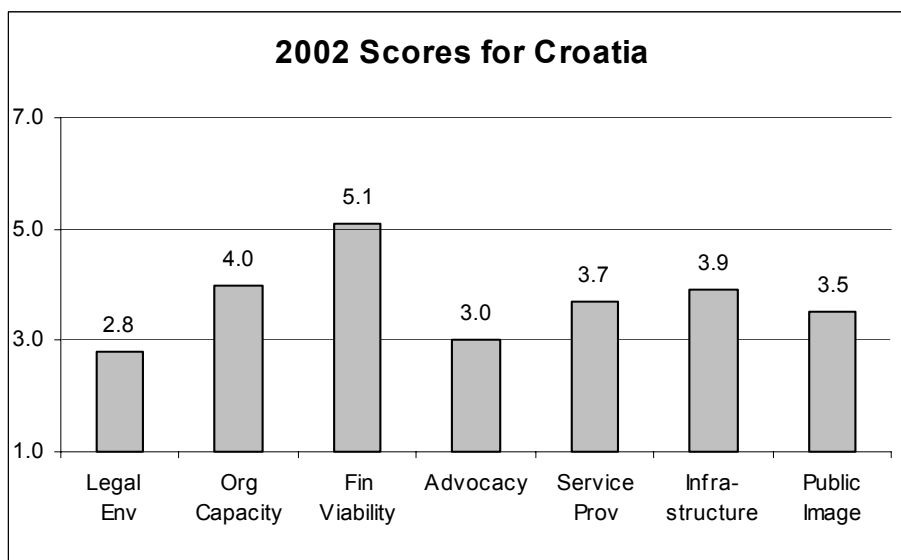
2002 NGO Sustainability Index

As far as business is concerned, the positive perceptions of NGOs seem to prevail more at the level of small and medium-size enterprises, while big business appears largely negligent of the sector. Only a few “elite” NGOs, such as the banking association, are widely-recognized in business circles.

Finally, as a result of media training, exemplified by the work of the Bulgarian Me-

dia Coalition (BMC) and ProMedia, NGOs’ public relations skills have increased. BMC has trained 460 representatives of 380 NGOs from around the country, and has attracted 225 journalists from 225 different local and national print and electronic media to their seminars. While there is a clear improvement in NGO media-outreach capabilities, there is still a need for ongoing training in this area, as well as organizing communication campaigns to further improve the public image of NGOs.

CROATIA



Capital:
Zagreb

Polity:
Parliamentary
democracy

Population:
4,390,751

**GDP per capita
(PPP):** \$8,300

NGO SUSTAINABILITY: 3.7

There are now almost 22,000 NGOs registered in Croatia. While the number of registered groups continues to grow, the number of active NGOs remains stable at approximately 5,000, including a small group of indigenous foundations. Most of the active NGOs operate

NGO SUSTAINABILITY

2002	3.7
2001	3.8
2000	4.3
1999	4.7
1998	4.4

in the capital and other urban centers. The strongest NGOs are still primarily in those fields traditionally supported by the donor community, including women's, social services, human rights, peace, and democracy groups.

Over the past year, the 2001 Law on Associations began to be implemented. As a result of this Law, a Registry of Croatian NGOs was created and made public on

the Internet. During 2002, the government also initiated a multi-year funding mechanism for NGO programs for the first time. NGO representatives are becoming more active and successful in providing policy advice and recommendations to the government and parliament on various topics, including human rights, gender, social services, youth and disabled issues. In spite of these developments, NGOs remain critical of the government's limited support of the sector and the slow pace reform.

Many NGOs still face numerous problems related to their financial and organizational sustainability. Public perception of NGOs is still weak, due both to limitations of the media and NGOs' limited capacity to communicate effectively with the media. Networking and cooperation among NGOs is still limited to a relatively small number of organizations.

LEGAL ENVIRONMENT: 2.8

The 2001 Law on Associations allows for easy registration and has simplified access to information about registered associations with the introduction of an on-line registry. In contrast to this, the 1995 Law on Foundations and Funds, which remains in effect, provides restrictive conditions for the registration of these organizations.

LEGAL ENVIRONMENT	
2002	2.8
2001	3.0
2000	4.0
1999	6.0
1998	6.0

While the Law on Associations is reasonably clear on the issues of internal management, scope of permissible activities and financial reporting, the provisions dealing with dissolution give rise to concerns, as they allow dissolution for even minor transgressions by an organization. Similarly, the Law on Foundations and Funds confers upon the government a great deal of unwarranted power regarding the appointment of the organization's management body. Despite these legal deficiencies, NGOs are able to take a stand on public issues and express criticism of the government without fear of retribution.

There have been some improvements over recent years regarding local legal capacity on NGO issues. There is a group of lawyers that has been trained and is familiar with NGO law, although NGOs are not sufficiently aware of their services. Some regional NGO support centers also provide legal assistance

The tax regime for NGOs is rather favorable, providing NGOs with several tax exemptions. Grants and donations to NGOs are tax-exempt as long as they are used to finance an organization's non-profit activities. Membership dues that are not directly related to the purchase of goods and services are also tax exempt, provided that the organization's statute provides for such fees. Certain types of NGOs also receive some VAT exemptions. Corporate and individual donations to organizations pursuing cultural, scientific, educational, health, humanitarian, sport, religious and other activities are deductible up to 2% of the donor's income generated in the prior calendar year, although this limit can be increased with special ministerial approval.

The Law on Associations is unclear on the issue of economic activities, although the tax code does provide certain exemptions for income generated through such activities. Croatian NGOs are allowed to legally compete for government contracts and procurement at the central and local levels.

The organizational capacity of Croatian NGOs varies significantly between small grassroots groups and larger, longer-established NGOs. In general, Croatian NGOs remain weak in the area of constituency building, although many of them are becoming increasingly aware of its importance, especially those working in smaller communities. Well-developed and larger NGOs generally have clearly defined missions and strategic plans that guide their decision-making. Most leading NGOs have clearly defined management structures with roles and responsibilities divided between the staff and board members. However, it is not unusual for individuals to serve as both a staff member and a board member at the same time,

ORGANIZATIONAL CAPACITY: 4.0

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larger NGOs generally have clearly defined missions and strategic plans that guide their decision-making. Most leading NGOs have clearly defined management structures with roles and responsibilities divided between the staff and board members. However, it is not unusual for individuals to serve as both a staff member and a board member at the same time,

thereby creating a conflict of interest.

ORGANIZATIONAL CAPACITY	
2002	4.0
2001	4.0
2000	4.8
1999	4.0
1998	3.0

Additionally, NGO board members have a limited understanding of their role and lack knowledge and experience on how to effectively provide strategic guid-

guidance to NGOs.

Most Croatian NGOs in the capital and regional cities have basic computer and office equipment, including Internet access. Regional NGO support centers provide basic equipment and facilities to grassroots groups without any office space or equipment. NGOs that operate in very small communities have little access to necessary equipment.

FINANCIAL VIABILITY: 5.1

Although Croatian NGOs continue to increase the amount of support they receive from local sources, these funds are still minimal in comparison

FINANCIAL VIABILITY	
2002	5.1
2001	5.0
2000	6.6
1999	6.0
1998	5.0

to foreign assistance. Local support is often provided as an in-kind contribution, for example, through the provision of office space at below market value. NGOs are still ineffective in raising significant local community support or attracting volunteers, although some are trying to encourage the development of local philanthropy.

NGOs are obliged by law to establish appropriate financial management and accounting systems. Despite such requirements, many of them still have numerous weaknesses in their financial management systems, particularly if their funding comes from local resources. NGOs funded by

foreign donors have established better financial management systems as a result of donor requirements.

A very limited number of NGOs have been successful in raising some income through the provision of services. Although the legal framework enables the government to contract with NGOs, that practice is still rare. The Ministry of Labor and Social Welfare and the cities of Split and Zagreb are among the few government bodies that have taken advantage of this legal possibility.

The Government of Croatia provides grant support to NGO projects in the areas of social services, education, civil society development, community building, health, environment and culture. The total funding for all programs in the last year was approximately \$1 million. For the first time, support was made available in 2002 for initiatives longer than a year.

ADVOCACY: 3.0

Communication between NGOs and policy makers continues to improve, albeit slowly. More and more often, NGOs are asked to provide advice and expert opinions on various issues. During 2002, NGOs had significant input on youth policy, social services, disabled, human rights, and gender issues. Government officials and parliamentarians are becoming more open towards NGOs and are willing to consider their policy recommendations, although this is still not common.

ADVOCACY

2002	3.0
2001	3.0
2000	2.5
1999	4.0
1998	4.0

slowly. More and more often, NGOs are asked to provide advice and expert opinions on various issues. During 2002, NGOs had significant input on youth policy, social services,

disabled, human rights, and gender issues. Government officials and parliamentarians are becoming more open towards NGOs and are willing to consider their policy recommendations, although this is still not common.

NGOs also continue to improve their lobbying and advocacy skills. Some ex-

amples of NGO advocacy campaigns organized during the last year were focused on increasing public awareness about human rights issues of the gay population, violence against women, health, children's rights, and environmental issues.

Thanks to the efforts and leadership of the Government Office for Cooperation with NGOs, several NGO representatives have joined together to influence legal changes important for the sector, such as new legislation on voluntarism, public benefit organizations, the lottery, and foundations. Unfortunately these initiatives would not have taken place without the leadership of the Government Office for Cooperation with NGOs.

SERVICE PROVISION: 3.7

NGOs are becoming increasingly specialized in the provision of various services, including training and technical assistance to other NGOs; legal assistance to women, minority groups and other victims of the war; assistance to women and children victims of domestic violence; and advice to entrepreneurs and others interested in starting a small business. These services are generally responsive to the needs of communities and NGO constituencies.

SERVICE PROVISION

2002	3.7
2001	4.0
2000	4.4
1999	5.0

to other NGOs; legal assistance to women, minority groups and other victims of the war; assistance to women and children victims of domestic violence; and advice

to entrepreneurs and others interested in starting a small business. These services are generally responsive to the needs of communities and NGO constituencies.

Most NGO products are still not sufficiently available to the broader public, although there is significant interest in publications developed by NGOs on topics such as community building, NGO management, facilitation skills, and disabilities. NGOs need to improve their marketing of such products. Only a very limited number of NGOs, primarily training organizations, have succeeded in recovering costs through the provision of services. Local and national governments are slowly becoming more open to and aware of NGOs' expertise in providing services, especially social services.

INFRASTRUCTURE: 3.9

The basic Croatian NGO infrastructure continues to consist of three training organizations and three regional NGO support centers. The

INFRASTRUCTURE	
2002	3.9
2001	4.0
2000	4.0
1999	4.0

training organizations provide good NGO management training, but will need additional support to provide advanced

training. Training organizations have had some limited success in raising revenue through the provision of their services. Croatian NGO support centers provide technical assistance, legal services, accounting support, and NGO incubator facilities, and promote voluntarism, networking and cooperation with local government and the business community. All of these services are currently provided free-of-charge.

Croatia still does not have any indigenous grant making organizations. However, over the past year, three NGOs have been competitively selected and trained to manage a USAID-funded small grants program in different regions of the country. During the past year some efforts have also been made to transform the Government Office for Cooperation with NGOs into a private Foundation for Civil Society Development. This new Foundation is expected to start operations sometime in 2003.

Although some improvements are evident in the area of NGO/government cooperation, partnership and work on joint programs is still uncommon in the Croatian environment. Likewise, while a few large Croatian companies support NGO activities, partnership on joint projects between the business community and NGOs is also rare.

PUBLIC IMAGE: 3.5

The public image of NGOs is gradually getting better, although there is still room for improvement. NGO stories are beginning to appear more often in the media. However, the media is generally more interested in covering specific issues related

PUBLIC IMAGE	
2002	3.5
2001	3.8
2000	4.0
1999	4.0
1998	4.0

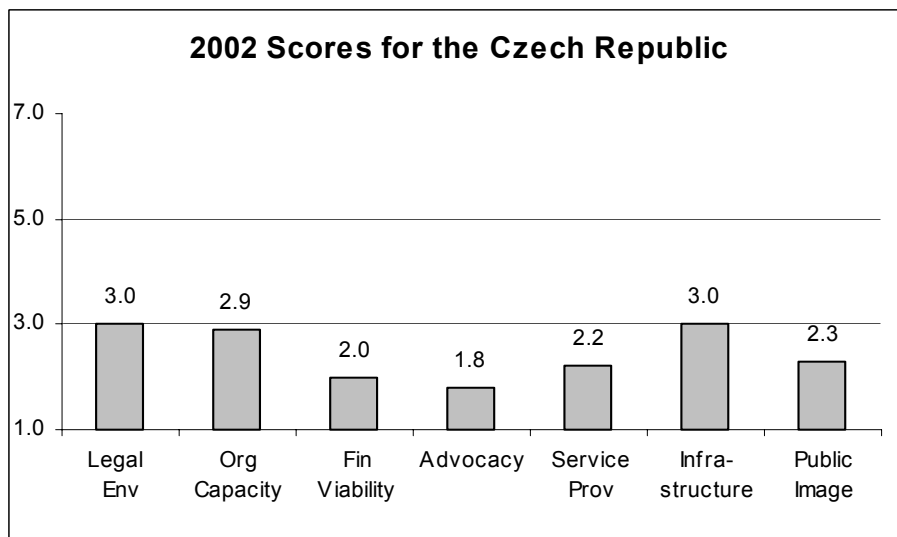
to children, women, the environment or the disabled, rather than general NGO issues related to NGOs' role in society. Many NGOs – especially smaller ones – still feel uncomfortable

communicating with the media, especially electronic media. According to recent

NGO surveys, the public has a positive perception of NGOs and considers them capable of resolving some social problems. NGOs with active media relations, such as GONG, B.a.B.e., and HHO, enjoy a better reputation with the government, business sector and public as a whole than other organizations.

Very few NGOs attempt to make their operations transparent to the public. Few publish annual reports and distribute them to the public. However, well-developed NGOs do use their web sites as a tool to inform the public about their regular activities.

CZECH REPUBLIC



Capital: Prague

Polity:
Parliamentary
democracy

Population:
10,256,760

**GDP per capita
(PPP):** \$14,400

NGO SUSTAINABILITY: 2.5

There are over 54,000 NGOs registered in the Czech Republic. 84% of these are civic associations, although one-third of these are estimated to be inactive. NGOs operate throughout the country, with the

NGO SUSTAINABILITY	
2002	2.5
2001	2.3
2000	2.4

greatest concentrations in Prague and other large cities, as well as in the central Bohemian, Brno and Moravian-Silesian areas. NGOs offer a

wide array of services at the local, regional and national levels. Approximately 3% of overall employment in the Czech Republic is within the non-profit sector.

Czech NGOs still suffer from poor legislation and negative government attitudes. Laws governing NGOs are outdated and unclear. While the Law on Foundations and the Law on Churches were amended in 23002, the quality of the amendments is

debatable. The government provides approximately CZK 3 billion (over \$100 million) in annual support to the non-profit sector, but as yet does not view NGOs as equal partners. Indeed, many government officials fear NGO encroachment on their power and dislike "unelected" NGOs having influence over public concerns. Several high-level political figures have publicly expressed doubts about the position, legitimacy and democratic structure of NGOs.

While Czech NGOs operate in a wide sphere of activities, financial constraints prevent them from offering their services on an appropriate level, generating funds, having permanent paid staff, promoting their interests and making long-term plans for their development. Corporate and individual giving is not developed and domestic grant-making organizations are not financially secure. As a result, many NGOs depend on state grants. One piece of posi-

tive news from the past year was the contribution of funds from the privatization of various state enterprises to the endowments of a group of selected foundations. A network of information centers has been established around the country, but is in-

sufficient to deal with the overwhelming number of requests received. The public does not have a clear attitude toward NGOs; however, they are slowly beginning to understand the need for NGOs and to trust them more.

LEGAL ENVIRONMENT: 3.0

The activities of the non-profit sector fall under the jurisdiction of several laws, including the recently amended Law on Foundations and Foundation Funds, the 1995 Law on Public Benefit Organizations and the 1990 Law on Association of Citizens. The Law on Associations of Citizens, which regulates over 80% of the

<p>LEGAL ENVIRONMENT</p> <p>2002 3.0 2001 2.0 2000 2.0</p>

NGO sector, suffers from ambiguity and omissions, including the liquidation of civic associations. The 1991 Law on Freedom of

Religion and the Status of Churches was replaced by a new law in March 2002 that requires all current religious organizations to re-register as public benefit organizations or civic associations. This law poses a considerable threat to religious organizations, which are already pushing for new changes. In 2003, a long needed law on volunteerism comes into effect.

Amendments to the Law on Foundations resulted in some positive changes that expanded the ways in which foundations can use their endowments. At the same time, however, the amendments imposed new burdens on foundations. For example, all grants must now be offered publicly, which is unreasonable for foundations that implement their own projects or which were founded in order to provide support on a single subject. The new amendments also failed to resolve accounting issues that falsely inflate the appearance of administrative costs, thereby undermining the credibility of foundations.

Even though the laws governing registration of NGOs are basically sufficient, in practice implementation is too complicated and time-consuming, requiring from six to twelve months in some cases. Reasons for these delays range from overly complex procedures to incompetence within the judiciary.

A draft civil code is under consideration that may have significant implications for the NGO sector. While one of the goals of this draft is to simplify current legislation governing NGOs, the amendment is being prepared without the participation of NGOs.

Legislation provides different income-generating opportunities to different types of NGOs. As a result, NGOs often choose a legal form based on the privileges they will receive, instead of the best form for their activities. In general, civic associations are provided with the most opportunities to earn revenue.

Tax laws exempt NGOs from paying taxes on certain kinds of income, for example membership fees, gifts and bank interest. Foundation may also exempt gains on their endowments. While NGOs also receive some deductions on other income generated, the taxation levels are still considered to be too high. NGO efforts to raise money themselves are further complicated by the requirement to maintain separate accounting and tax records for profit making activities, which can result in an organization with an overall loss still having to pay

taxes. Firms contributing to NGOs may deduct their contributions from their tax base up to 5% of their total taxable income, while individuals can deduct contributions up to 10% of their incomes.

NGOs may comment on public matters and express criticism, but state officials often try to prevent them doing so. The number of legal experts focusing on the problems of the non-profit sector is slowly increasing, but their services are practically unavailable outside the largest cities.

ORGANIZATIONAL CAPACITY: 2.9

The majority of NGOs in the Czech Republic have clearly defined missions that they attempt to fulfill. However, they often fail to inform the public about their activities sufficiently. In general, NGOs are overloaded with project work and understaffed due to a lack of financial resources. Volunteerism is not common in Czech society and as a result many NGOs do not even attempt to recruit volunteers. As a rule, NGOs lack the time and resources to

ORGANIZATIONAL CAPACITY	
2002	2.9
2001	3.0
2000	3.0

pay attention to their organizational development or capacity building. Because NGOs regard state funding and foundation grants

as their most secure resources, they devote little effort to building a wide network of supporters and volunteers who would help them achieve long-term

financial self-sustainability.

The majority of NGOs have neither sufficient time nor resources to engage in strategic planning and few even understand the importance of such an endeavor. About a third of NGOs have no Board of Directors. In those organizations with a board, the division of responsibilities between board and staff is not always clear. In many organizations board members consider their roles to be merely a formality necessary for their NGO's registration and thus do not become involved in the organization's activities.

Small organizations are usually insufficiently equipped, while larger NGOs tend to score better in this regard. However, all NGOs use older equipment and lack the means to upgrade or replace what they have.

FINANCIAL VIABILITY: 2.0

Czech NGOs are highly dependent on state support, which is increasing slowly each year, but is still insufficient to cover the sector's needs. Coupled with the underdeveloped state of corporate and individual giving and the general weakness of Czech foundations, the NGO sector faces a serious shortage of funds. On average NGOs receive about 39% of their funding from the government. A quarter of organi-

zations, primarily those working in the areas of healthcare, social work, education and research, receive a full half of their funding from state resources, making them overly dependent on the state for their survival. This overreliance on state support is viewed as problematic for several reasons. First, the state offers support only on an annual basis, therefore, making it difficult to implement longer-

FINANCIAL VIABILITY

2002 2.0
 2001 2.0
 2000 2.0

term programs. In addition, when NGOs do not behave as the government would like them to, there is a

tendency to end support. The system of public funding also remains untransparent and does not take into consideration the effectiveness of individual NGOs. The state purchases services from non-profit organizations only rarely. NGOs' range of financial resources is not well diversified and most NGOs depend too often on the support of one or two primary donors.

Distribution of proceeds from the state privatization fund was completed in 2002, under which 73 Czech foundations received CZK 1.3 billion. While this somewhat improves the financial situation of these organizations, it is insufficient to fulfill the needs of the sector as a whole. Foundations may re-grant only the gains earned on their endowments, which are limited by investment restrictions and low interest rates. As a result, domestic foundations are unable to participate noticeably in financing the non-profit sector. Another result of the disbursement of privatization funds is that foundations have begun to observe greater financial discipline

in order to make the best use of their endowments.

Corporate giving is not well developed in the Czech Republic and is often provided in the form of sponsorships, which are deductible. This method is not advantageous for NGOs, however, as they are then required to pay taxes on the proceeds. Companies provide support most often to sport, culture and health activities. Individual donations are also still uncommon, as there is little tradition of it and there is no simple mechanism to make such contributions. In addition, there is a widespread feeling that making charitable donations is unnecessary if one already pays taxes. In spite of this, public collection efforts with wide publicity have been increasingly successful.

Due to tax and accounting disadvantages, NGOs limit their income-generating activities. Thus, although it is growing, proceeds from services form only a small part of NGOs' budgets.

The flow of foreign financial support into the Czech non-profit sector has fallen by about 25% since 1997. This has led to serious difficulties for organizations in the areas of human rights and ecology that were highly dependent on this support.

ADVOCACY: 1.8

There is no single organization with a mandate to represent the Czech non-profit sector as a whole or to act as a partner in

ADVOCACY	
2002	1.8
2001	1.8
2000	2.0

negotiating with the government and Parliament, due to a general mistrust of this sort of integrated effort among NGOs. There are, however, several groups that bring together organizations by sector or region.

While NGOs are legally allowed to take part in decision-making processes in certain cases, laws and amendments have been repeatedly introduced with varying degrees of success to limit or prevent the participation of NGOs in these processes. In addition to these potential legal barriers, NGOs need to improve the ways in which they engage in public affairs. In particular, NGOs often lobby parliament individually rather than as a group.

In 1992, the government created the Council for NGOs, renamed the Government Council for the Non-Profit Sec-

tor (RNNO) in 1998. Members of the council include governmental and state representatives as well as representatives of non-profit organizations. The Council's original objective was to assist in the distribution of proceeds from the privatization of state enterprises. Following completion of the distribution this year, a new statute was approved that gives the RNNO responsibility for informing the government about the non-profit sector, cooperating in the preparation of new legislation for the non-profit sector, disseminating information on donations from public sources, and cooperating in the creation and operation of an information system about NGOs.

Over the past year, NGOs have engaged in advocacy campaigns on several topics, including road safety, domestic violence, and reducing pollution. NGOs also occasionally attempt to influence public policies and/or advocate for public interest by means of petitions, demonstrations, and blockades, although this remains rare and is only occasionally successful.

SERVICE PROVISION: 2.2

Non-profit organizations offer a wide range of services in almost all areas, but the quality depends largely on the availability of finances. Healthcare and education are still within the domain of the state, but non-

SERVICE PROVISION	
2002	2.2
2001	2.0
2000	2.0

state providers are slowly emerging. Czech NGOs also play a significant role in humanitarian efforts both at home and abroad.

nately, circumstances often force NGOs to spend their time seeking funding rather than using their capacity for the benefit of their clients.

Even though state officials often disparage the non-profit sector, they rely on NGOs to provide services that can not be funded by the state budget. In this way the government saves money because state subsidies are limited to 70% of a project's total cost. NGOs must cover the remaining 30% of a project's budget with support from foreign or domestic foundations or corporate donors.

Publications concerning the non-profit sector are few and up-to-date information about NGOs and their areas of interest

and financial status is not available on a regular basis. Information about individual NGOs is available either in their offices or in information centers.

INFRASTRUCTURE: 3.0

Information centers for the non-profit sector have been established in Prague and other larger cities. These centers gather and disseminate information, organize specialized training and offer legal and financial consultation. However, the range and quality of information and services offered is inadequate to meet

INFRASTRUCTURE	
2002	3.0
2001	3.0
2000	3.0

demands. Training for NGOs is also not available in all areas needed. Specifically, NGOs would benefit from additional training in the areas of NGO management, the role of boards, fundraising, strategic plan-

ning, income-generating activities and advocacy methodologies.

Several larger NGOs encourage cooperation between NGOs, local governments and businesspeople in the regions. Unfortunately, businesses are seldom interested in these efforts. Domestic grant-making organizations provide some support for projects on the local level, but their resources are limited.

As mentioned previously, there are several NGO coalitions that have formed by subject area or region to facilitate communication and advance common interests.

PUBLIC IMAGE: 2.3

Media coverage of the NGO sector is gradually improving, although there is still a tendency to focus on negative stories rather than seek out the positive. To address this, the Prague Information Center and regional NGOs have organized an annual campaign since 1998 called "30 Days for the Non-Profit Sector". Despite this relatively large effort, many people still do not understand

PUBLIC IMAGE	
2002	2.3
2001	2.5
2000	3.0

the role of the NGO sector in society or recognize the names of individual organizations and their activities. Only those NGOs that benefit from wide media coverage are better known. NGOs tend to undervalue the importance of publicity.

The public's attitude toward the sector remains ambivalent. On the one hand, more than half of those asked (51%) believes that NGOs represent people's interests. On the other hand, approximately the same percentage (57%) agrees with the suggestion that public collections are organized fraudulently. This attitude is influenced by several cases of embezzlement of funds by non-profits. Despite this, research shows that 75% of people trust non-profit organizations more than political parties.

According to research conducted in 2002, 26% of people volunteer for NGOs and other interest-based groups occasionally and 5% do so on a regular basis. 41% of people think that volunteer organizations should have greater influence than they do today on the direction of society. In the

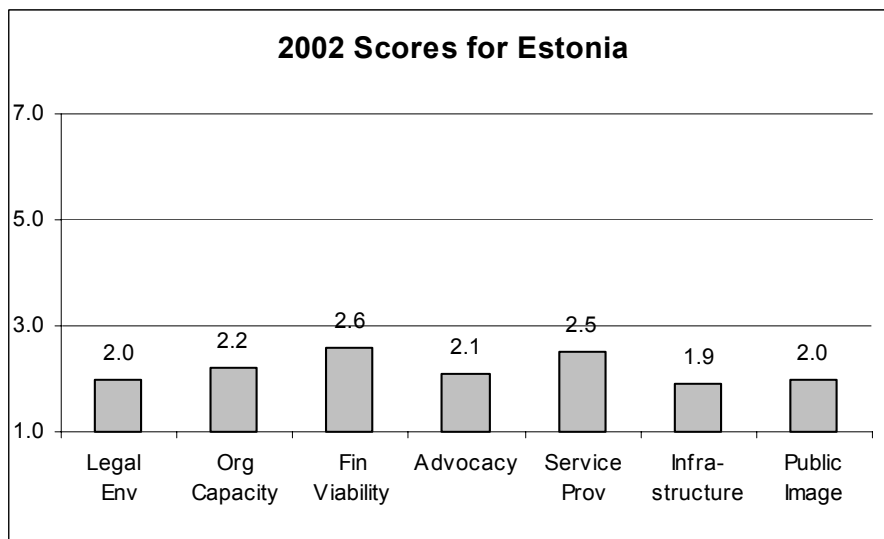
2002 NGO Sustainability Index

previous year 56% of people contributed money or other gifts to charitable causes.

The transparency of the non-profit sector increased even though barriers remain in terms of the legal framework for civic associations. Foundations formed a code of

ethics and all recognized NGOs publish annual reports. This is encouraged by the fact that state organizations and foundations require presentation of an annual report and financial statement from groups receiving contributions or grants.

ESTONIA



Capital: Tallinn

Polity:
Parliamentary
democracy

Population:
1,415,681

**GDP per capita
(PPP):** \$10,000

NGO SUSTAINABILITY: 2.2

As of November 2002, there were 17,775 nonprofits registered with the Estonian Ministry of Justice's Center of Registers. The vast majority of these are associations, and the remainder foundations. The number of non-registered informal groups is unknown.

NGO SUSTAINABILITY	
2002	2.2
2001	2.1
2000	2.4

Public attention in Estonia is beginning to turn away from business and economic growth to social concerns such as drug abuse, child poverty, homelessness and unemployment. Civil society has an opportunity to play a key role in developing and implementing solutions to these problems. However, NGOs still must develop many skills to take advantage of this opportunity. Ongoing needs exist in the areas of fund-raising, advocacy, and organizational management.

LEGAL ENVIRONMENT: 2.0

Estonian NGOs benefit from fairly favorable legislation that ensures them independence from the state, freedom of speech, and the right to generate revenue. There are

LEGAL ENVIRONMENT	
2002	2.0
2001	2.0
2000	2.0

limits to this legislation, however. For instance, the extent of VAT tax benefits depends on whether or not an organization appears on a list kept by the Ministry of Finance, which is quite limited. Legislation also does not differentiate between organizations founded by the state or local authorities and those founded under pri-

vate law that are acting in the public interest.

There are also problems with the implementation of some laws. For example, it is sometimes difficult to operationalize the management structures required by law. In addition, even though accounting requirements are commonly understood, submission of certain forms, such as the monthly income tax and social tax declaration, can be difficult for some organizations to complete, as their financial systems are structured differently.

The tax legislation regulating NGOs in Estonia needs significant improvement. Income tax policy does not encourage donations, and making a private contribution to an NGO is a complicated process. All organizations must pay value-added tax, income tax, social tax, and unemployment insurance contributions. Other taxes are dependent on the sphere of activity.

Lawyers' knowledge of laws related to NGOs outside the capital of Tallinn is scarce, making it difficult for NGOs to receive legal counsel.

ORGANIZATIONAL CAPACITY: 2.2

The level of organizational capacity varies greatly between well-established larger

ORGANIZATIONAL CAPACITY	
2002	2.2
2001	2.3
2000	2.5

organizations, and newer smaller groups. However, the majority of organizations have a defined mission and

target group. While most groups have a short-term operational plan, only a few of the larger organizations have a longer-term strategic plan.

Most associations lack a clearly defined management structure and distribution of tasks between the management and employees. Few associations employ full-time paid staff. The structure of larger, more-established organizations is more trans-

parent, while in smaller organizations, it is more typical for everyone to do everything. The resources of many associations do not allow them to have basic modern office equipment, such as computers and software, fax machines and Internet access. However, NGOs continue to operate by utilizing other resources, including public Internet access sites, other organizations' equipment, and personal computers.

Many NGOs are striving to become more professional in their operations. However, most NGOs are understaffed and lack the financial resources necessary to acquire additional human resources. Furthermore, many NGOs have a very limited understanding of how to involve citizens or effectively utilize volunteers in the delivery of their programs and services.

FINANCIAL VIABILITY: 2.6

In general, NGOs typically have few

FINANCIAL VIABILITY	
2002	2.6
2001	2.6
2000	2.8

sources of funding and do not have sufficient resources to remain viable beyond the short-term. There are opportunities to raise funds from local

sources, particularly in and around Tallinn, although organizations have not fully tapped into these sources yet. As a result, local philanthropy still accounts for a limited percentage of NGO income. NGOs have had more success obtaining non-monetary and in-kind support from local communities. Part of this support comes in

the form of donations of used property and assets. Some organizations have also been successful at earning income from the provision of goods and services. For most organizations, it is essential to receive support from the local authorities. A few organizations receive a significant part of their income in the form of membership dues, but in general, membership fees account for a marginal and symbolic share of income. Seeking money from foundations or members can be problematic, as it is often equated with panhandling.

Most NGOs are not very professional or successful in cultivating a loyal core of financial supporters. However, a few national organizations such as the

Estonian Fund for Nature, Tallinn Children's Hospital Foundation, and Estonian Union for Child Welfare, have conducted very successful outreach and constituency development programs.

While there are few individual donors, there are a few private Estonian foundations. In addition, the first community foundation has been set up recently, all of which sets the stage for a future improvement in philanthropy.

NGOs utilize annual budgets and are beginning to develop more sophisticated financial control systems, including audits. Internal financial controls vary from NGO to NGO.

ADVOCACY: 2.1

There are many advocacy-oriented NGOs in Estonia. The strongest ones tend to be

ADVOCACY	
2002	2.1
2001	1.8
2000	2.0

based in Tallinn and focused on state-level advocacy. Capacity at the county and local levels is generally lower.

Throughout the country, NGOs have been involved in the work of various committees and the creation of development plans, mainly in the social and cultural spheres.

Cooperation between organizations active in the same field is still rare, although it is more common among groups working in the areas of sport, culture and youth activity. There have not been successful large, joint advocacy campaigns on either the state or local levels. In part, this lack of cooperation can be attributed to the fact that NGOs do not perceive themselves as a strong third sector and therefore do not direct their efforts at changing legislation. Additionally, NGOs are often economically dependent on local government, which may deter them from advocacy initiatives.

NGOs are not sufficiently aware of the various mechanisms available to them to influence public opinion, such as the work of committees, local government development plans, and media. In addition, these mechanisms do not always work effectively. For example, while legislative acts are made available for public discussion, often the period for comments is only a few days long, which is insufficient. Furthermore, government officials are not generally open to input from NGOs.

A positive development is that the Estonian Civil Society Development Concept (EKAK) was passed unanimously by the Estonian parliament in December 2002, the first document of this type to be approved by a parliament in this region. The EKAK provides the framework for relations between the country's NGOs and public authorities and states common principles of cooperation. The adoption of this agreement is the culmination of several years of work that involved hundreds of NGOs.

SERVICE PROVISION: 2.5

NGOs in Estonia offer a diverse range of

SERVICE PROVISION

2002 2.5
2001 2.3
2000 2.5

services. The strongest service provision organizations operate in the social sphere, covering health, education, and integration issues. NGOs also

provide important services in the areas of law, economics and environment. While NGO service provision is diverse, there are still niches to be filled, particularly at the local level.

Income from the provision of services is

rare. As a rule, even if organizations are able to charge fees for their goods and services, this income does not cover expenses. In part, this is due to the fact that the target groups for many of these services can not afford to pay enough to cover costs.

The government is slowly beginning to recognize the value of the social services offered by NGOs. Local governments have begun to sign contracts with organizations for the purchase of social services, although there is not enough experience with this practice yet.

INFRASTRUCTURE: 1.9

There is a well-developed network of resource and support centers coordinated by

INFRASTRUCTURE

2002 1.9
2001 2.0
2000 2.5

the Network of Estonian Non-profit Organizations (NENO) that provides local organizations with

access to information, technical equipment, training and technical assistance. However, the network does not receive support from the Estonian government, and depends on just a few sponsors for its existence. Charging fees for the services the resource centers provide is problematic, as few small organizations can afford to pay for these valuable services.

Redistribution of money from community sources and international donors is limited, although there are some examples of this happening. For example, *Kodukant* (Movement of Small Towns and Villages) was given approximately \$200,000 by the EU Phare program, which is to be divided between 15 county organizations. Similarly, the Estonian National Culture Foundation allocates money collected from local sources to cultural projects.

Cooperation within the sector is satisfactory. Information is primarily exchanged via the Internet, although this is not yet accessible to everybody. Umbrella organizations exist which represent the interests of the sector on the state-wide level, such as the Representative Council of the Estonian NGO Roundtable, an informal and open forum for cooperation. However, the interests and needs of urban NGOs and foundations differ greatly from those of rural organizations.

There are many skilled trainers within Estonia, although their fluidity causes a problem, as individuals regularly leave the NGO sector for the public or business sectors. The choice of training programs is wide and the quality is high, but there is great demand for training materials and books in Estonian.

The intersectoral cooperation differs from region to region, depending on the level of communication with and openness of the local government.

PUBLIC IMAGE: 2.0

NGO activities are portrayed in a positive light by the media, with no examples of

PUBLIC IMAGE	
2002	2.0
2001	2.0
2000	2.5

scandals or other negative reporting. However, many organizations and activities do not get adequate public attention, as the media does not consider them interesting. Public service announcements and social advertising is rarely offered at a discounted rate, unless something is offered in return.

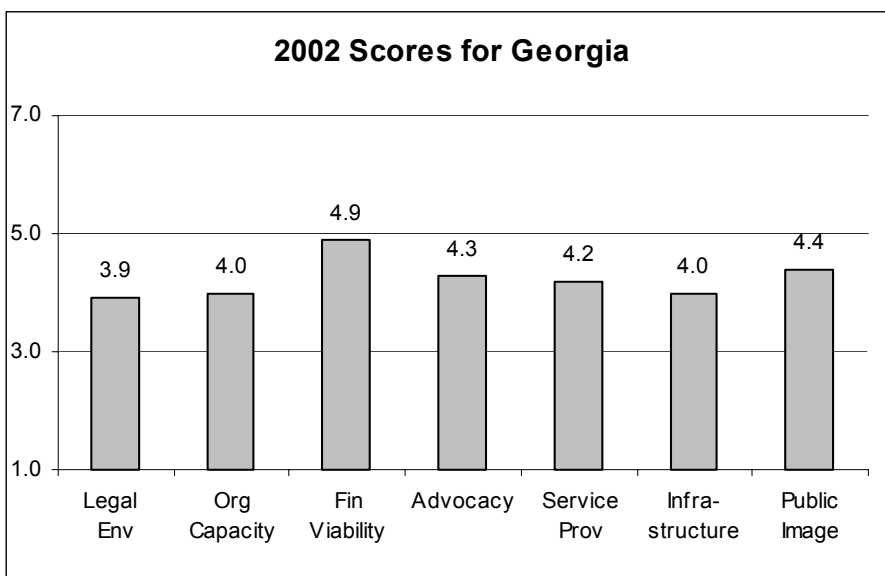
Foorum, a monthly addendum to the newspaper Postimees, analyzes the role of NGOs. There is also a television show entitled *Third sector (Kolmas sektor)*, but it is shown at inconvenient times which limits the potential audience. There is a significant difference in the coverage of NGOs between local and national newspapers,

with local papers being much more willing to cover local organizations' activities.

While the public generally has a favorable opinion of NGOs, most people do not understand the role and objectives of the NGO sector. As a result, third sector experts are not treated as trustworthy sources of information in the same way business leaders are. The attitude of local governments tends to be somewhat better, as local governments increasingly delegate services to and consult with the NGO sector. Businessmen and national government officials have a less positive attitude toward NGOs.

Only large-scale organizations consciously engage in public relations, although there is not much of a tradition of public relations in Estonia. Estonian NGOs have adopted a Code of Ethics.

GEORGIA



Capital:
Tbilisi

Polity:
Presidential-parliamentary democracy

Population:
4,960,951

GDP per capita (PPP): \$3,100

NGO SUSTAINABILITY: 4.2

Georgia's NGO sector struggles to find an effective role in a country plagued by corruption and economic stagnation. In sheer numbers, the sector continues to grow; recently published directories identify 3,848 registered associations and approximately 500 foundations. Over half of all associations and the vast majority of foundations are registered in the capital Tbilisi, and many of the remaining NGOs are based in the regional cities, indicating an overwhelmingly urban bias to the sector.

NGO SUSTAINABILITY	
2002	4.2
2001	4.0
2000	4.0
1999	3.8
1998	3.4

Despite the growing numbers, sectoral experts are pessimistic about the prospects for the NGO sector. While NGO performance

may have improved on some dimensions, such as advocacy and organizational capacity, NGOs face increasingly hostile government and media, and a skeptical public, thereby explaining the deterioration in score this year.

Service and advocacy NGOs face different challenges and opportunities. Service NGOs tend to be pragmatic and are willing to explore cooperative relationships with government. Their challenge is to demonstrate that they have useful services to offer their communities. Advocacy NGOs, generally based in the capital, find themselves increasingly under attack as they speak out on issues of corruption and injustice. These NGOs have successfully staved off some regressive legislation, but struggle to articulate a positive agenda and mobilize public opinion around their issues.

LEGAL ENVIRONMENT: 3.9

The past year has yielded mixed results for the legal environment in which NGOs operate. Drafts of the Charity Law have now

LEGAL ENVIRONMENT	
2002	3.9
2001	4.0
2000	3.0
1999	3.5
1998	3.0

been prepared, and it remains on the Parliamentary agenda, though it is not clear whether it will be considered in the current Parliamentary session. If passed, the Charity Law would provide businesses with tax deductions on contributions up to GEL 10,000 (\$500), thereby providing a foundation for local philanthropy. Nevertheless, NGOs still operate under a tax regime that treats them the same as private companies, which discourages revenue generation. An earlier attempted amendment to the Tax Code, which would have introduced a three percent tax on NGO grants, was successfully thwarted due to a concerted NGO advocacy effort.

Enforcement is also mixed. Registration procedures remain clear and straightforward, although a new GEL 40 (\$20) fee was introduced in April. Also, NGOs' 3% health contribution on salaries has been eliminated. However, NGOs are still unable to reclaim the 22% VAT reimbursements to which they are entitled, as many tax officials are uncer-

tain about documentation, payment and compensation procedures.

Several larger, Tbilisi-based NGOs offer legal advice and assistance to NGOs, particularly for registration. However, they can offer little assistance on tax issues as the procedures are unclear and officials' interpretations differ on compliance procedures.

There are some indications that the State is adopting a more hostile stance toward the NGO sector. A recent Ministry of Finance decree allows a governmental monitoring team to examine NGO documentation to "determine the legitimacy and proper utilization of assistance received by Georgia". NGO representatives view this decree as a government attempt to control grants given to NGOs, and were preparing to lobby against it at the time of writing. In addition, some outspoken human rights NGOs, including the Liberty Institute, have faced physical harassment over the past year. This increasing pressure is a direct result of NGOs' increasing strength and outspokenness, and NGOs have responded by forming coalitions and joint advocacy plans.

ORGANIZATIONAL CAPACITY: 4.0

ORGANIZATIONAL CAPACITY	
2002	4.0
2001	4.0
2000	4.0
1999	3.5
1998	4.0

No significant changes were noted in the realm of NGO organizational capacity over the past year. As a sector, NGOs continue to face challenges in constituency building, planning and management. Although the vast majority of NGOs are registered as associations, few of them elect Boards of Directors or try to at-

tract new members. Many NGOs are formed in response to the availability of donor funding and are doing little for their communities. NGOs are beginning to recognize the need for planning but have yet to capitalize on local communities' clear sense of their own needs and priorities. Very few NGOs have full-time, paid staff due to their lack of funding sources, and few NGOs prepare financial reports.

There are some signs of progress, however,

2002 NGO Sustainability Index

which are attributed primarily to NGO sector development programs. NGOs are being created and registered in areas where previously there were none, such as the Tskaltubo District in Kutaisi Region, where many internally displaced persons (IDPs) are located.

NGOs in Akhaltsikhe report increased access to the Internet and computer equip-

ment. In Tbilisi, some leading NGOs have developed strategic plans and introduced merit-based staff promotions out of necessity, in order to keep up with the increasingly sophisticated nature of their programs. The Georgian Young Lawyers' Association, one of the largest Georgian NGOs, recently revised its organizational chart and staff job descriptions, and re-hired for all staff positions based on professional qualifications.

FINANCIAL VIABILITY: 4.9

Financial viability continues to be the largest barrier to NGO sustainability. Lack of progress is largely due to a legal environment that discourages revenue generation by NGOs and philanthropic contributions by private businesses, and the widespread poverty and economic depression of the country. Under the Civil Code an NGO activity that generates income risks being closed down. Financial support from the

FINANCIAL VIABILITY	
2002	4.9
2001	5.0
2000	6.0
1999	4.5
1998	4.0

local private sector is practically unheard of; in the words of one NGO representative, "if the tax code is harsh on NGOs, it is harsher on business".

NGOs themselves lack the experience and systems to generate or manage income. NGOs rarely engage in fund-raising, and only micro-credit programs leverage service fees. Donor-funded projects tend to be short-term with specific objectives, and

therefore offer little possibility to generate income. The NGO sector therefore remains largely dependent upon foreign donors.

There are some NGO experiments in income generation, and while the revenue earned through these efforts is still insignificant, their income is currently insignificant, it may signal a trend of NGO efforts at self-reliance. There are several examples of government contracting to NGOs for their expertise. The Ministry of Education, for example, called on experts from the NGO community to design a grants program. The Ministry of Labour held a competition to award a contract to train the unemployed, which was awarded to Abkhaz InterCont, based in Kutaisi. Horizonti recently disbursed several small grants under a facility called Sustainable Development Support Program, to assist NGOs to develop services that will generate income. These grants are complemented by several training courses in sustainability and income generation.

ADVOCACY: 4.3

NGOs' advocacy skills and initiatives are improving, but the environment is worsening. This year's advocacy efforts, such as halting proposed amendments to the Law on the Bar Association, and stopping amendments to the Criminal Code that would have cur-

tailed freedom of speech, have been reactive, seeking to prevent adoption of poor or hostile legislation. Much recent NGO advocacy has been in self-defence, including countering their portrayal in the media as "grant eaters", or defending the tax-exempt

ADVOCACY	
2002	4.3
2001	4.0
2000	2.0
1999	3.5
1998	4.0

status of grants, explaining the lower score this year.

Ironically, State attempts to control NGOs generated one of the most inspiring exam-

ples of NGO advocacy this past year. In response to a proposed three percent tax on NGO grants, a group of NGOs joined forces and in May 2002 created their first joint advocacy plan. An appeal condemning the proposed legislative initiative was prepared and sent to the President and Parliament. A press conference was called, and an NGO fair was held at the Parliament where NGOs informed legislators of the vital role they play, such as providing social services to vulnerable populations. Following a two-month public relations campaign, discussion on the proposed tax was suspended. Currently an NGO coalition continues consultations with the government to elaborate mutually acceptable amendments to the legislation.

NGOs, particularly those based in Tbilisi, noted a trend of media or even physical attacks on NGOs that speak out against

the government on corruption or other issues. A disturbing incident was the July 10 break-in to the Liberty Institute and the beating of its staff. Liberty Institute is outspoken on corruption and human rights cases, and irritated some elements of Georgian society in their championing of religious freedom. Many people felt that the State gave its tacit approval to the break-in, and the one man charged was acquitted for lack of evidence.

In order to increase the effectiveness of their advocacy initiatives, NGOs must take better advantage of all available tools. For example, the Freedom of Information Act, adopted at NGOs' initiative, allows citizens to attend public hearings and request budgetary and other government information, but few NGOs have the skills or will to exercise this right. Some of the groups that are making use of this include the Georgian Young Lawyers' Association, which is monitoring the President's Anti-Corruption Decree; the Union of Imereti Scientists, which publicizes government tender announcements to promote fair competition; and the Young Scientists' Club in Ozurgeti, which is assisting six "sakrebulo", or local councils, to enter their records and budget information into a database on the Internet.

SERVICE PROVISION: 4.2

NGOs continue to provide a range of services to citizens, including mediation services, training, publications, business loans and advisory services, legal counseling and information, policy analysis, research and public opinion surveys, and organizational development of NGOs and community

SERVICE PROVISION	
2002	4.2
2001	4.0
2000	5.0
1999	4.0

groups. With donor support many community-based NGOs are engaged in community infrastructure projects, such as rehabilitating roads, water systems, schools and canals.

However, NGOs find that the sustainability of these services is undermined by the tax

regime, which virtually eliminates any revenues. Law-abiding NGOs feel they are at a disadvantage competing with businesses that evade tax payment. NGOs are also pessimistic about citizens' ability or willingness to pay for services. For example, Constanta has found few entrepreneurs willing to pay for their business advisory services. As a result, a number of NGOs provide free services, such as the Independent Union of Journalists' provision of free computer services to journalists.

Nevertheless some examples of cost-covering services can be found. The Union of Democratic Meskhs offers paid Internet service, while another NGO, Kvelmokedi, subsidizes its Georgian language lessons for

the Armenian minority in the south of the country by offering fee-based English

courses.

INFRASTRUCTURE: 4.0

NGOs continue to note some progress on sectoral infrastructure. Local donors or on-grantors, such as Horizonti, the Open Society Georgia Foundation, Eurasia Foundation,

INFRASTRUCTURE	
2002	4.0
2001	3.0
2000	3.0
1999	3.5

tion, Mercy Corps or CARE, reach grassroots NGOs in many parts of the country, and support a range of activities from

community infrastructure to advocacy. Intermediary support organizations and resource centers exist in some parts of the country. NGO training is becoming more common, which has had some positive results, such as better quality proposals and enhanced project management. There is still a need for a broader range of training topics and more flexible delivery arrangements. For example, while Horizonti's financial management training provides basic concepts and tools to less advanced NGOs, practical, advanced training in NGO financial management is not available.

Some successful NGO-government partnerships do exist. United Nations Association of Georgia has collaborated with the

Rustavi Mayor's Office to develop citizen relations facilities and materials. The government also now provides more information to NGOs and invites NGOs to meetings. The Governor of Kutaisi, for example, regularly consults NGOs and has appointed three former NGO practitioners to his staff. NGOs occasionally offer training to government staff, as government does not have funds for such.

Despite these examples, inter-sectoral partnerships are still generally seen to be rare or ineffective. NGOs are skeptical of government's sincerity, and feel that government is only transparent to the extent that NGOs demand it. Government officials listen to NGOs when it suits them, and expect NGOs to report to them. Partnerships with business are still rare, and there is some evidence that businesses take their cue from government's hardening stance against NGOs, and prefer to distance themselves. For example, the Georgian Economic Development Institute found some difficulty working with the Industrialists Party on drafting a new tax code, due to businesses' fear of alienating government.

PUBLIC IMAGE: 4.4

PUBLIC IMAGE	
2002	4.4
2001	4.0
2000	5.0
1999	4.0
1998	2.0

The public image of NGOs varies to some extent by region. Tbilisi-based NGOs feel that media hostility towards NGOs has consolidated over the past year, while NGOs' ability to

respond has not. They feel that NGOs are vulnerable to media attacks, as they are isolated from the public, and have weak public relations skills. Government attacks on

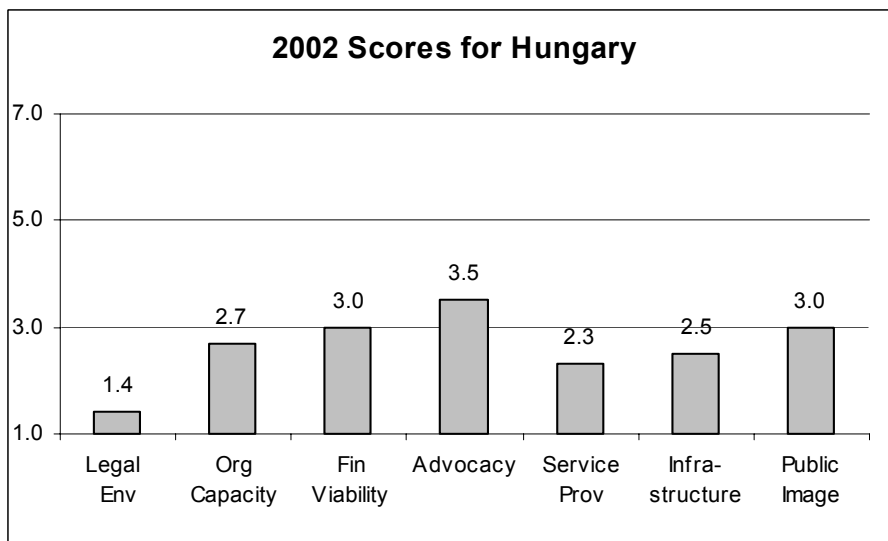
NGOs are seen to be a direct response to NGOs' outspokenness on issues of corruption and government incompetence. This has had a ripple effect in the media, which reports government statements. And while some independent media sources work with NGOs on anti-corruption stories, most are attracted to the sensational tactics of some of the radical, nationalist and religious fundamental groups.

NGOs in Kutaisi and Akhaltsikhe characterized the public's view of the sector as moving from suspicion to indifference or curiosity. People are aware of NGOs' existence, but have little specific knowledge of their activities. NGOs do not yet realize that they need to reach out to the media. People appreciate the many rehabilitation projects undertaken in villages, but do not know who deserves credit for them because NGOs do not publicize their work.

NGOs need to do more to improve their pub-

lic image. For example, NGOs need to be more transparent and forthcoming with information about their activities and use of funds. However, this is difficult to do as donors rarely allow public relations expenses to be included in project budgets, assuming that NGOs are able to publicize their work for free. A notable exception is Horizonti, which has funded publication of several NGOs' annual reports. NGOs also need to do a better job of defining and holding themselves to standards of conduct.

HUNGARY



Capital:
Budapest

Polity:
Parliamentary
democracy

Population:
10,075,034

**GDP per capita
(PPP):** \$12,000

NGO SUSTAINABILITY: 2.6

The Hungarian nonprofit sector continued

NGO SUSTAINABILITY	
2002	2.6
2001	2.6
2000	2.3
1999	2.0
1998	1.6

to consolidate in terms of its size and composition during 2002. While there has been a slight reduction in the overall number of organizations, the

sector as a whole has increased its revenues and the number of individuals it employs, indicating a higher level of development.

However, the transition also reflects a growing overlap between state and civil society organizations. Quasi-NGOs that are founded by the state or local government, including public foundations and public benefit companies, represent a growing proportion of the sector. At the same time, there is a significant increase

in state funding, which remains at the mercy of political will.

The parliamentary elections in 2002 resulted in the victory of the socialist party by a very small margin and an extremely divided society, to which the nonprofit sector was no exception. Attempts by political parties and the political elite to gain support and legitimacy from civil society endangered the public image and credibility of the sector.

The new government, however, elaborated and implemented a comprehensive strategy towards the development of the NGO sector, which states the importance of ensuring the long-term sustainability and independent and depoliticized financing of the sector. They are also aiming to accomplish a review of the legal framework affecting NGOs and intend to sign an

agreement, or “contract” with the NGO sector.

The development of local resources, including indigenous grant-making and private individual and corporate philanthropy, remains a major challenge for the sector. In order to successfully accomplish this, NGOs need to improve their fundraising and communication skills.

The EU accession process is also a challenge for the sector. The level of public participation in the process is very low, and NGOs are not very involved in the distribution of EU funds. Information channels are ineffective; thus, the Hungarian public and NGOs are not well-informed on EU issues.

LEGAL ENVIRONMENT: 1.4

The legal environment in which nonprofit organizations operate in Hungary remains generally positive. On January 1, 2002, new regulations came into effect that

LEGAL ENVIRONMENT	
2002	1.4
2001	1.7
2000	1.0
1999	1.0
1998	1.0

erased outdated provisions hindering the transparency and effectiveness of NGOs. For example, the new law now prevents an individual from serving as both the chief executive

and chair of the governing body of an organization, which was previously the case in the majority of NGOs, and introduces the concept of terms for board members. In addition, beginning January 2003, a new system of default registration for NGOs comes into place, under which an organization is considered to be registered within 60 days if the court does not act within this period of time, thereby solving the problem of delays caused by overburdened courts.

Although several laws are still problematic, the new government has clearly shown its intent to revise and improve the legal framework. Among the most important issues to be addressed in the next legislative period are: reviewing the foundation law to clarify the role and structure of foundations; differentiating between smaller and larger organizations in their administrative obligations to ease the burden on smaller NGOs; ensuring greater transparency of state-founded nonprofit organizations; rationalizing state funding mechanisms; increasing tax incentives for private giving; and, removing the legal barriers to promoting voluntarism.

The application of law also requires improvement. For example, the courts are still inefficient in granting registration or public benefit status to non-profit organizations and the practice of tax and other authorities remains arbitrary and varied across the country.

ORGANIZATIONAL CAPACITY: 2.7

While the Hungarian NGO sector has reached a plateau in terms of numbers, it continues to face several challenges to increasing its capacity and effectiveness. Many NGOs do not have a clearly defined

mission, and are therefore active in a number of very different professional areas. Additionally, despite the fact that there are a large number of NGOs in the country, grassroots NGOs are not visibly

ORGANIZATIONAL CAPACITY

2002	2.7
2001	2.8
2000	3.0
1999	2.0
1998	2.0

present in many smaller communities. Finally, in many cases, NGOs are registered in legal forms that are not appropriate for their activities or

operation.

While there are significant differences in capacity amongst nonprofit organizations, more and more groups are recognizing that they lack essential skills in strategic planning and management, human resource development, financial management and communication.

A small number of organizations have a steady flow of income from either the state or the European Union. Many organizations, however, are dependent on state support and feel increasingly exposed to political whims. Encouragingly, there is a small and increasing number of well-

performing and accountable NGOs that are starting to develop a diversified and sustainable resource base.

Research conducted in the past year by the Civil Society Development Foundation Hungary and BoardSource revealed several deficiencies in NGO governance practices. Many NGOs do not understand the roles and responsibilities of boards, or even the need for such bodies. In fact, according to the study, the operations of three-fourths of NGOs do not comply with international governance standards. The most common deficiencies were related to conflicts of interest, transparency and accountability.

An interesting development over 2002 is the growing demand among NGOs for professional fundraisers. However, although there are college level courses on NGO management, there is no targeted training for fundraising professionals.

FINANCIAL VIABILITY: 3.0

FINANCIAL VIABILITY

2002	3.0
2001	2.8
2000	3.0
1999	2.5
1998	2.0

Hungarian NGOs have an annual income of more than 5,000,000 HUF (approximately \$20,000). State-founded public foundations and public benefit companies receive 36% of the

total income, although they constitute only 4% of the NGOs.

The source of income is also changing, with a shift towards increased state support. All forms of government support have

increased, while the share of private and corporate giving, as well as earned income and membership fees, has decreased. In addition, the government recently announced the creation of the Civil Fund, a new fund for NGOs that will begin operation by the beginning of 2004.

A 2001 law allowed for the distribution of state property, primarily buildings and other estates, among NGOs. However, distribution was not transparent, and decisions were made primarily on a political basis.

Hungarian tax law allows citizens to designate 1% of their income tax to an NGO. The number and amount of 1% designations has slowly increased over the last few years, with 1.3 million Hungarian citi-

zens taking advantage of this option. However, more than half of tax-payers have never designated 1% of their income tax to NGOs.

Though Hungary has been enjoying dynamic and steady economic growth that creates favorable conditions for the development of indigenous philanthropy, this potential has not yet been tapped. There are only a few truly local private foundations, and examples of private support from individuals and corporations remain isolated success stories.

Foreign donors, primarily American private foundations, that have provided major development assistance over the last decade are leaving Hungary, or are in the process of doing so. Though foreign support has not exceeded 10% of the sector's income in recent years, it has been focused on crucial democracy development issues and many NGOs working in the areas of advocacy, legal defense and sectoral support have been fully financed by foreign donors. EU support will not bridge this gap, as these funds are focused primarily on economic development issues.

ADVOCACY: 3.5

Advocacy is a hot topic within the Hungarian NGO sector. In addition to developing a new NGO strategy, the new government has announced that it would like to see a national NGO Advocacy Body that would

ADVOCACY	
2002	3.5
2001	3.5
2000	3.0
1999	1.5
1998	1.0

be its major partner in implementing this strategy over the next four years. This Advocacy Body would also participate in the development of NGO legislation, delegate

members to the controlling body of the Civil Fund and develop an NGO Code of Ethics. This has triggered widespread debate in the NGO sector. On the one hand, this governmental policy is detrimental as NGOs are under governmental pressure to

form a non-organic advocacy body with questionable legitimacy. On the other hand, such a body may have a positive effect on the process of self-organizing within the sector.

Overall, NGOs continue to prove their effectiveness at making their positions known to decision-makers and in working for change in certain areas. In some sub-sectors, for example youth, there are powerful federations, but most of these are still highly centralized and therefore ineffective. In general, there are no effective structures or mechanisms to channel NGOs' interest to government and policy-makers.

SERVICE PROVISION: 2.3

The legal environment in Hungary allows nonprofits to provide a wide range of services. The 1997 Nonprofit Law provides

SERVICE PROVISION	
2002	2.3
2001	2.3
2000	2.0
1999	2.5

public benefit status for those undertaking contractual services, and the local and central governments provide support on a per capita basis for most social sector services.

This has become somewhat problematic, however, as funding is dependent on the preferences of political decision-makers as opposed to the real needs to provide quality services.

Local governments are still wary of giving funding to NGOs to provide services that they are legally mandated to provide. They often see NGOs either as unqualified or as competitors. Availability of resources is also a problem, and funding from the cen-

tral government to provide such services is declining. In addition, contracts signed between municipal governments and NGOs are often thrown out following elections.

Approximately 25% of NGOs provide some sort of services, even if they suffer from poor management and lack of resources. Those that regularly provide such services often come to resemble state institutions due to the bureaucratic requirements of state contracting. However, there are various types of unique, alternative and tailored services that are provided only by NGOs, such as therapeutic horseback riding for disabled children. There are important and promising initiatives to set standards of quality and ethics in the provision of services, and to involve users in the design and implementation of services.

INFRASTRUCTURE: 2.5

The Hungarian NGO sector has reached a level of maturity where a pool of professionals and institutions exists to provide

INFRASTRUCTURE	
2002	2.5
2001	2.5
2000	2.0
1999	2.5

consultative services to the sector. Such expertise is generally available regionally and nationally, although at varying levels of

sophistication. However, it is rare for a smaller NGO to be able to afford to pay for such services. The information service of

the Nonprofit Information and Education Center (NIOK) has lately become a widely-used tool for debates, announcements, and news within the Hungarian NGO sector.

The government-established nationwide network of "Civic Houses" – NGO support centers in larger towns – has been able to survive the change in government and reduced funding. The telecottages network, on the other hand, has come to a halt in its development and faces serious challenges in both funding and legitimacy.

PUBLIC IMAGE: 3.0

In their effort to take advantage of the opportunities presented by the 1% law,

PUBLIC IMAGE	
2002	3.0
2001	2.8
2000	2.0
1999	2.0
1998	2.0

NGOs have become more active in informing the public about their activities. Though there are new scandals every year about the misuse of 1%

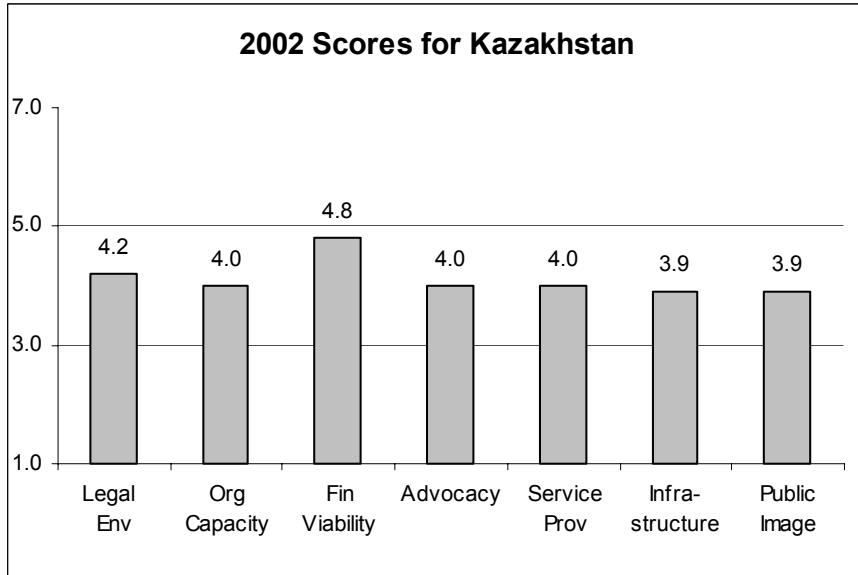
designations, the number and amount of these designations increased in 2002.

The 1% law has another positive impact as well: NGOs receiving funds in this way must announce their incomes in the press, and – though it is not clear in the

law how to do this – more and more NGOs announce it in national newspapers. Many newspapers offer space for such announcements at discounted prices.

In contrast to these positive effects of the 1% law, the increased political involvement of a large number of NGOs during and after the 2002 elections seriously hurt the public image of the sector. Such episodes demonstrate the problem of NGOs being used for political purposes and contribute to the public's perception that NGOs are essentially satellites of political parties.

KAZAKHSTAN



Capital: Astana

Polity:
Presidential
(dominant party)

Population:
16,741,519

**GDP per capita
(PPP):** \$5,900

NGO SUSTAINABILITY: 4.1

Quantitatively, the Kazakhstani NGO sector remains relatively static, with official sources claiming approximately 6,000 organizations on paper. Of these, only a thousand or so can be considered actually functioning, with the vast majority either dormant, temporary, quasi-governmental, or otherwise non-existent. While registration of new NGOs has dropped off (with five separate provinces registering no new NGOs in 2001), this in some part was explained by a “wait and see” attitude on the part of local NGOs, as the government prepared key new pieces of legislation, most important among them being the new tax code.

NGO SUSTAINABILITY	
2002	4.1
2001	4.3
2000	4.7
1999	4.8
1998	4.4

Despite its quantitative stagnation, the NGO sector in Kazakhstan has grown stronger in

several qualitative aspects over the past year. Improvements in the legal environment, infrastructure and advocacy capabilities of Kazakhstani NGOs anchor an overall positive trend in third sector growth. While the vast majority of Kazakhstan’s NGOs continue to be characterized by a project-driven orientation, weak institutional capacity, strong leaders, and short life spans, a number of more mature organizations have begun to emerge. These tend to be NGOs with a more stable funding base, which allows for greater concentration on developing the internal structure and staff development. These organizations are also, as a result, more likely to stay focused on their original charter and mission, independent of international donor priorities – something that many smaller, grant-driven NGOs are not able to do. The “first generation” of strong Kazakhstani NGOs that rode to prominence on a wave of civic activism following the collapse of the USSR have largely deflated, as both the nationalism and civic activism that drove

many of these organizations dissipated in the economic collapse of the 1990s. If the current trend of new organizations (organized in the latter half of the 1990s) gaining strength continues, then it may be indicative of a new trend in the Kazakhstani NGO sector, namely the beginnings of a “second generation” of post-Soviet Kazakhstani NGOs – organizations that, rather than organizing around themes and issues focused around the legacy of the Soviet system and dissolution (such as nuclear cleanup, inter-

ethnic tensions, etc.), are focused on issues purely topical to the conditions of life in Kazakhstan in the *post-post* Soviet period, such as youth issues, protecting business and consumer rights, etc. It remains to be seen whether this trend in the growth of new organizations with missions and programs “pulled forward” by the conditions and needs of current-day Kazakhstan, rather than “pushed forward” by the legacies of the Soviet past, will continue.

LEGAL ENVIRONMENT: 4.2

While the legal environment in Kazakhstan has changed little in terms of formal legislation over the past year, progress in this regard has nevertheless been noted.

LEGAL ENVIRONMENT	
2002	4.2
2001	4.5
2000	4.5
1999	5.0
1998	4.9

This is due not to legislation per se, but rather to the increasing ability of Kazakhstani NGOs to operate in the current legal environment. The new

tax code and law “On Non-commercial Organizations” in 2001 introduced new regulations and legal obligations on NGOs in Kazakhstan, while providing for certain benefits (see 2001 Sustainability Index). Over the past year, seminars and trainings held both by local NGOs and international organizations such as the International Center for Not-for-profit Law (ICNL) have helped Kazakhstani NGOs better understand and adapt to the new legal environment, thus improving the sustainability of the sector. This process is further aided by the increasing professionalism of leading Kazakhstani NGOs who often maintain a legal capacity in their organizations (in the form of staff or contract lawyers) and who are thus capable of negotiating implementation of new legislation with government bodies.

The registration of NGOs in Kazakhstan has become easier, as government bodies responsible for registration climb a gradual

learning curve in terms of implementing legislation and regulations and NGOs themselves become more professional and skilled in the preparation and submission of documents for registration. A growing local legal capacity in NGO law helped this, spurred primarily by increased interest in international organizations in supporting these sorts of activities.

Harassment by state agencies continues to be a problem for NGOs, although the type and degree of harassment varies drastically. For the most part, Kazakhstani NGOs and community-based organizations (CBOs) are subject to low-level harassment by corrupt and/or ignorant officials, primarily in the tax police, whose greed or ignorance of the law leads to unwarranted searches, fines and tax harassment. Other NGOs, however, particularly those engaged in potentially sensitive areas such as human rights protection, media work (freedom of speech), or anti-corruption, have been subjected to a hurricane of abuse from agents of the state. In conjunction with a wider crackdown on political pluralism in the country, this backlash has used judicial, financial, and at times violent extralegal means to intimidate, suppress, bankrupt or imprison these NGOs and their members.

While Kazakhstani law currently limits the ability of NGOs to earn income to “socially-oriented” NGOs some positive steps were taken in 2002 in this direction. For the first

time, the government has approved a concept on “State Support to NGOs.” In the wake of this, Kazakhstani NGOs, with the cooperation of the Ministry of Information, Culture and Public Accord, have empanelled

a working group to draft a law “On State Social Orders.” If adopted, this law will establish a legal channel for NGOs to compete in state tenders and orders for social sector services.

ORGANIZATIONAL CAPACITY: 4.0

The organizational capacity of the third sector in Kazakhstan has clearly improved over the past year. To some extent, this reflects payoff of the investment over time by international donor agencies and others in training and professional development for NGO experts. Furthermore, with the number of new NGOs registering each year declining, the sector as a whole has begun to mature, with natural selection and competition simultaneously thinning and strengthening the ranks of the third sector. Unlike previously,

ORGANIZATIONAL CAPACITY	
2002	4.0
2001	4.2
2000	5.0
1999	4.5
1998	4.0

when NGO work was associated as a niche for disenfranchised intellectuals, under- or unemployed specialists and ethnic minorities, it is now understood to

be a profession in and of itself. NGO specialists are now being widely recognized as experts in their fields. This process has been aided by the increasing specialization within NGOs, as stronger organizations move from ad hoc “grant-chasing” – a condition that

encourages generalization in an attempt to be all things to all donors – to more structured strategic planning. The result are NGOs – at least leading NGOs – that are more defined and better managed. While evolutionary strengthening of indigenous NGOs is clearly one factor, another cause for this trend has been the shift in donor strategies. Donor agencies have put increasing emphasis in recent years on organizational development and institutional strengthening of their local NGO partners, with fewer funds available for covering organizational costs. Some donors do not provide salaries for NGO employees, thus forcing organizations to engage in more serious strategic planning in choosing projects to apply for and implement. The increasing professionalism of Kazakhstani NGOs has also led to increased expectations on the part of their clients – both local constituents and international donor agencies. Unfortunately, the vast majority of NGOs remain focused on the latter group, as local sources of financing for Kazakhstani NGOs remains anemic at best.

FINANCIAL VIABILITY: 4.8

Financial sustainability remains the weakest dimension of NGO sustainability in Kazakhstan, yet there has been some progress over the past year. While obtaining full financial

FINANCIAL VIABILITY	
2002	4.8
2001	5.0
2000	5.5
1999	5.5
1998	4.4

sustainability on the strength of local sources alone is still impossible, advanced NGOs have begun to demonstrate an increasing ability to fundraise among local business elites.

While the tax code allows for up to a two percent corporate income tax deduction for charitable donations to NGOs, the small size of this deduction, along with the extremely complicated procedures and provisions required to realize it, have deterred Kazakhstani businesses from utilizing it. At the local level, financial support to smaller, grass-roots NGOs remains rare, although in-kind support for community-based organizations is on the rise as the

latter engage in more projects at the grass-roots level, with concrete results.

Government support for NGOs also remains ambiguous. On the one hand, there appears to be an earnest attempt underfoot to open the way legally for Kazakhstani NGOs to receive direct financial support from the state via tenders for social sector services. On the other hand, however, the government's behavior on certain occasions has raised suspicions that it intends to use NGOs as a vehicle for channeling state funds into private causes close to government officials. The government's draft Law on Youth Policy, for example, contains provisions that would oblige youth NGOs to join a Komsomol-style umbrella organization in order to be eligible for recognition and support from the state. A new law on State Social Sector Orders – currently being drafted – may clarify the situation, provided it contains clearer guidelines and safeguards for implementation.

ADVOCACY: 4.0

As a whole, cooperation with local and central government bodies appears to have improved over the past year. This in large part can be credited to the effort – on the part of both NGOs and elements in the government

ADVOCACY	
2002	4.0
2001	4.3
2000	4.5
1999	4.5
1998	4.5

– to push forward social partnership projects that build ties between NGOs, business and the state. The primary vehicle for this effort has been the development of a state concept on support to NGOs. This concept has now officially been approved, and supporting legislation, such as a law on state social purchases, is in the process of being drafted. Kazakhstani NGOs and international experts' participation in the drafting of these laws has been welcome, and indeed, of the

three draft laws under consideration, two were spearheaded by NGOs themselves, and even the third variant includes substantial input from NGOs. Furthermore, initial contacts have begun to be made between leading NGOs and prominent Kazakhstani businesses to explore ways of promoting legislative changes to encourage corporate philanthropy. As a whole, state-NGO cooperation has progressed farthest in regions where a handful of leading NGOs have carved out a successful niche for themselves, and have won a fairly good reputation among local political and business elites. Authorities in the capital city, Astana, tend to be less receptive to NGOs as a whole.

While new legislation will open, for the first time, the possibility of legal financing by the

2002 NGO Sustainability Index

state of Kazakhstani NGOs, recognition of NGOs as specialists in their fields by the government has already become fairly commonplace. This recognition is sometimes quite shallow, and intended purely for public relations purposes, but even in cases where the government demonstrates a true appreciation for the skills and talents of a local NGO, it almost never pays NGOs for their work. This to some extent reflects the mentality in the government that NGOs should consider themselves “lucky to be invited to the table” – a common stereotype in authoritarian post-Soviet societies. As a result, tangible results from these interactions are rare, and tend to be centered around the work of a few leading NGOs.

Over the past year, Kazakhstani NGOs have become more effective in formulating and advocating policy advocacy initiatives. Whereas in previous years NGOs rarely engaged in policy advocacy outside of those that impacted the sector directly (for example, on the NGO law, or tax code), this past year has seen large-scale policy initiatives initiated and advocated by NGOs on issues as diverse as the import of nuclear waste into the country, housing reform, and consumer rights protection. Generally, these

efforts are unsuccessful, as the central government, while paying generous lip service to civil society, clearly views the policy realm as its exclusive domain. Even more disturbing has been the government’s response to NGOs that have attempted to engage in political lobbying. Efforts to lobby for reforms to the country’s political system have been met with a violent backlash from the government. A nationwide effort by the NGO “Kazakhstan’s Democratic Choice,” for example, to prompt a referendum on the question of making governors popularly elected, rather than appointed, resulted in a crackdown on the organization, widespread harassment of its members, and the imprisonment of its leaders. After challenging the government’s draft law on youth, an independent youth NGO was subjected to withering attacks in the state press and anonymous threats. In sum, NGO advocacy is possible up to a certain degree, and may even enjoy the blessings of the government. But beyond this line – which generally is defined by the political interests of the country’s ruling elite – advocacy is impossible.

SERVICE PROVISION: 4.0

Kazakhstan’s NGOs continue to increase the range of goods and services they provide to their clientele. The majority of Kazakhstani NGOs are in the social service field, and thus provide basic services in the education, health, natural resources management and housing fields. However, since the clientele in this case is often made up of the most vulnerable segments of the Kazakhstani population – people who are almost universally incapable of paying even minimum fees for the services they receive – NGOs are unable to charge

SERVICE PROVISION	
2002	4.0
2001	4.0
2000	4.7
1999	4.5

for these services. The country’s new tax code allows for socially-oriented NGOs to engage in revenue generation, provided that all profits are reinvested into the organization’s core mission. However, NGOs have yet to make full use of this provision, both because of the complexity of the law, legal illiteracy of tax officials, and the lack of clear implementing regulations. Therefore, most social sector NGOs remain heavily dependent on external donor assistance, and are thus vulnerable to the vagaries both of shifting donor priorities, and the year-on-year grant cycles used by most international donor programs. This dependence on external donors has a destructive effect on NGOs’ ability to provide goods and services that

truly reflect the needs and priorities of their constituents and communities – a focus on women’s issues, for example, by international donors, has led to considerable

asymmetry in the work of social sector NGOs that might otherwise be attending to other, perhaps more pressing, needs of their communities.

INFRASTRUCTURE: 3.9

The infrastructure for NGO work in Kazakhstan has improved significantly over the last year. Most major cities in Kazakhstan are served by one or more intermediate support organizations (ISOs) that are funded by foreign donors such as the Open Society Institute and Counterpart Consortium. A seventh member of the Civil Society Support Center (CSSC) network was established in Kara-

INFRASTRUCTURE

2002	3.9
2001	4.1
2000	4.5
1999	5.0

ganda this year, thus strengthening this nascent association of locally-registered support organizations. This network is in the process of devel-

oping a local grant-making capacity, which, when operational, will represent an important step in empowering local NGOs to be more responsive to locally-identified needs and projects. Additionally, efforts to form a United Way-Kazakhstan have resulted in the registration of this organization. However, lingering legal issues so far have prevented the organization from its main mission of

fundraising and re-distributing grant funds amongst the Kazakhstani NGO community.

The third sector in Kazakhstan has not seen many successful attempts at coalition-building amongst NGOs. While low-level cooperation and coordination at the level of information-sharing and infrequent meetings does take place, there appears to be neither the will nor the resources to organize a formal structure to institutionalize these contacts. The “Confederation of NGOs of Kazakhstan” (CNOK) – formed two years ago by 27 Kazakhstani NGOs, and now encompassing approximately 100 members organizations – represents the most serious attempt to date to create a lasting, legally-registered grouping of NGOs. It remains to be seen, however, whether or not CNOK will be able to overcome inherent leadership and internal development problems that plague most Kazakhstani NGOs. An earlier attempt to unite NGOs under a common organization resulted in the creation of the Association of Kazakhstani NGOs (ANOK), but this organization’s activities in recent years have dropped off noticeably.

PUBLIC IMAGE: 3.9

Although public awareness of the NGO sector as a whole remains weak in Kazakhstan, the public image of NGOs has improved. This is largely on the strength of a few leading NGOs, whose leaders have become regular commentators in

the public realm on issues pertaining to their specialties. The leader of the country’s leading consumer’s rights protection NGO, for example, makes regular appearances on television and in the press, and, if not a household name, then at least the

2002 NGO Sustainability Index

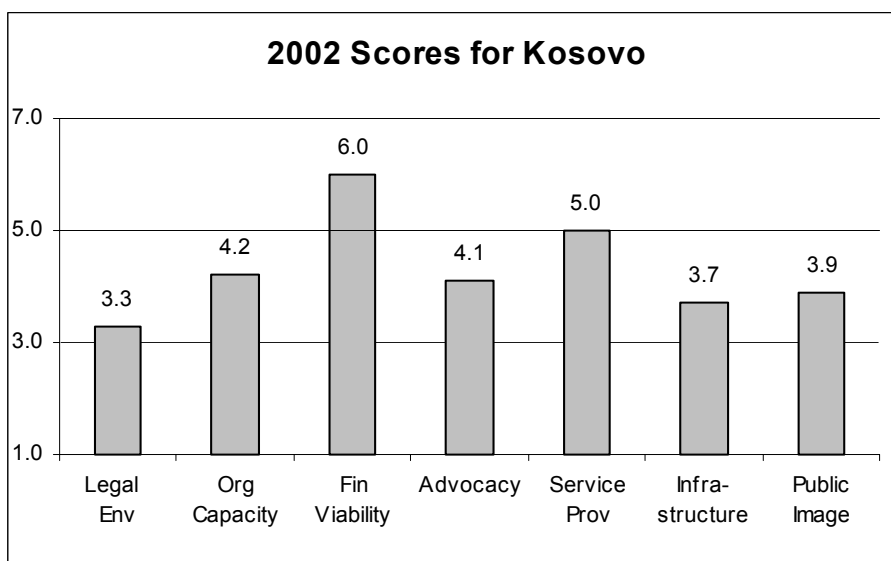
PUBLIC IMAGE	
2002	3.9
2001	4.1
2000	4.5
1999	4.5
1998	4.0

organization has become widely recognized in the country's main city, Almaty. Additionally, the ongoing work of grassroots NGOs and CBOs serves to steadily increase the visibility of these groups in their local communities. However, it is not unusual for citizens, at the same time that they are receiving services from a civic organization, to claim ignorance of the term "NGO" – the term does not translate very easily into Russian and/or Kazakh, and public understanding of the role of NGOs in society is complicated by lingering Soviet legacies of forced volunteerism, and quasi-government organizations.

organization has become widely recognized in the country's main city, Almaty. Additionally, the ongoing work of grassroots NGOs and CBOs serves to steadily increase the visibility of

Another cultural factor continues to leave its mark on the Kazakhstani public's acceptance of NGOs. To this day, the NGO sector in Kazakhstan remains heavily Russified, with the vast majority of NGOs formed either by ethnic Russians or Russian-speaking representatives of other ethnic groups (including titular Kazakhs). This reflects the fact that NGOs tend to disproportionately draw their leaders and recruits from highly-educated circles – people with university degrees and/or fairly specific professional niches – that are generally Russian-speaking. The resulting social gap between the NGO sector and rural, primarily Kazakh-speaking citizens is felt especially in the south of the country, which is primarily agricultural, ethnically Kazakh, and has the fewest and weakest NGOs.

KOSOVO



Capital:
Pristina

Polity:
International protectorate

Population:
1,850,000

GDP per capita (PPP): \$2,300

NGO SUSTAINABILITY: 4.3

As Kosovo moves from a focus on relief to development, the NGO community is transforming its role from one of primarily service provision to issue-oriented advocacy. In part, this is the result of the United Nations Mission in

NGO SUSTAINABILITY

2002	4.3
2001	4.6
2000	4.6
1999	4.4

Kosovo (UNMIK) transferring powers to elected governing structures, the Provisional Institutions of Self Governance (PISG), as well as internationally-sponsored programs, including the USAID-funded Kosovo NGO Advocacy Project (KNAP), implemented by the East West Management Institute (EWMI). Although the relations between the NGO community and the PISG structures are excellent, the Kosovar NGOs are faced with the challenge of holding those with

limited powers (PISG) accountable while those with power, UNMIK, are not accountable to civil society. UNMIK is often criticized for developing policies under a shroud of secrecy.

Currently, out of more than 1,000 registered NGOs in Kosovo, at least 50 Kosovo-wide organizations have taken serious steps to build their institutional capacity, through the development of governing policies and mission and vision statements, and becoming leaders and experts in their respective fields. However, the majority of NGOs are facing an uphill battle to survive as funding from international donors dwindles rapidly. In the past year, Kosovar NGOs have elevated their public image, have begun to build coalitions, and are working and sharing information horizontally (NGO to NGO) as well as vertically (NGO to donor).

LEGAL ENVIRONMENT: 3.3

Kosovo has a very favorable NGO registration law that allows NGOs to register

LEGAL ENVIRONMENT	
2002	3.3
2001	4.0
2000	3.0
1999	3.0

easily, either with or without public benefit status and the associated benefits. Since 1999, the NGO registration office has registered approximately 1,000 associations and

foundations.

The PISG does not have the capacity to monitor NGOs. As a result, there is no interference in the daily work of Kosovar NGOs. However, some NGOs are concerned that the lack of financial controls by the relevant government institutions

is allowing NGOs to abuse their public benefit status.

In general, NGOs, lawyers, media and government officials are not familiar with NGO laws. However, the situation has improved over the last year. Namely, NGOs have additional experience with the law and two organizations have been established that provide legal advice to NGOs.

There are no laws that provide tax exemptions to NGOs, allow deductions for donors, or regulate taxes on grants. Nevertheless, the law allows NGOs to earn income on the services they provide.

ORGANIZATIONAL CAPACITY: 4.2

As a result of the large number of international organizations (over 500) active in Kosovo after the war, many Kosovar

ORGANIZATIONAL CAPACITY	
2002	4.2
2001	5.0
2000	4.5
1999	4.5

NGOs developed in response to employment opportunities rather than civic responsibilities. As such, the majority of NGOs revolved around

one individual and functioned primarily as contractors for international organizations. The mission statement of most NGOs is broad, in order to increase their eligibility for a wide range of donor projects. The development of the NGO sector was also distorted by the fact that international organizations generally rewarded those NGOs that had been involved in the implementation of donor-driven projects rather than those that attempted to develop their institutional capacity.

However, NGOs are now beginning to focus on increasing their institutional capacities as the situation changes. Therefore, an increasing number of NGOs are becoming more transparent and clearly dividing responsibilities between board and staff members, as well as expertise in a field, and a clearly defined mission and vision.

Despite the problems mentioned earlier, the work that local NGOs have done in cooperation with international development and relief agencies has helped to narrow the gap in organizational capacity between these two groups. As a result, NGOs are putting more effort into developing constituencies. After a 'golden age' of voluntarism during the 1990s and the sharp fall after the war in 1999, the rate of voluntarism is increasing steadily as NGOs focus more on their constituents' needs and as the situation stabilizes.

NGOs are especially successful in networking with other NGOs in order to

reach their goals. As a result of outside funding, most NGOs have modernized basic equipment.

FINANCIAL VIABILITY: 6.0

Financial viability remains the most daunting challenge to the sustainability of Kosovo's NGO sector. As opposed to improvements in other areas of NGO sustainability, the financial situation continues to deteriorate as a result of cutbacks from international donors. Additionally, Kosovo's weak economy and high unemployment rate make it continually difficult for NGOs to pursue indigenous funding.

FINANCIAL VIABILITY

2002	6.0
2001	6.0
2000	6.0
1999	6.0

Many NGOs continue to serve as implementers/contractors for hire by in-

ternational donors in order to continue receiving funding. However, as NGOs move away from service provision to issue-oriented advocacy, they have also begun to seek funding from donors outside of Kosovo.

Advocacy NGOs are finding it particularly difficult to cover their operating costs. As a result, many NGOs are trying to reduce their overhead costs, through measures that include cutting staff with salaries inflated by the influx of donors following the war. At the same time, NGOs are beginning to seek domestic funding sources, most notably from leading businesses.

The advocacy capacity of Kosovar NGOs has increased significantly over the past year as leading NGOs make the transition from reactive service-providers to proactive agents of change. As a result, NGOs in Kosovo have made some breakthroughs in influencing policymaking, by successfully networking to advocate at both the local and central levels and by building cooperative relations with local and central institutions of self-governance. For example, at the local level, NGOs are beginning to exercise the right to participate in the meetings of the Municipal Assembly.

ADVOCACY: 4.1

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ADVOCACY

2002	4.1
2001	5.0
2000	4.5
1999	5.0

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Advocacy campaigns in 2001 did not extend beyond raising awareness on various issues. In contrast, in 2002, NGO networks successfully influenced decision-making at the local and central level. For example, an advocacy campaign by the Gjakova NGO Forum, together with KNAP partners ICNL and IKDO, resulted in the adoption of a regulation moderating NGO and public participation in the work of the Municipal Assembly and government. At the central level, the 25-NGO strong Advocacy Network – AvoKo – successfully pushed for open Parliamentary Committee meetings in the Parliamentary Rules and Procedures. The Rules and Procedures are expected to be adopted by the end of 2003. AvoKo members are currently monitoring the adoption of the law.

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While NGOs have successfully influenced policy-making with local Kosovar governing bodies, they have not succeeded in

opening up the UN Mission in Kosovo to NGO input.

SERVICE PROVISION: 5.0

The strongest NGOs involved in service delivery were functioning successfully before the war, providing basic social services in the areas of health, education, relief, housing, etc. Currently, these NGOs

SERVICE PROVISION	
2002	5.0
2001	4.0
2000	5.0
1999	4.0

find themselves weaker than ever as service provision after the war became donor driven. As mentioned previously, these funds are now disappearing, and these

organizations have lost much of their original constituencies.

Despite being donor-driven, goods and

services provided by NGOs generally reflect the needs and priorities of their constituencies and communities. However, NGOs have not been able to tackle the full myriad of issues in Kosovo. For example, NGOs have not addressed two of the biggest problems – electricity and water – at all.

UNMIK still fails to recognize the work of service-providing NGOs. On the other hand, the elected structures of the PISG generally value the work of service-providing NGOs. Despite this, there are still not established procedures for government structures to provide grants or contracts to NGOs to deliver services.

INFRASTRUCTURE: 3.7

Kosovo NGOs benefit from various NGO resource centers that offer Internet access, space for meetings, training on different topics, use of office equipment, statistical information, libraries, etc. In addition to the general

INFRASTRUCTURE	
2002	3.7
2001	4.0
2000	5.0
1999	5.0

NGO Resource Centers, such as the ones that spun-off from OSCE structures, there are also a

number of centers focusing on specific fields, for example humanitarian work, gender issues, and advocacy. Most of these centers are directly funded by international donors and have not yet become self-sustainable.

There are four grant-making foundations in Kosovo, all of which are primarily funded by international donors. These organizations have not yet begun to raise local funds to address locally-identified needs and projects. These leading foundations have built their institutional capacity to a high level.

NGOs are looking for different ways to replace the OSCE-initiated Kosovo-wide NGO Assembly, after it failed to deliver. NGOs have created structures to share information and promote cooperation within the sector through different NGO networks and coalitions.

Over the past year, significant efforts were made to create a Kosovo-wide team of local trainers in NGO management and a considerable number of NGOs have at-

tended Kosovo-based trainings on the issue.

The past year has also witnessed major improvements in communication between NGOs and media, NGOs and the government, and NGOs and local businesses.

These improvements have resulted in successful initiatives for achieving common objectives and are largely a result of NGOs becoming aware of the benefits of networking and coalition-building in achieving their goals.

PUBLIC IMAGE: 3.9

Over the last year in particular, local NGOs enjoyed very positive media coverage at the local and national levels. As

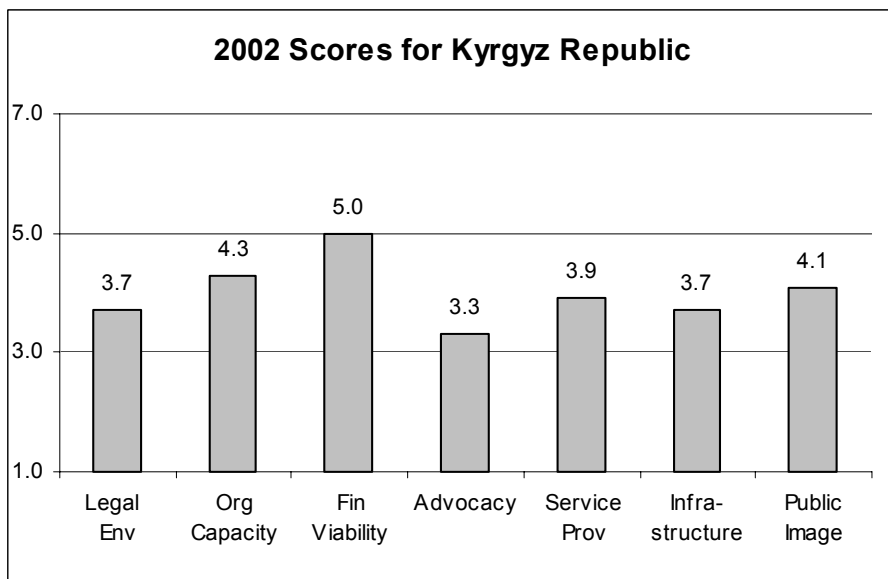
PUBLIC IMAGE	
2002	3.9
2001	4.5
2000	4.0
1999	3.5

NGOs have become more experienced, specialized and active, and develop relationships with journalists, they have increasing success in publicizing their activities and promoting their public image. As a result, the public now understands the role

of NGOs better and is increasingly supportive of NGO activity overall.

Due to NGOs' success in developing intersectoral partnerships and implementing advocacy initiatives, businesses and local and central government bodies have started to view NGOs as trustworthy partners in reaching their own objectives. This is demonstrated, for example, by government's openness to NGO approaches for cooperation or simply sharing of information.

KYRGYZ REPUBLIC



Capital:
Bishkek

Polity:
Presidential

Population:
4,822,166

GDP per capita (PPP): \$2,800

NGO SUSTAINABILITY: 4.0

NGOs in Kyrgyzstan continue to benefit from the most favorable situation in all of

NGO SUSTAINABILITY	
2002	4.0
2001	4.3
2000	4.3
1999	4.1
1998	3.9

Central Asia, but the sector remains highly dependent on the foreign donor community due to the scarcity of financial resources in the country. However, because the Kyrgyz government lacks the resources it needs to address all of the social and economic problems facing the country, it has become increasingly supportive of NGOs that work in the field of social services. President Akayev has even been quoted as saying, "as Holland has tulips, Kyrgyzstan has NGOs." While the government has not been as supportive of politically engaged NGOs, this year it did invite the leaders of some political NGOs to partake in a "Constitutional Council" that dis-

cussed potential amendments to the constitution.

These evolving government attitudes have led the NGO sector to become more confident and active in both the political and social arenas. In fact, many NGOs are better organized and equipped than most political parties. The increasing maturity of the NGO community in the country was demonstrated through its collaborative advocacy campaign against "Decree # 20," which called for increased government control over all forms of media.

There is, however, still need for further development within the NGO sector. Aside from problems of sustainability, most NGOs still lack the professionalism needed to truly become partners with the government. In order to reach the next stage of development, NGOs require increased organizational capacity, advocacy skills, and professionalism.

LEGAL ENVIRONMENT: 3.7

In comparison with other Central Asian countries, NGO registration in Kyrgyzstan is relatively easy and affordable. Further-

LEGAL ENVIRONMENT	
2002	3.7
2001	5.2
2000	4.3
1999	3.5
1998	3.9

more, legislation passed in the country over the last several years has made it easier for NGOs to operate without extensive government interference. In 2002, several pieces of legislation were adopted that further support NGO development. The laws "On the Ombudsman" and "On Public Meetings" have created more opportunities for NGOs to voice their interests to both the public and government. Furthermore, the laws "On Microfinance" and "On Associations of Water Us-

ers" have both provided clearer definitions of the responsibilities, rights, and roles of specific types of NGOs. Finally, proposed amendments to the tax code could, in the near future, significantly lower the tax burden on NGOs, and on charitable organizations in particular. In addition, implementation of previously existing legislation has improved, and as NGOs increase their familiarity and understanding of these provisions, they are able to ensure that their rights under it are upheld. For these reasons, there was a significant improvement of this score in comparison with last year.

ORGANIZATIONAL CAPACITY: 4.3

The organizational capacity within the Kyrgyz NGO sector has also been steadily improving over

ORGANIZATIONAL CAPACITY	
2002	4.3
2001	4.0
2000	4.0
1999	4.0
1998	3.9

the past several years. Particularly among the older NGOs that have been operating for years, true organizations are beginning to develop where single leaders once reigned over a staff of two or three. While this is a positive development, the sector is struggling with grow-

ing pains as it converts from a dispersed group of "Non-Governmental Individuals" to actual "Non-Governmental Organizations." In order to consolidate this process, additional training is needed in areas including strategic planning, corporate management, team building and leadership. Weak organizational capacity often translates into poor professionalism, especially among NGOs that could otherwise assist in the preparation of draft laws, national advocacy programs, and the assessment of government and donor implementation of social projects.

FINANCIAL VIABILITY: 5.0

Most NGOs in the country rely almost exclusively on external funding from foreign

FINANCIAL VIABILITY	
2002	5.0
2001	5.5
2000	5.5
1999	5.5
1998	4.2

donors. This is primarily a function of two factors. First, the country's economy remains weak and lacks a significant number of large companies that could provide donations to NGOs. Furthermore, the present tax regime does not encourage such public-private

partnerships. Second, the government is resource-limited and therefore cannot yet support NGOs either through grants or tenders for social services. While NGOs in the country are still reliant on international donor support, the passing this year of a new law "On Microfinance" gives some organizations hope that they can combine microcredit lending into their programs and, consequently, improve the sustainability of their organizations.

ADVOCACY: 3.3

While NGOs engaged in some successful advocacy campaigns over the past

ADVOCACY	
2002	3.3
2001	3.0
2000	3.5
1999	3.5
1998	3.5

year, NGOs still need to develop their advocacy skills further. The most successful advocacy campaign of the year was focused on revoking the restrictive amendments to the Media Law introduced by "Decree #20", which

was supported by NGOs throughout the country. Despite the success of this campaign, NGOs still recognize the need to improve the professionalism of NGO representatives if they are to seriously advocate for change before the government. Specifically, NGOs need to improve their expertise in their respective fields and to master the skills needed to effectively present their cases to government representatives.

SERVICE PROVISION: 3.9

SERVICE PROVISION	
2002	3.9
2001	4.3
2000	4.5
1999	4.0

Many NGOs in Krygyzstan are competent service providers, and NGOs note that government support for their efforts to provide services has increased.

At the same time, however, the government often seems to expect NGOs to assume government responsibilities. For example, the government's recent poverty reduction plan tends to depend on NGOs to deliver services without providing any financial support to organizations for this work.

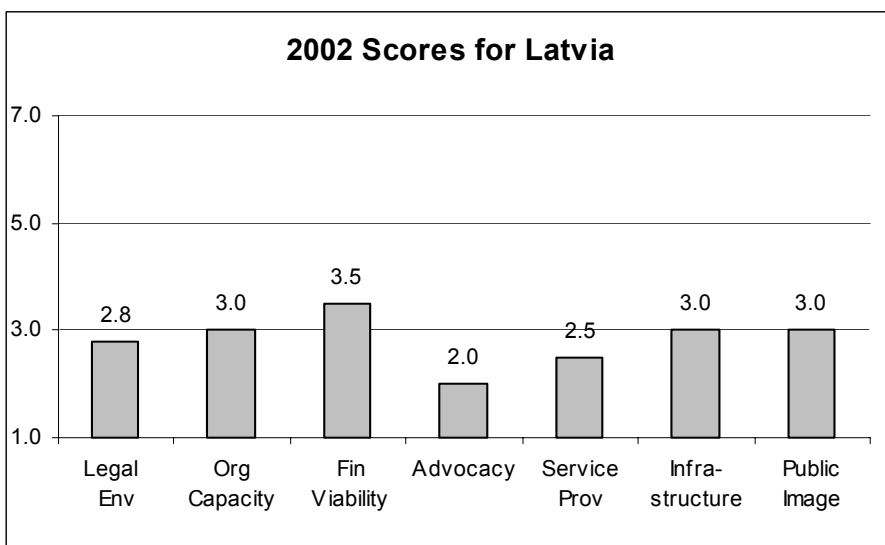
INFRASTRUCTURE: 3.7

<p>INFRASTRUCTURE</p> <p>2002 3.7 2001 3.8 2000 4.0 1999 4.5</p>	<p>There are now eleven USAID-funded Civil Society Support Centers located throughout the country that provide training, consultation, information, and resources on fundraising. This network of resource centers was instrumental in the NGO community's recent advocacy campaign against the government's proposed amendments to the Media Law. Internet access has also increased significantly throughout the country, which improves NGO access to information.</p>
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PUBLIC IMAGE: 4.1

<p>PUBLIC IMAGE</p> <p>2002 4.1 2001 4.5 2000 4.5 1999 4.0 1998 3.8</p>	<p>While government appreciation of NGOs has increased, public opinion of NGOs remains skeptical. The perception remains that NGOs can easily obtain grant money from foreign donors, and that this money is not always spent as it was intended. This is aggravated by a general distrust of foreign assistance. In fact, many Kyrgyz believe that international organizations are only encouraging the government to go into more and more serious debt.</p>
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LATVIA



Capital: Riga

Polity:
Parliamentary
democracy

Population:
2,366,515

**GDP per capita
(PPP):** \$7,800

NGO SUSTAINABILITY: 2.8

The Latvian NGO sector remains widely diversified. NGOs work in all regions of the country, support all demographic groups, and undertake a wide range of programs. In addition, Latvian NGOs benefit from a network of Regional NGO Support Centers throughout the country that provide them with access to information and basic services, and the Volunteer Center based in Riga that provides training and support for volunteers.

NGO SUSTAINABILITY	
2002	2.8
2001	2.9
2000	2.8
1998	4.2

According to the NGO Center in Riga, there are over 900 NGOs that are somewhat active. However, the majority of these are organizationally and financially

weak. Declining international donor support remains the biggest difficulty for NGOs, threatening both the long-term sustainability and organizational capacity of most NGOs.

While the overall state of the NGO sector in Latvia has not changed dramatically over the past year, there have been several notable developments. Law students have been trained to assist NGOs with registration, thereby improving local legal capacity. NGOs are now represented in the weekly meetings of the State and there is a requirement that NGOs comment on all draft legislation. There has also been an increase in intrasectoral partnerships and a new draft law governing the sector has been written and is currently awaiting passage by the Parliament.

LEGAL ENVIRONMENT: 2.8**LEGAL ENVIRONMENT**

2002	2.8
2001	3.0
2000	3.0
1998	4.0

At present, the Latvian NGO sector is governed by the 1992 Law On Public Organizations and Associations. While far from perfect, the law allows NGOs to operate with relative ease. NGOs can register without serious problems and are protected from undue state interference or control.

Among the weaknesses of the law are several provisions related to the financial sustainability of NGOs, specifically earned income and tax benefits. For example, the law allows organizations to earn income if it is not "systematic", but does not clarify what this means. As a result, organizations are often reluctant to charge for their services. The process of obtaining tax-exempt status is also problematic. Currently, only three organizations have been granted special status that permits 90% of the donations they receive to be tax deductible; all other organizations are entitled to only an 85% deduction. Furthermore, the certification process for tax deductibility must be completed annually and can take several months, which means organizations may not receive their tax-exempt certification until late in the year.

NGOs and the government have been working to address these and other problems in the legal environment over the past several years. A new law has been drafted with direct consultation from sector leaders and is currently awaiting passage by the newly elected Parliament. The proposed law makes several improvements

over the current law. For example, it no longer treats political parties as NGOs. It also clearly defines the differences between member and public benefit organizations, and specifies that only public benefit organizations are entitled to tax deductions. It also creates a mechanism to allow individuals to receive tax deductions for donations to public benefit NGOs. Passage of the draft legislation has been delayed because of opposition to one particular provision. As opposed to the current legislation that grants special tax-exempt status to three organizations, the draft legislation would eliminate this special category and treat all organizations equally. The three organizations that would lose their special status are therefore opposed to the new legislation and have the support of many leading politicians. However, a new government was elected in October 2002, and the authors of the legislation hope that a compromise can be reached and the draft passed by the spring of 2003.

Another advance in the legal environment is that the local legal capacity for the NGO sector has improved because of a joint NGO Center/State Enterprise Register project that trains law students to advise NGOs on registration. The NGO Center also provides basic legal advice on issues relating to registration or drafting statutes, but does not provide legal advice to NGOs with particular legal questions or problems. Overall, local legal capacity remains weak and few lawyers are interested in working in the non-profit sector, as pay is low and non-profit law is not taught as part of the law school curriculum.

ORGANIZATIONAL CAPACITY: 3.0

The organizational capacity of NGOs in Latvia has not changed significantly over the past year. Many NGOs still exhibit serious

ORGANIZATIONAL CAPACITY	
2002	3.0
2001	3.3
2000	2.6
1998	4.0

weaknesses, which they do not know how to address.

In an effort to increase sectoral capacity, the Baltic - American

Partnership Program (BAPP) has initiated a program that provides training grants to twenty organizations. Among the topics on which organizations have received training are board roles and responsibilities, public relations, volunteer training, organizational planning, and bookkeeping.

Less than 1% of NGOs have a board of directors that exercises real oversight responsibilities over the organization and a division of roles between the board and

the staff. In most organizations, board and staff responsibilities still rest in the same individuals, thereby increasing the potential for conflicts of interest. Another potential source of conflict is that most board members also work in other NGOs, which leads to divided loyalty when the two organizations apply for funding from a limited number of donors. Only the most well-established NGOs have any paid staff, and the majority of organizations operate with only one or two volunteers.

According to research conducted by the NGO Center, 80% of NGOs have Internet access, although not necessarily on their premises. Most NGOs do not have any basic office equipment and those that do generally received their equipment as part of a grant from an international donor. Organizations do not have the resources to purchase equipment or to upgrade or replace existing equipment.

FINANCIAL VIABILITY: 3.5

The vast majority of funding for the sector still comes from foreign donors. Unfortunately, foreign donors are reducing their

FINANCIAL VIABILITY	
2002	3.5
2001	3.5
2000	3.5
1998	5.0

activities in Latvia, thereby threatening the stability of the sector, as domestic funding sources have not yet developed. What little support there is from local businesses

is generally in-kind, and is insufficient to meet organizational needs. Local government support is also rare, although local authorities outside of Riga are also beginning to make in-kind contributions such as meeting space in municipal buildings.

Earned income is also not a significant part of NGO revenue, due to the above-mentioned difficulties with the legal environment in this regard.

In general, organizations have not diversified their funding sources – funding generally comes from one donor for a specific project. However, of those few NGOs that conduct organized fundraising campaigns, almost all receive further support once a relationship has been established with a donor.

For the most part, NGOs have implemented proper accounting techniques and do not abuse their funding.

ADVOCACY: 2.0

ADVOCACY

2002	2.0
2001	2.2
2000	3.0
1998	4.0

example, NGOs are now represented at

NGOs in Latvia have made significant progress in terms of institutionalizing their interactions with the government on legislative matters. For ex-

the weekly meetings of State Secretaries, the highest administrative body in each government ministry. In addition, the NGO Center is asked to provide comment on all legislation affecting the sector. Finally, all draft legislation must have an annotation that NGOs have been contacted for comment.

SERVICE PROVISION: 2.5

SERVICE PROVISION

2002	2.5
2001	2.4
2000	2.5

However, NGOs recover only a small percentage, if any, of their costs. In part, this is due to the perception that organizations should not

NGOs in Latvia are widely diversified, working in all regions of the country, supporting all demographic groups, and implementing a wide range of programs.

charge if they receive donor support for providing services. As mentioned previously, the legal environment also discourages NGOs from earning income. Government authorities do not provide financial support for organizations to provide social services. Indeed, many local governments view NGOs as competitors for funding from the national government for the provision of social services.

INFRASTRUCTURE: 3.0

INFRASTRUCTURE

2002	3.0
2001	3.0
2000	3.0

access to information and basic services, including office equipment. These centers charge fees for the services they provide, but recover only a small percentage of their full costs. The Volunteer Center based in Riga provides training and support for volunteers.

Latvia has a large number of trainers and training opportunities. Although the majority of training is at a basic level, some or-

Latvia has a network of Regional NGO Support Centers located throughout the country that provide NGOs with

ganizations offer more advanced training for NGOs requiring more sophisticated skills. Unfortunately, most NGOs cannot afford to pay for training, and certainly cannot afford the true market value of the courses, so training is generally offered only as part of projects subsidized by international donors.

There are currently efforts to encourage the development of community foundations. The NGO Center in Riga has developed two successful community philanthropy pilot projects, which are a model for other communities who may be interested in starting similar local initiatives. However, due to limited community resources, any community foundations that may be formed in the future would most likely de-

pend on foreign sources for the funds needed to create an endowment.

A major positive development in the Latvian NGO sector is the increase in in-

trasectoral partnerships. While in the past information was a source of competition, today the mutual benefit of sharing information is widely recognized.

PUBLIC IMAGE: 3.0

The NGO sector enjoys relatively extensive coverage in the local media, but little

PUBLIC IMAGE	
2002	3.0
2001	2.7
2000	2.0
1998	4.0

coverage in the national press. Latvian media outlets do not offer free-of-charge public service announcements. Most NGOs do not have the organizational

capacity to undertake public relations activities, although they realize the importance of promoting their work through the media.

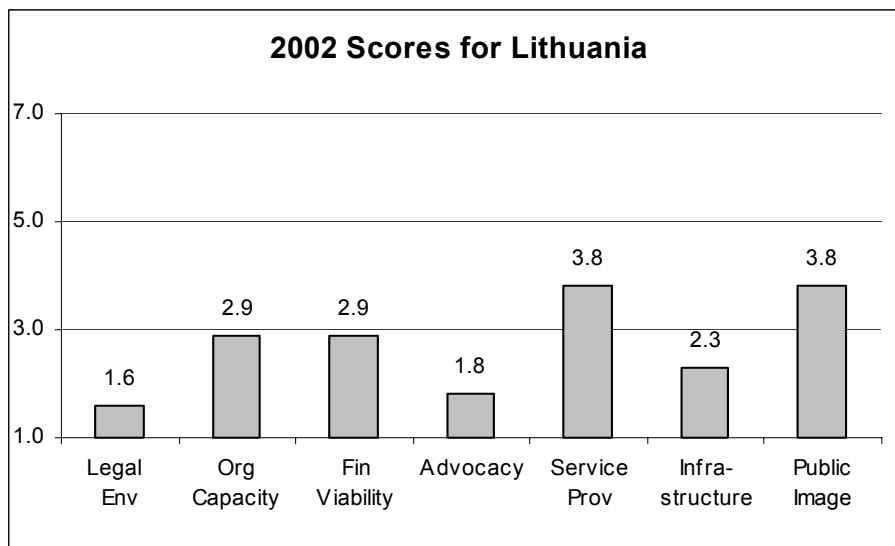
Unfortunately, the public image of NGOs has worsened in the last year, in large part due to the actions of one of the largest cultural organizations in the country. The press reported that this organization, which already had preferential tax treatment from the government, was building an expensive new hockey arena, an act considered by many to be outside of the

organization's mission. Consequently, the state inspector's office launched an investigation into the organization and its funding sources. As a result of this incident, the public now views donations to NGOs to be a form of money laundering, although, in reality, most organizations do not receive large cash donations.

In contrast to the negative public perception of NGOs, government opinion of the sector seems to have improved. The government has begun to think of the sector as a source of information when debating draft legislation, and NGOs are now included in the state secretaries' meetings and asked for their opinions on draft legislation.

A code of ethics has been written for the sector and the Volunteer Center has written a code of ethics for volunteers, both of which are widely utilized.

LITHUANIA



Capital: Vilnius

Polity:
Parliamentary
democracy

Population:
3,601,138

**GDP per capita
(PPP):** \$7,600

NGO SUSTAINABILITY: 2.7

The NGO sector in Lithuania continues to grow steadily, now consisting of about

NGO SUSTAINABILITY	
2002	2.7
2001	2.9
2000	3.1
1999	2.9
1998	3.0

12,000 organizations. However, at least 3,000-4,000 of these registered NGOs are not active. The sector possesses the fundamental infrastructure needed to improve the quality

of NGO services as well as NGOs' organizational capacity.

Several positive developments occurred over the past year, but the most notable related to the legal environment. New tax provisions should assist NGO efforts to raise additional funding, while increasing society's awareness of the existence and

the role of non-profits. Also, in order to benefit from these new tax provisions, NGOs will be encouraged to be more proactive and accountable to their constituencies.

However, the new laws have not yet had any demonstrable effect and financial sustainability is still a serious problem for many Lithuanian NGOs. While large NGOs have succeeded in finding additional revenues, smaller groups are dependent on local resources, which are growing very slowly. NGOs have increased their efforts to diversify financial resources and create more intersectoral partnerships, although they need to continue efforts to develop more products and services and generate revenue from them. Recent amendments to the respective NGO laws made this possible as well.

LEGAL ENVIRONMENT: 1.6

LEGAL ENVIRONMENT	
2002	1.6
2001	2.0
2000	4.0
1999	4.0
1998	4.0

The legal environment regulating NGOs improved noticeably in 2002, particularly in terms of tax issues. First, the parliament, or Seimas, eliminated the profit tax on NGO

commercial activities.

Second, in July 2002, the Seimas passed a new Law on Residents' Profit Taxes. This new law allows individuals to designate 2% of their income taxes to a selected NGO or public institution that benefits society. This promises to be an important new revenue source for NGOs, although NGOs will be in competition for these funds with schools, hospitals and other facilities registered as public institutions. The first revenue flows from this new measure will reach NGOs no earlier than the end of 2004.

Finally, the Seimas reinstated a unique provision giving businesses the opportunity to deduct twice the amount of their donations to NGOs from their taxable profits. However, despite these various tax incentives, these opportunities are not yet widely utilized, especially among smaller donors who are not familiar with the administrative processes for doing so, or in many cases, the legal provisions themselves.

The passage of amendments to the Law of Associations is the first in a series of measures favorable to NGOs that lawmakers are considering. The subsequent laws should be approved in 2003. These bills will enable the four recognized types of NGOs to engage in commercial activities, an opportunity granted only to public institutions in the past. It will still take time for NGOs to feel the effects of this new legislation.

ORGANIZATIONAL CAPACITY: 2.9

Lithuanian NGOs continue to improve their management skills, yet the overall sector's

ORGANIZATIONAL CAPACITY	
2002	2.9
2001	3.0
2000	2.5
1999	2.5
1998	3.0

organizational capacity has improved only slightly over the past year. Generally, NGOs are moving beyond learning concepts like strategic

planning, project administration and mission statements, to implementing them. This is especially true of more established groups that have designed and now follow strategic plans. For smaller NGOs, such con

cepts may still exist only on paper and not in practice.

Leading NGOs possess modern equipment and technology, while rural groups have old-fashioned equipment or lack resources of their own altogether. However, these groups can usually access computers and other basic equipment in local libraries and community centers. Larger and more advanced NGOs have the ability to support a full-time staff and recruit volunteers. New amendments to NGO laws reduced the financial strain on some organizations by allowing the use of volunteer accountants.

NGOs recognize the importance of a fully functioning board of directors, even though many still lack them. Many NGOs with boards still do not make a clear distinction between administration and boards. There has been a growing number of inquiries for training courses about organizing active boards. With this additional experience and information, the roles and responsibilities of board members are beginning to be clarified.

Organizations are also becoming more proactive and effective at building local constituencies – especially with business partners. Representatives of the business sector are increasingly invited to serve on NGO boards. This not only brings private sector experience in management, accounting and public relations into the sector, but sometimes results in joint NGO-business projects, increasing the visibility of NGOs and broadening their constituencies.

FINANCIAL VIABILITY: 2.9

Financial viability continues to be a problem for many NGOs.

FINANCIAL VIABILITY	
2002	2.9
2001	3.0
2000	4.0
1999	3.5
1998	3.0

This uncertainty prevents many groups from having long-term outlooks beyond a year or even six months. However, while NGOs continue to be concerned about

financial viability, the steady number of NGOs that remain active proves that it is possible to find resources.

Opportunities to receive foreign grants continue to decrease, but many hope that EU funds will become more available in connection with Lithuania's EU accession. In part as a result of shrinking foreign funds, Lithuanian NGOs are recognizing the importance of raising funds from local donors. Local philanthropy continues to grow slowly, and according to statistical

data, has already exceeded the assistance that now comes from abroad. Local support comes in the form of financial assistance, as well as in-kind donations of services and materials. New laws allowing individuals to assign 2% of their income taxes to NGOs are hoped to have an important impact on philanthropic giving.

NGOs still have limited possibilities to earn money by charging fees for the goods and services they produce, but the groundwork has been laid to change legislation on the commercial activities of NGOs. In the near future, all types of NGOs will be able to pursue economic activities. A few pioneering organizations have developed partnerships with businesses that in turn donate a portion of their sales to the NGO. Such agreements and new commercial activities will help to increase sustainability.

ADVOCACY: 1.8

NGOs are making inroads in their communication with local and central governments, as evidenced by the passage of

many reforms to legislation relevant to NGOs. These advancements resulted from NGOs' continuous lobbying efforts

ADVOCACY

2002 1.8
2001 2.0
2000 2.0
1999 1.5
1998 2.0

and an influx of parliamentarians with roots in the non-profit sector. A group of parliamentarians has formed that actively supports the interests of non-profits. In addition, NGOs are

more recognized as a source of information and expertise and are increasingly invited to inter-ministerial meetings and working groups that affect social policy at both the federal and local levels.

Political lobbying has grown in acceptance among NGOs. As parliamentarians more readily accept NGO input, more and more organizations recognize lobbying as a conversation with officials to enact certain policy changes. However, NGO lobbying activities are put at risk by proposed amendments to the Law on Lobbying. If the amendments are approved by the Seimas, nonprofits preparing recommen-

dations on legal acts will have to register themselves as lobbyists and pay a registration fee of Lt.10,000 (approximately \$ 3,000). NGOs have recently launched an active advocacy campaign to prevent the adoption of these legal provisions.

Municipalities tend to view NGOs more positively. Cooperation between the two sectors has improved and direct lines of communication exist. The challenge is to develop a constant dialogue rather than having discussions on an ad-hoc basis.

Coalitions and associations are now being created in the regions, as opposed to solely in the major cities. NGOs organize in order to better defend their interests when dealing with local municipalities, improve their organizational capacity, and improve their access to funding.

SERVICE PROVISION: 3.8

SERVICE PROVISION

2002 3.8
2001 4.0
2000 3.5
1999 3.5

become noticeably more diverse. Both the central and local governments continue to increase their support of NGO services. More and more often, the central government invites NGOs to

take part in grant competitions, for example on a national crime prevention program. In addition, both rural and urban municipal governments are awarding contracts to NGOs for services in the areas of social and economic development, and environmental issues.

Organizations rarely recover costs for the services they provide. Not only do many clients lack the resources to purchase them, but also many customers still hold the belief that NGO services should be free.

Local communities increasingly recognize and value NGOs as service providers. Nonprofits often provide cheaper and better quality services than responsible municipal units, especially in the area of social care, and people who at least partially pay for services are more likely to choose NGO services. However, in order to provide certain services, NGOs have to comply with strict and complicated requirements that make such activities very complicated and expensive.

INFRASTRUCTURE: 2.3

The number of Lithuanian NGO resource centers remains unchanged over the past year. These centers provide a range of

INFRASTRUCTURE	
2002	2.3
2001	2.5
2000	3.0
1999	3.0

services including training and technical assistance in areas such as strategic planning, board development, fund-

raising, and project management. Although courses are available and generally cost-effective, some NGOs still cannot afford them. In addition, the resource centers and trainers remain dependent on international donor support and have yet to access significant local resources. The resource center in Kaunas has made the most progress in terms of diversifying its funding sources, although it still relies on donor support for almost 90% of its budget. Many other centers are not legally allowed to charge anything for their prod-

ucts and services as they are registered under the law on Charitable Foundations.

This year, an increasing number of intermediary support organizations (ISOs) sprouted up in the countryside. Usually based in libraries and community centers, these ISOs offer shelf space for NGO pamphlets and literature.

Local grant-making organizations are beginning to emerge. In the Zemaitija and Utena regions, the first community foundations were formed, joining businesses, government and NGOs together to tackle local issues. In addition, the first re-granting of Baltic American Partnership Program funds recently took place in Zemaitija. Although the amount was not large, only about \$6,000, it brought about visible results that helped attract new prospective local donors.

PUBLIC IMAGE: 3.8

More media coverage than in years past has helped the public gain more of an understanding about the sector. Throughout

PUBLIC IMAGE	
2002	3.8
2001	4.0
2000	3.0
1999	2.5
1998	3.0

the country, organizations are becoming more open about their activities and proactive in establishing meaningful relationships with journalists and the general public.

NGOs realize it is necessary to be creative when communicating with the press. In addition, organizations increasingly have found web pages useful as a way to share information with a wider audience. A weekly radio show called "The Third Way" on Lithuanian National Radio

was perhaps the most significant reason for the increase public image of NGOs.

Unfortunately, the continuation of the radio program is at risk due to uncertain future sponsorship, and other major media outlets remain reluctant to focus on NGOs. In dealing with major daily newspapers, new issues have appeared. Specifically, articles often do not mention the names of corporate donors, thereby hindering NGO's efforts to recruit donations.

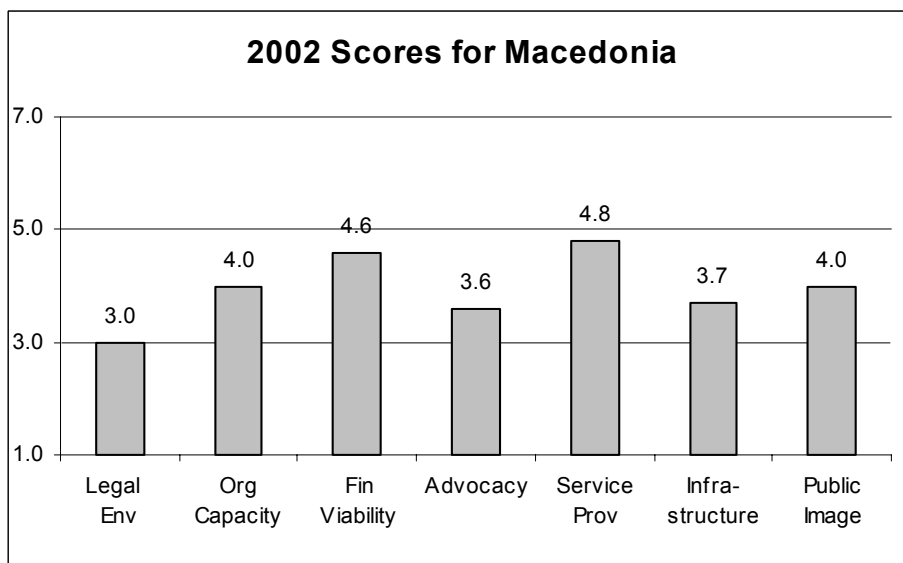
A Social Ethics Institute recently opened to help NGOs in addressing issues related to competition between organizations and their relationships with donors, lobbying and advocacy measures, relationships with local authorities, and community.

2002 NGO Sustainability Index

However, it is too early to evaluate the results of its work. A few seminars on ethics were held last year and signify a slight im-

provement in this area, but a set code of ethics does not yet exist.

MACEDONIA



Capital:
Skopje

Polity:
Parliamentary
democracy

Population:
2,054,800

**GDP per capita
(PPP):** \$4,400

NGO SUSTAINABILITY: 4.0

There are currently over 4,000 NGOs registered in Macedonia, the majority of which

NGO SUSTAINABILITY	
2002	4.0
2001	4.1
2000	4.6
1999	4.6
1998	4.4

are based in Skopje. Half of these are thought to be active, although it is impossible to determine an accurate number.

The vast majority of NGOs are associations for sports, culture, recreation, various professions and other orientations.

The aftermath of the conflict in Macedonia, which broke out in February 2001, is still felt in many sectors of society. Although peace was formally established with the ratification of the "Framework Agreement" by the Macedonian Parliament in November 2001, the security situation is still fragile in the northwest part of the country with sporadic outbreaks of violence and ongoing ethnic tensions. In the NGO sector, the repercussions

of the conflict are felt most directly in the further deterioration of the economic situation in the country

The NGO sector remains ethnically and politically divided with NGOs frequently identified with a particular political affiliation. Competition between NGOs is still the norm, although some positive examples of cooperation have been noted this past year, especially on the peace process and elections. For the most part, NGOs are still very donor dependent. Local sources of funding are practically nonexistent because of the difficult economic situation. The fact that NGOs are treated the same as businesses in terms of taxation is yet another impediment to their development and sustainability. Tax incentives for individual or corporate donations are non-existent in the former and insufficient in the latter case.

On the positive side, there has been increasingly effective mobilization by NGOs on a variety of issues including peace campaigns, women's representation in parlia-

ment, violence against journalists, and voter education, mobilization and monitoring during the September 2002 parliamentary elections. As a result of this increased activity, public perception of the NGO sector has improved.

On the negative side, the politicization of the NGO sector led to increased government harassment and intimidation of certain

NGOs, or NGO members, as a result of their criticism of the government or because of their party affiliation. This was particularly true during the pre-election period when a number of NGOs and individuals were accused of acting as a “fifth column” together with the international community in order to overthrow the government.

LEGAL ENVIRONMENT: 3.0

No significant changes have occurred this past year in terms of the legal environment. In general, the Law on Citizen Associations and Foundations, passed in June 1998, is

LEGAL ENVIRONMENT	
2002	3.0
2001	3.0
2000	3.0
1999	3.0
1998	3.0

considered favorable in that it allows NGOs to register and operate freely. Templates of NGO statutes and founding resolutions can be downloaded from the Internet, making it

easier and more affordable for NGOs to register by diminishing the need for legal services.

From a legal and practical standpoint, NGOs have the freedom to organize public debates and express criticism. However, during 2002, a number of NGOs that had been strongly critical of the government were intimidated by the central government and ostracized by pro-government media. These NGOs, however, were not apolitical and were affiliated with opposition political parties. There have been no cases of NGO dissolution for political or arbitrary reasons on the side of the State.

Taxation remains the largest legal impediment to NGO growth. Tax exempt status for public benefit NGOs and tax incentives for individual donors have not yet been introduced into legislation. A provision for corporations to donate up to 3% of their

annual income to institutions funded through the State budget or the Red Cross does exist, but is insufficient and needs to be expanded to the broader NGO sector. There are a number of NGO tax reform initiatives ongoing. The Foundation Open Society Institute – Macedonia (FOSIM) is funding a project to improve the tax and fiscal framework for NGOs in Macedonia. The First Children’s Embassy MEGJASHI has been engaged in a project related to financing of NGOs and increasing corporate philanthropy. The Macedonian Center for International Cooperation will publish a Macedonian version of ICNL’s *Survey on Tax Laws Affecting NGOs*. The USAID-funded ICNL has been providing technical assistance to many of these initiatives as well as working with the Ministry of Finance (MoF) and the U.S. Treasury Advisor to introduce provisions beneficial to NGOs into the tax reform effort underway at the MoF. NGO taxation policy is an area where NGOs need to increase their cooperation and lobby together to improve their position.

The Law on Associations and Foundations prohibits NGOs from engaging in economic activities. Legally, NGOs must register as limited liability companies in order to earn income from the provision of goods and services. Some organizations have registered themselves this way, others are engaging in such activities despite the law. Legally, NGOs can compete for govern-

ment contracts and procurements although published tenders do not specify that NGOs are qualified to apply. Moreover, there is very little awareness among

NGOs about the possibility to compete for government tenders, or how to position themselves to provide public goods and services.

ORGANIZATIONAL CAPACITY: 4.0

Most NGOs in Macedonia are not constituency-based organizations and, in fact, few even understand the concept.

ORGANIZATIONAL CAPACITY	
2002	4.0
2001	4.0
2000	4.0
1999	4.0
1998	4.0

Instead, NGOs are generally established by and rely on donors, while constituencies are sought only later. While there are efforts in this direction,

constituency building is still not a regular component of most NGOs' work.

As in previous years, very little attention is paid to strategic planning, due in large part to the general instability in Macedonian society. NGO activities are most often targeted towards grant applications without taking into account their organizational capacity or mission. As a result, NGOs repeatedly apply for grants that are incompatible with their goals, know-how and resources.

There is a lack of proper internal

management structures within most NGOs. Boards of Directors are practically nonfunctioning in the vast majority of NGOs and most have no system in place for setting goals or making decisions. Management tends to be centralized in the hands of one or a few individuals within the organization. There is a negligible number of NGOs that have permanent paid staff. Most NGOs operate on a project basis with staff or activists receiving a stipend from project activities. Some NGOs are attempting to overcome this situation and are making an effort to professionalize their staff as they have become cognizant of the fact that organizational strengthening leads to financial sustainability and improved effectiveness.

The level of technical advancement is satisfactory due to donations and grants. In recent years, a number of NGO support centers have become operational in major cities and towns in addition to the expansion of Internet cafes. The technical know-how and effective use of the equipment remains questionable, however.

FINANCIAL VIABILITY: 4.6

The financial viability of NGOs in Macedonia has deteriorated due to the worsening economic situation. Local sources of funding are scarce and difficult to

FINANCIAL VIABILITY	
2002	4.6
2001	4.0
2000	5.0
1999	5.0
1998	5.0

come by. Due to the poor state of the economy and lack of incentives for philanthropic donations, NGOs are in a difficult position to try to generate financial support from local sources. Many NGOs

do receive some level of in-kind contributions from local businesses, municipal government and even individuals, although the extent of this type of support is difficult to gauge because NGOs often fail to mention such support. NGOs tend to focus their 'fundraising strategies' on the relatively easy to obtain donor grants as opposed to smaller-scale methods that are more time-consuming.

Reliable financial management systems are uncommon. The majority of NGOs are

reluctant to share financial information within the organization or to a broader audience. During the past year financial management trainings and audits have been offered to NGOs and a limited number of organizations are beginning to realize the benefits of having sound financial management systems in place.

The First Children's Embassy was engaged in a project related to financing of NGOs, the first output of which was a survey of possibilities for NGO financing. A second effort is underway related to ways to increase corporate philanthropy. As a result of growing interest, the Macedonian Center for International Cooperation has undertaken research on public funding of the NGO sector.

With the exception of the Federation of Labor Unions, the collection of dues is not a typical practice among NGOs. Earned income continues to be insufficient in comparison to the needs of NGOs.

ADVOCACY: 3.6

ADVOCACY	
2002	3.6
2001	4.0
2000	4.5
1999	4.5
1998	5.0

In spite of the difficult post-conflict circumstances in Macedonia that have affected all fields of operation in the not-for-profit sector, positive developments were evident in the area of advocacy.

While certain ministries have appointed liaisons for the NGO sector, taken as a whole NGO cooperation with the national government has deteriorated. In comparison, NGOs tend to have a higher level of collaboration and there are many exam-

ples of joint activities with local government structures.

The relatively large number of NGO advocacy initiatives in Macedonia over the past year demonstrates the increased capacity of the NGO sector to foster positive changes in society. In June 2001, FOSIM organized a civil action campaign involving 117 NGOs under the title "Enough is Enough" as a citizens' voice in response to the conflict. The campaign continued throughout 2002 and publicly raised key issues such as: free and fair elections, corruption, decentralization, demilitarization of society, and putting an end to the brain

drain. FOSIM's "Citizens' Platform for Peace and Stability" is another endeavor that started with public debates in 10 towns and produced a document that was publicly presented to political parties prior to the 2002 parliamentary elections. The document was available in the print media and on the NGO's web site. The lobbying efforts on the part of a group of women's NGOs resulted in legal changes that required political parties to include at least 30% women on their candidate lists and resulted in a two-fold increase in the number of women elected to parliament. In the lead up to the September parliamentary elections a number of NGOs and NGO coalitions were actively engaged in campaigns to raise citizen's awareness of voting rights and responsibilities, educating

voters on amendments in legislation and changes in voting procedures, voter mobilization and election monitoring. As part of the NGO campaign "Power is in the People", an NGO information center became operational and offered updates on activities of the NGO sector during the elections. Likewise, a women's press center was established to provide greater visibility concerning women in the 2002 parliamentary elections. A coalition of 20 NGOs under the umbrella organization MOST mobilized almost 3,000 volunteers to monitor the polls on election-day.

SERVICE PROVISION: 4.8

Although there are opportunities in many fields, the overall product line of services offered by NGOs is rather narrow. The expansion of NGO-provided services is limited by the weak economy, problematic legal

SERVICE PROVISION	
2002	4.8
2001	5.0
2000	5.5
1999	5.5

provisions, lack of government recognition and the overall level of development of the NGO sector. To a certain extent, NGOs do fill in the gap left by the government in terms of providing services in the social sphere and health protection; however, the efforts are not well coordinated or all-inclusive. A positive example is the provision of social services resulting from the UNICEF initiative to start the process of de-institutionalization for mentally handicapped children. As in previous years, the range of goods and services offered by NGOs includes: SOS lines, shelters for victims of domestic violence and internally

displaced persons from last year's conflict, legal and other counseling, kindergartens, and English language courses. NGO goods and services are typically found in the capital and are more infrequent in the countryside. In most cases, services are project-based and therefore potentially unsustainable. There is often duplication of the goods and services that are provided mainly because the majority of activities are donor, and not constituency, driven.

Publications, workshops and reports produced by the NGO community are usually not directed to the general public and reach a limited clientele within the sector, academia and the government on occasion.

Fee-for-service activities are not common as NGOs lack skills in market demand and supply. Consequently, the costs that NGOs charge for goods and services are often symbolic at best.

INFRASTRUCTURE: 3.7

The number of NGO support centers has expanded in recent years. The Swiss Agency for Development and Cooperation together with FOSIM financed four NGO

INFRASTRUCTURE	
2002	3.7
2001	4.5
2000	5.0
1999	5.0

support centers in the towns of Veles, Prilep, Stip and Kicevo. These centers have become operational and are providing technical

assistance, training, advice and small grants to NGOs. In addition, the European Center for Minority Issues has set up six regional NGO centers. The primary goal of these centers, located in Skopje, Tetovo, Gostivar, Stip, Kumanovo and Bitola, is to enhance NGO cooperation and improve inter-ethnic tolerance, respect of differences, and dialogue through joint projects and initiatives. Access to information is also available through NGO web sites, bulletins, and directories.

Although a number of coalitions developed over the past year, the donor community served as the driving force for their establishment. Despite this fact, the coalitions that were created proved to be successful

in a number of areas, particularly during the recent parliamentary elections. Information sharing among NGOs continues to be a weakness and NGOs have not adopted a way of thinking that considers the larger goals and needs of the sector. With a few exceptions, many NGOs operating in the same area are unaware of similar ongoing efforts mainly because they are preoccupied with their own agendas.

Local training is available and is conducted in Macedonian and in minority languages. However, the training that is currently available is not able to meet the growing needs of the sector. The number of NGO trainers has expanded yet work remains to be done to improve the quality of the trainings. Macedonian language training materials do exist but are sometimes hard to obtain as they are not published on a regular basis. Local web sites tend to offer very little training information.

The second NGO Fair took place in late October and served as a forum to help increase communication, coordination and exchange within the sector.

PUBLIC IMAGE: 4.0

The number and visibility of NGO advocacy initiatives in Macedonia over the past

PUBLIC IMAGE	
2002	4.0
2001	4.5
2000	5.0
1999	5.0
1998	5.0

year have had a positive influence on the public's perception of the sector. However, further work needs to be done to improve the public perception of NGOs. The vast majority of the public

is still not aware of the role NGOs can play in fostering positive changes in society. NGO activities receive exposure in the

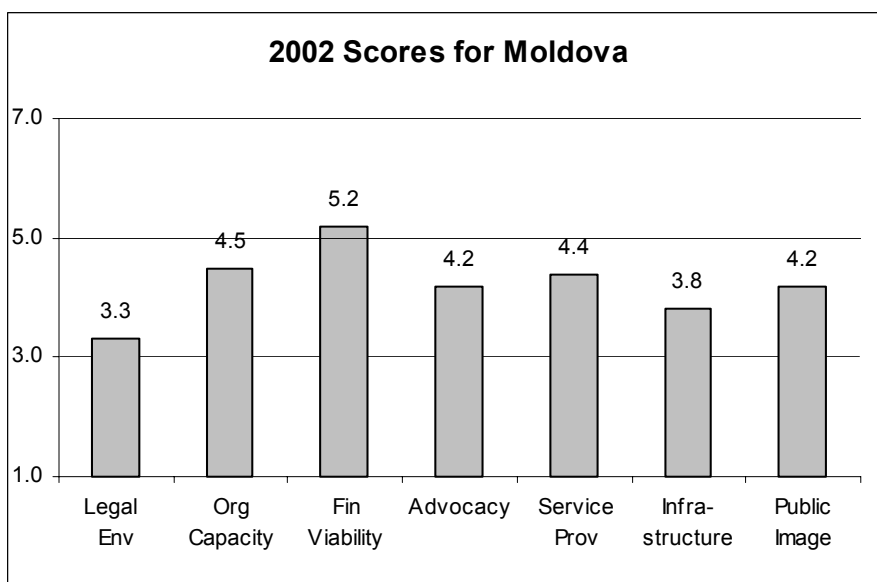
media; however, most reports are basic facts and do not get into more serious analysis or research of civil society issues. Insufficient knowledge and understanding of the sector by journalists is also problematic and can result in unprofessional coverage of issues that concern the sector. Prior to the parliamentary elections in September 2002, the government in cooperation with certain pro-government print and electronic media launched a campaign against certain individuals, local and international NGOs as a result of their open criticism of the government or be-

cause of their party affiliation. The intention was to create a negative picture about these NGOs among the general public; however, in many regards, this attempt backfired, creating a negative image of certain media outlets as mouthpieces of the government, rather than destroying the credibility of the campaign's targets. NGOs are not proficient and do not pay sufficient attention to portraying their work to the general public on a regular basis.

Communication with the media is more ad hoc or donor driven as an advocacy element.

The business sector in Macedonia tends to be ill-informed about NGOs. Those businesses that do give to NGOs tend to donate to religious monuments (renovation and building of churches and monasteries), sports events, or beauty pageants.

MOLDOVA



Capital:
Chisinau

Polity:
Parliamentary
democracy

Population:
4,434,547

**GDP per capita
(PPP):** \$2,550

NGO SUSTAINABILITY: 4.2

Moldova is the second smallest of the former Soviet states and is among the poorest countries in Europe. As of February 1, 2002, there were approximately 2,800

NGO SUSTAINABILITY	
2002	4.2
2001	4.2
2000	4.6

NGOs registered in Moldova. Sixty-five percent of these are national NGOs, which work primarily at the country level. The remaining 35% work at the local level. The majority of registered NGOs are located in Chisinau, including most national organizations, although there has been a noticeable increase in the relative number of local NGOs active in other areas since 1997.

According to the CONTACT Center's 2002 Study on the Development of Non-Governmental Organizations in the Republic of Moldova, only 53% of registered NGOs declared themselves active last year, primarily those located in the larger cities. This geographical concentration can be explained by the fact that NGOs in these communities have benefited to a greater extent from access to resource centers and donor support. The areas of activity in which NGOs have achieved the greatest success to date include: ecology, youth, agricultural associations, mass media, gender studies, local public administration, human rights, and economic and social development.

LEGAL ENVIRONMENT: 3.3

The basic legislation that regulates NGO activity in the Republic of Moldova includes a 1996 Law on Public Associations,

LEGAL ENVIRONMENT	
2002	3.3
2001	3.0
2000	3.0

a 1999 Law on Foundations, and a 1995 Law on Philanthropy and Sponsorship. A new Civil Code came into effect January 1, 2003,

which contains new regulations that apply to all registered organizations. These include the definition of non-commercial organizations; the classifications of Associations, Institutions and Foundations; and a prohibition against conflicts of interest in non-commercial organizations. The norms that regulate the establishment and registration of NGOs are clear, and the procedures for the institution and registration of public associations is the same for both national and local NGOs.

At present, the only tax benefit which public associations receive is an exemption from income tax. All other taxes are paid by NGOs at the same rate as commercial organizations.

NGOs are allowed to engage in commercial and economic activities, both directly and through the establishment of commercial subsidiaries. The income obtained from these activities however, cannot be distributed to founders, members or to the employees of the NGO and are to be used solely for the achievement of the NGO's statutory goals.

Unfortunately, during 2002 harassment by State officials increased slightly. For example, the Ministry of Justice started a campaign against Public Associations in order to control and liquidate some inconvenient NGOs. In addition, NGOs in some counties experienced problems registering with the local government.

ORGANIZATIONAL CAPACITY: 4.5

Few NGOs in Moldova have clearly identified groups of beneficiaries and even fewer organizations undertake activities designed to educate them. There are,

ORGANIZATIONAL CAPACITY	
2002	4.5
2001	4.5
2000	4.5

however, some organizations such as Junior Achievement Moldova, National Federation Agro-inform, European Movement, Inde-

pendent Journalism Center, and CONTACT Center that organize training programs for their beneficiaries.

Few organizations possess a clear mission or a well-defined strategic plan. The majority of organizations prefer to remain flexible with regard to their mission. Most NGOs work primarily on a voluntary basis and more than half of them (55%) have no permanent employees.

The physical and technical infrastructure of the NGO sector is largely underdeveloped and most NGOs function without basic organizational facilities such as a permanent office, office and computer equipment, communication facilities, etc. While this absence of resources impacts the efficiency of NGO activity, most organizations do what they can to work around these constraints.

FINANCIAL VIABILITY: 5.2

The financial resources available to NGOs in Moldova consist of: grants, membership fees, sponsorship, founders' contributions,

FINANCIAL VIABILITY

2002	5.2
2001	5.3
2000	5.5

fees earned for services provided, state allowances, and income from entrepreneurial activities. The largest of these available funding sources continues to be grants, membership fees and sponsorship. Service fees, state allowances, and earnings from economic activities cover only 8% of NGO budgets.

The greatest problem with the NGO sector's viability is the limited availability of local support. Few national organizations receive significant financial support from their local communities. Nevertheless, during 2002, some local organizations increased their visibility in their communities and began to generate limited local financial support. In rural communities, locally raised funds cover at least 10% of the

budgets of community-based organizations.

Few NGOs have financial management systems that ensure efficient and transparent operations of their organizations. According to the CONTACT study, 70% of NGOs judge their operations to be transparent, though only 30% prepare annual reports, and only 25% make these reports available to the public. Only 23% of NGOs prepare financial reports, of which only 12% make them public. Even fewer organizations conduct regular audits of their financial activities.

NGOs do not have sufficient capacity to develop a diversified base of support or to engage in public fundraising campaigns. A chronic lack of funds restricts the programs of about two-thirds of Moldovan NGOs. The recent CONTACT study showed that only slightly more than one-third of Moldovan NGOs are able to cover completely their annual expenses.

ADVOCACY: 4.2

The quantity and quality of NGO-government relationships has increased. However, relations between NGOs and local authorities are not usually based on a mutual understanding of the benefits that can be obtained by promoting civil society

ADVOCACY

2002	4.2
2001	4.2
2000	5.0

values and engaging civil society in solving social problems. The lobbying capacity of most Moldovan NGOs is modest. However, a small handful of NGOs has substantial lobbying capacity, due primarily to personal relation-

ships with authorities in the government and/or members of parliament. Successful lobbying campaigns over the past year include the adoption of laws on public associations, foundations, access to environmental information, access to public information, charity and sponsorship, and modification of election legislation. Despite these successes, the part played by NGOs in the legislative reform process is still very small, due to the rigidity of the present government and a lack of constructive dialogue with civil society, and the limited capacities of NGOs to make relevant technical contributions.

SERVICE PROVISION: 4.4

Moldovan NGOs offer a wide variety of services in various fields, including education, health, human rights, and economic development. Those organizations

SERVICE PROVISION	
2002	4.4
2001	4.5
2000	5.0

that specialize in one specific field are generally able to focus their activity on a specific group of beneficiaries. Examples of such NGOs include the Association of Accountants and Auditors, AGRO-INFORM, and Angelus Moldova. Most local organizations, however, especially community-based NGOs, are oriented more broadly toward solving local problems and are less likely to have a clear idea

or definition of their constituency and beneficiaries.

A small number of Moldovan NGOs, including ACAP and the Association of Professional Accountants and Auditors, offer fee-based services and quality professional training programs. 70% of NGOs that offer services, however, offer them for free.

Most Moldovan services NGOs don't attempt to build a large membership or client base. Many, in fact, attempt to limit the size of their customer base, due to budgetary constraints. Few NGOs provide paid services, and very few clients are capable of paying for services at their cost of delivery.

INFRASTRUCTURE: 3.8

Moldovan NGOs benefit from a large network of NGO resource centers that offers a wide range of training, consulting, information services and technical assistance. The network of CONTACT Centers works

INFRASTRUCTURE	
2002	3.8
2001	3.8
2000	4.0

on the national, regional and local levels, and offers services to organizations working in many different sectors of civil society. There are also a number of specialized resource centers that work with NGOs in certain sub-sectors, including human rights, environment and youth. Despite the significant number of resource centers in the country, organizations from regions such as Ungheni, Lapusna, Orhei and Tighina have limited access to the services offered by these groups as a result of distance and limited access to modern communication technologies.

There are no local financing institutions or indigenous community foundations in Moldova. A group of NGOs, however, have started to re-grant money from international programs and foundations.

Moldovan NGOs have succeeded in forming coalitions, both formal and informal that promote the interests of NGOs that work in the social field and in the sphere of rural economic development. In addition, NGO representatives from across the country meet every other year at the National Forum of NGOs to discuss issues of sectoral importance.

A number of organizations offer training services. The CONTACT Centers have their own teams of trainers, who offer training in organization management, strategic planning, proposal writing, fundraising, public relations, organizational culture, board development, financial management, human resources management and volunteer management. Training materials

2002 NGO Sustainability Index

are available in Romanian and Russian, and are sometimes even available in local languages such as Ukrainian, Bulgarian and Gagauz.

Most NGOs are willing and able to collaborate with local institutions such as the local

public administration, mass media, private companies and the church, though less often with political parties and trade unions. Such partnerships are common on the local level, as well as the regional and national level.

PUBLIC IMAGE: 4.2

In general, NGOs are beginning to enjoy more positive coverage in local mass media. Although the independent print media

PUBLIC IMAGE	
2002	4.2
2001	4.3
2000	5.0

that covers civil society has a limited circulation in rural areas, radio and TV stations with national coverage

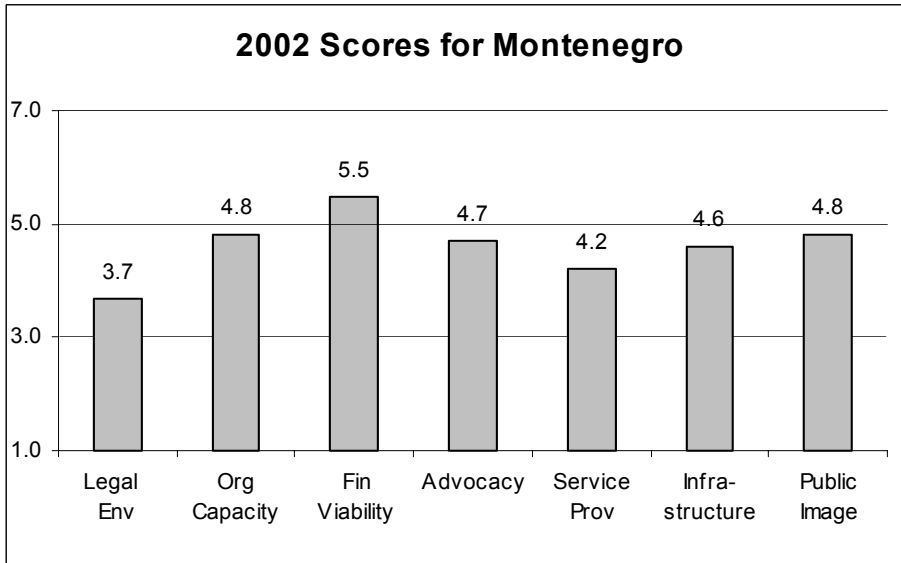
have also started producing civil society programs. Some negative coverage, however, also persists in the governmental press, particularly on such issues as the trafficking of women and humanitarian aid.

There has been a slight improvement in the public perception of NGOs over the last year. According to the CONTACT study, there has been a 4% increase in the number of those who have relative trust in NGOs. There has also been a significant step forward in NGO and local government

relationships, indicated by an increase in local government grants to grassroots organizations. In general, the business community still remains unaware of the role that NGOs play in the society, and few see NGOs as a resource for consultation and information, although this small number is rising.

Moldovan NGOs are able to turn to local mass media in promoting their image and programs. Surveys show that 78% of NGOs cooperate with media and are generally satisfied with their level of cooperation. However, only elite NGOs tend to view public relations as a priority among their activities and few have a clear-cut public relations strategy. The 3rd National NGO Forum drafted a Code of Ethics, but it has been left to the discretion of individual NGOs whether or not to adopt it. No NGOs are known to have adopted it yet.

MONTENEGRO



Capital:
Podgorica

Polity:
Parliamentary democracy

Population:
650,000

GDP per capita (PPP): \$1,277

NGO SUSTAINABILITY: 4.6

While Montenegro's Index score has dropped since last year, the state of the NGO sector in Montenegro has not necessarily worsened.

NGO SUSTAINABILITY	
2002	4.6
2001	4.7
2000	4.6
1999	4.6

On the contrary, there has been a visible engagement of the NGO sector in the Republic's reform process over the past year. For example, the NGO sector has been involved in the drafting of and consultation on various draft laws, including the Law on Courts, Law on Police, Media Laws, Law on Conflict of Interest, and Public Administration Reform. The NGO sector is also striving to remain engaged in debate on these laws at the implementation stage, either in a collaborative or advocacy role.

Furthermore, in the past year NGOs have

gained a greater understanding of what constitutes NGO best practices according to international standards. NGOs increasingly are being challenged by donors to demonstrate greater organizational transparency and accountability, as well as to develop the skills, expertise, and credibility required to advance the public policy dialogue critical to the reform process. Similarly, surveys and polls demonstrate that citizens are largely dissatisfied with the government's slow pace of reform, and are demanding an alternative, which the NGO sector is still not in a position to deliver.

The NGO sector in Montenegro has been operating under a project- and donor-driven modus operandi with little emphasis on building the sector's organizational capacities, including boards of directors, strategic plans, internal operating systems, public relations, fundraising, and financial management. To date, the sector's man-

agement and operational practices have been influenced more by the struggle for day-to-day survival and the reality of dependence on donor-driven projects, and less on the real needs of communities. A

critical mass of NGOs will need to adopt longer-term NGO international best practices to promote sustainability within the sector.

LEGAL ENVIRONMENT: 3.7

The 1999 Montenegrin NGO Law prescribes simple registration procedures and

LEGAL ENVIRONMENT	
2002	3.7
2001	3.7
2000	3.5
1999	3.5

allows NGOs to operate free of state control and threat of dissolution for political or arbitrary reasons. While the government does not systematically harass NGOs, there is a lack of understanding amongst government authorities regarding the role of the NGO sector, in particular at the local level. There are instances of undue influence on NGOs by the ruling party in smaller municipalities.

As the NGO sector matures, the existing law needs better defined guidelines for forming an NGO organizational structure that includes a board of directors, management-staff relations with the board, and resolution of conflict of interest issues according to international standards.

Few lawyers are sufficiently familiar

with NGO law to provide relevant legal advice as there is no incentive for lawyers to specialize in NGO law or NGO-related legal issues. The few lawyers that do specialize in NGO law are mainly concentrated in Podgorica and only rarely in the secondary cities.

NGOs can earn income from the provision of good and services, receive tax exemptions on grants and profits less than \$4,000. However, Article 27 of the NGO Law, which provides tax exemptions and other privileges, is inconsistent with a recent set of tax laws adopted in Montenegro. For example, there are no tax exemptions for individual or corporate donors, nor other kinds of incentives for potential donors.

The Procurement Law allows for any legal entity, including NGOs, to compete for government contracts and procurements at the local and central levels. Unfortunately, there are few NGOs capable of delivering services under local or national government contracts.

ORGANIZATIONAL CAPACITY: 4.8

ORGANIZATIONAL CAPACITY	
2002	4.8
2001	5.0
2000	5.0
1999	5.0

It is still rare for NGOs to have clearly defined missions to which they adhere and few NGOs not incorporate strategic planning techniques in their decision-making process.

While still uncommon, a few NGOs are beginning to build constituencies for their initiatives.

NGOs typically do not have a clearly defined management structure, including a recognized division of responsibilities between the Board of Directors and staff members. In the few NGOs where internal

management structures exist, they exist only as a formality and do not serve to improve the organizational capacity of the NGOs.

Only a small number of NGOs have a permanent paid staff. Volunteer recruitment is dependent on specific project requirements. Volunteers normally receive symbolic compensation in the form of travel costs, per diems, and meals. Significant improvements need to

be made in the recruitment and use of volunteers within the sector.

Few NGOs have resources that allow for modernized basic office equipment, such as relatively new computers and software, functional fax machines, and Internet access. It would be useful to establish resource centers in secondary cities and smaller communities to allow NGOs access to communication facilities (Internet, fax, photocopying), which might improve NGOs' communication and constituency outreach capabilities.

FINANCIAL VIABILITY: 5.5

FINANCIAL VIABILITY	
2002	5.5
2001	5.5
2000	5.5
1999	5.5

Local funding is not a significant source of funding for NGOs. While the government of Montenegro is obliged to allocate funding for NGO programs, this has not

happened in the past two years. This is due both to a lack of interest on the part of the government and a Constitutional Court decision that the NGO Law contradicts the Montenegrin Constitution in terms of how this fund should be allocated. Furthermore, in the past, the application process for this fund lacked transparency. A small

number of NGOs received favorable treatment and were not subject to any reporting or monitoring requirements.

NGOs in Montenegro typically do not have diversified sources of funding and usually depend on one or a small number of international donors, which provides them with only short-term financial viability. As foreign donors will not remain in Montenegro forever, NGOs need to develop the skills and abilities to raise funding from other sources. This will require training in community and constituency building, fundraising techniques, and financial management.

ADVOCACY: 4.7

ADVOCACY	
2002	4.7
2001	4.5
2000	3.5
1999	3.5

Grassroots activism is not yet a reality in Montenegro, as economic survival continues to be the predominant concern among citizens. The bulk of NGOs, excluding a few visible

and well-connected groups, do not believe that the government will listen to their rec-

ommendations. In part, this is because NGOs lack the skills to influence public policy. At the same time, however, the state does not fully understand the role NGOs can play in policy formulation.

Nevertheless, there have been notable instances in which government authorities have collaborated with the NGO sector in drafting major reform legislation. In par-

ticular, this year a 'National Working Group' composed of media professionals, NGOs, and government representatives cooperated on drafting a set of progressive media laws that was endorsed by the Council of Europe. In September 2002, the parliament adopted the media package, consisting of the Media Law, the Broadcasting Law, and the Law on State Broadcasting Services.

Presently, the Union of Independent Broadcasters of Montenegro is continuing their advocacy efforts during the delicate stage of the media laws' implementation.

Similarly, the Ministry of Interior identified the Law on Police as a priority, and invited members of the NGO sector and international community to assist in drafting the law. The Anti-Corruption Agency has also made steps to draft a conflict of interest law with NGO participation, with the aim of combating corruption and improving transparency and accountability. As of this writing, the government had not yet approved the Agency's draft Conflict of Interest Law.

SERVICE PROVISION: 4.2

A report by the Center for Democracy and Human Rights (CEDEM) entitled "*The Non-Governmental Sector in Montenegro, 2000 -2001*"

SERVICE PROVISION	
2002	4.2
2001	4.0
2000	4.5
1999	4.5

concludes that the majority of the NGO sector operates sporadically, without continuity, relying on donor projects. Roughly 70 percent

of NGOs carry out humanitarian or service delivery-related activities.

Organizations such as the Association of Blind Persons of Montenegro and the Association of Persons with Hearing Problems of Montenegro provide specific ser-

vices for their members as well as for the general blind and deaf population. These organizations existed in the former Yugoslavia and were a part of the social care system supported by the state, but are currently registered as regular NGOs. Other organizations provide services to vulnerable groups like victims of domestic violence. These organizations do not receive any funding from the state, and most reflect the needs of their constituents. Overall, most NGOs are not service-oriented, leaving great room for improvement.

INFRASTRUCTURE: 4.6

INFRASTRUCTURE	
2002	4.6
2001	5.0
2000	5.0
1999	5.0

There are a few intermediate support organizations (ISOs) and NGO resource centers that provide limited means for

NGOs to access information, technology,

training and technical assistance. These ISOs and resource centers still need to develop their capacity to earn some of their operating revenue from earned income (such as fees for service) and other locally generated sources.

The most visible coalition over the past year has been the Akcija Coalition, composed of a core group of leading NGOs, academics, experts, and alternative media organizations that inform citizens about the reform process and the impact that reforms are likely to have on the lives of average citizens. The coalition's efforts have mostly been donor-driven but have played a significant role in informing citizens about the reform process.

There are a few examples of intersectoral partnerships. As mentioned previously, over the past year the National Working

Group drafted the media laws and rigorously advocated to have the laws enacted in Parliament in September 2002. Functioning under extreme political pressure, just before the Parliamentary elections on October 20, 2002, the National Working Group, composed of media experts, government representatives, and NGOs, unleashed a powerful public campaign on behalf of the progressive media law package that had faced stiff opposition in Parliament.

PUBLIC IMAGE: 4.8

The media does not cover NGO activities in a significant and thorough manner. Except for a 15-minute weekly report on state

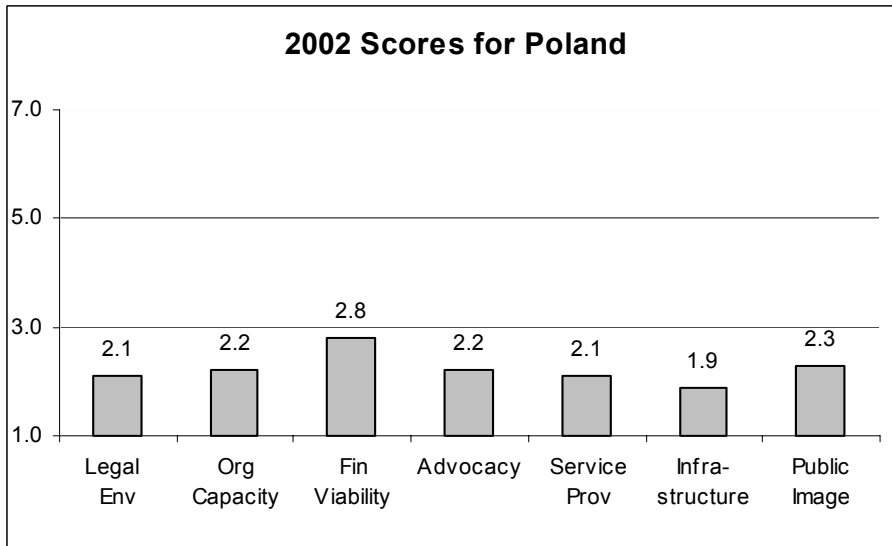
PUBLIC IMAGE	
2002	4.8
2001	5.0
2000	5.0
1999	5.0

TV about NGO activities, media programs do not regularly cover NGO work. Some NGOs have tried to develop skills in public relations and access to media, but

journalists are not well-educated about the role of the NGO sector.

While the public image of NGOs still needs improvement, the intense media-driven Akcija initiative has helped to improve the way NGOs are perceived by the public, government, and businesses. In addition, USAID-funded IREX has been providing development support for a television station known as MBC (the Montenegro Broadcasting Company) with the aim of positioning MBC as a voice for unbiased and factual news in Montenegro. Part of MBC's development will be to produce shows that profile the NGO sector's work in a positive light.

POLAND



Capital: Warsaw

Polity:
Presidential-parliamentary democracy

Population:
38,625,478

GDP per capita (PPP): \$8,800

NGO SUSTAINABILITY: 2.2

Poland has a vibrant NGO sector with approximately 41,000 registered organizations, of which 36,000 are associations and the remainder foundations. Approximately two-thirds of these are considered active. One in

Year	Score
2002	2.2
2001	2.1
2000	2.1
1999	2.1
1998	2.0

five organizations are located in Warsaw, although many of these work at the national level. The third sector is still relatively young – 25% of NGOs are less than three years old and 90% were established since 1989. It is estimated that Third Sector accounts for 1.2% of the nonagricultural employment in Poland although almost half do not have any permanent employees.

Organizations are active both in providing services to their members or clients and in advocating on behalf of their constituents. The largest share of NGOs is involved in the areas of sports and recreation, health care, social service, education and culture.

Many Polish NGOs remain financially dependent on grant support from various donors. While funding from American private and public donors is decreasing, EU funding is on the rise. Many NGOs are developing other sources of support, particularly by forming relationships with local government and introducing mechanisms of remuneration for their services. A draft Law on Public Benefit Organizations and on Volunteers is currently being debated in Parliament. Hopefully, it will provide a better framework for cooperation between

NGOs and the public sector, including access to funding, but will also introduce a mechanism under which taxpayers can

dedicate 1% of their Personal Income Tax to Public Benefit Organizations.

LEGAL ENVIRONMENT: 2.1

Poland still does not have a modern law regulating relations between NGOs and the public sector, including a framework for the public sector to fund NGOs through grants and contracts. However, after six years of effort, a draft Law on Public Benefit Organizations (PBOs)

LEGAL ENVIRONMENT

2002 2.1
2001 2.0
2000 2.0
1999 2.0
1998 2.0

and on Volunteers was submitted to the Parliament at the beginning of 2002, which will hopefully come into effect in 2003. The draft law introduces several important mechanisms affecting the work of NGOs. First, it introduces the concept of Public Benefit Organizations and outlines both their privileges and obligations. It also enables taxpayers to allocate 1% of their personal income tax to PBOs. Finally, the draft law provides incentives for work with volunteers but also protects their rights.

Grants and donations received by NGOs are tax-exempt. Polish law also provides

tax exemptions for individual and corporate donors if donations support certain aims. Such donations are tax-deductible up to 10% or 15% of pre-tax income.

Foundations in Poland are required to submit annual reports and financial statements to the ministries relevant to their area of activity. In 2000 only one-third of registered foundations did so. Associations, on the other hand, are not subject to this requirement, as by their nature they should be controlled primarily by their members. All organizations must report to different state agencies, including the Tax Office, Central Statistical Office, and Labor Inspection office. Every organization receiving public financing is obligated to report on expenses and purchases financed by taxpayer money.

Expertise on NGO legal issues is insufficient. There are few lawyers who specialize in NGO issues and those lawyers who are trained in this field offer services that are often too expensive for most NGOs to afford.

ORGANIZATIONAL CAPACITY: 2.2

ORGANIZATIONAL CAPACITY

2002 2.2
2001 2.0
2000 2.0
1999 2.0
1998 2.0

employees. There are difficulties in retaining

Half of NGOs do not employ paid staff, relying on the voluntary work of their members. One-third of NGOs have between one and five employees.

employees in NGOs, as salaries are relatively low – the average salary is less than 50% of that in the business sector.

Half of NGOs work with volunteers, although generally in a highly informal manner. Mechanisms to recruit volunteers are ad hoc – 80% of NGOs that work with volunteers do not use any organized methods to recruit them. Very few NGOs have in-

ternal regulations concerning volunteer work or written agreements with volunteers. Hardly any NGOs insure volunteers due to the lack of relevant legal procedures. One in ten adult Poles claim to have volunteered in an organization or institution during the past year.

Research data documents a decrease in the general level of public participation in Polish society in the past few years. This has also affected involvement in NGOs. The membership base of NGOs has dropped significantly over the past decade from 30% of Poles being members of at least one association in 1989 to 15% in 1997. In a recent survey only 4.5% claimed to be members of an organization.

Far too many organizations function in “low profile mode” mainly fueled by the commitment of their leaders and a small fraction of active members. There are few active or visible campaigns for recruiting new members.

Organizations are technically well equipped. A majority (70%) has access to a computer and 33% use the Internet in their offices. An increasing number of NGOs are aware of the advantages of the Internet and are designing their own websites – already one in five NGOs has a website.

FINANCIAL VIABILITY: 2.8

For a majority of NGOs, local governments are an important source of income. The law on public finance delegates to local

FINANCIAL VIABILITY	
2002	2.8
2001	2.5
2000	2.5
1999	2.5
1998	2.0

councils responsibility for the creation of local procedures to access the public funds they administer. Unfortunately, the majority of councils do not follow through and establish such procedures. There are serious problems with clientelism and politicization of local government decisions re-

garding the distribution of money. Over half of available financial resources are distributed to NGOs without any formal review and approval. The “culture of contracts” for service provision NGOs still does not exist in Poland.

NGOs in Poland often face serious problems managing their finances. There are too few accountants familiar with the specifics of NGO financial systems and, due to high costs, the services of those who are professional are accessible only to some of the leading organizations.

ADVOCACY: 2.2

Although there is a limited number of organizations which specialize in lobbying and commenting on various public issues, the number of advocacy activities initiated by NGOs is increasing. One of the most visible examples of lobbying and advocacy work recently was the success of a group

of ecological organizations in getting laws passed on animal rights. There are also a number of NGOs and umbrella groups in other fields, such as human rights, the disabled, gender issues, and improving the legal framework for NGO activities.

ADVOCACY

2002 2.2
2001 2.0
2000 2.0
1999 2.5
1998 2.0

In 2002 a Polish NGOs Representative Office was established in Brussels. This is unique among the countries seeking to join the European Union. The new office's goal is both

to influence relevant EU structures and to deliver information about NGOs in Europe.

Serious efforts are afoot to establish a formal federation of NGOs in Poland. Until now, a few organizations were working "on behalf" of NGOs in Poland, dealing with a number of challenges (mainly legal) facing the Third Sector in Poland, but without a formal mandate. Sixty key organizations have worked out a model of the future federation and are in the process of designing its statutes.

SERVICE PROVISION: 2.1

The largest portion of NGOs are active in the sports arena. NGOs are also very active providing basic social services in education, health protection and rehabilitation, and culture. A small number of NGOs are active in the fields of housing development

SERVICE PROVISION

2002 2.1
2001 2.0
2000 2.0
1999 2.0

and public security. The recipients of NGO services are most frequently children and youth, ill and disabled people, and local community institutions.

governments to fund NGOs means that most NGOs provide services for people who are outside of the public social safety net. One of the most fundamental issues, not only for NGOs themselves, but more generally for the overall performance of democratic reforms in Poland, is the lack of "division of labor" between the state and self-organized groups of citizens, including NGOs. For example, the role and potential of NGOs were not addressed in any of the four major reforms passed in the last few years – i.e., in education, health care, public administration, and the pension system.

The lack of a stable system for local

INFRASTRUCTURE: 1.9

NGOs in Poland benefit from a well-developed infrastructure. The "SPLOT" network, consisting of 11 NGO support centers located in major cities, provides information, training and advisory services in fund-raising, NGO management and

INFRA-STRUCTURE

2002 1.9
2001 2.0
2000 2.0
1999 2.0

cooperation with local government. Another network, Centers for Local Activity (CAL), was created in 2000 to encourage activities within local communities; network mem-

bers include NGOs, schools, cultural centers, social clubs, and others. There is also a network of Citizens Advice Bureaus (BPO) providing information and counseling to individuals and a network of 12 Volunteer Centers to encourage volunteerism in NGOs and public institutions.

The above-mentioned infrastructure organizations are largely dependent on donors, mainly foreign donors who are currently leaving Poland. In response to this difficult financial situation, these groups have begun to charge for their services,

which until now were generally provided for free.

NGO internal communication networks are improving, and new forms of distributing information are being developed. To increase communication among NGOs and inform the general public on the role of the

Third Sector, a special Mutual Information Society Program was jointly established by Association KLON/JAWOR and the Polish-American Freedom Foundation. One important outcome was establishment of the website www.ngo.pl. The website offers a wide range of interactive tools to encourage the exchange of information.

PUBLIC IMAGE: 2.3

National media outlets cooperate with NGOs and cover the most important

PUBLIC IMAGE

2002 2.3

2001 2.0

2000 2.0

1999 2.0

1998 2.0

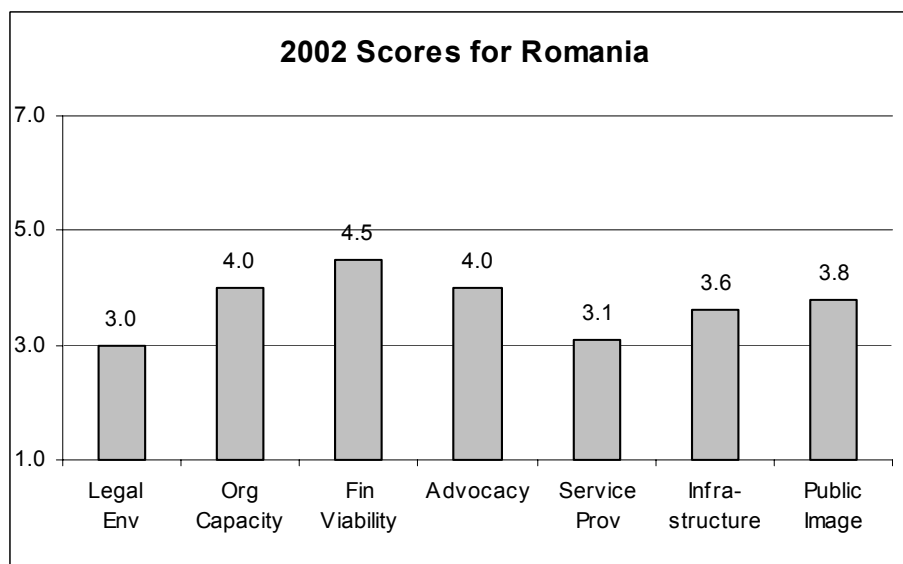
events, such as the national NGO forum or the international day of volunteering. More information about NGOs is found in the local media. However, in general, with the exception of publicizing scandals involving NGOs, most media is not very interested in the activities of NGOs.

The business sector's perception of NGOs is rather low. In 2000, only 18% of small and medium companies made donations to NGOs. Within the Third Sector several initiatives have been undertaken to foster the idea of corporate social responsibility, including cooperation with NGOs. In 2001,

the Voluntary Center and the Academy for the Development of Philanthropy launched a project called "Volunteerism and Corporate Social Responsibility", which aims to build linkages between the sectors in local communities.

NGOs are partly responsible for the lack of understanding and a certain level of suspicion vis-a-vis NGOs on the part of the general public. One in five NGOs have never published an annual report and a majority of organizations do so irregularly and rarely make them available to the public. In many cases creation of such a document is not legally obligatory, but would increase transparency in the sector. Only leading NGOs, which are aware of the standards and adhere to them, tend to publish reports annually and conduct audits of their finances.

ROMANIA



Capital:
Bucharest

Polity:
Presidential- parliamentary democracy

Population:
22,317,730

GDP per capita (PPP): \$6,800

NGO SUSTAINABILITY: 3.7

NGO SUSTAINABILITY

2002	3.7
2001	4.0
2000	4.1
1999	4.1
1998	3.8

The Romanian NGO sector now consists of close to 30,000 NGOs¹. However, experts in the field estimate that only about 2,500 of these are active.

New NGOs are established on a continuous basis, while others cease their activity.

The Romanian nonprofit sector is predominantly urban, with 90 percent of NGOs located in urban areas. Many NGOs are expected to expand their activities to rural areas in response to grant programs specifically targeting

underserved regions. Geographic distribution of NGOs also remains uneven, with counties in Southeastern Romania, for example, showing a low level of associative life.

About 19 percent of NGOs work in the field of social services. Adverse economic and social conditions call for a great need for social intervention. The situation of abandoned children is still a priority on the public agenda, while public attention to other issues like drug abuse and domestic violence have increased. Important steps have been made in implementing child protection reform and many NGOs working in this field have strengthened their service delivery capacity and received increased recognition from local governments.

Financial resources for NGOs continue to be scarce, although significant resources

¹ It is difficult to obtain accurate information on the number of NGOs because NGOs register in local courts and centralized information from the Registry of Associations and is not easily accessible.

became available at the end of 2001 when new programs were launched by international donors, especially the European Union. Romanian NGOs are still highly dependent on foreign support and only a few are able to attract local resources. The number of NGO-local government partnerships is increasing mostly as a result of funding opportunities that require this kind of partnerships. However, some of these partnerships are formal rather than effective relationships.

Romanian NGOs became more active in shaping public opinion by initiating or supporting media campaigns or public debates on various issues such as environment protection, domestic violence, electoral reform, mental health, and

cancer. These activities led to a slight improvement of the public image of NGOs and a higher level of public trust, in comparison to previous years. However, the credibility of NGOs is still low in absolute figures.

Overall, the Romanian NGO sector is slowly progressing. Over the longer term, NGOs need to capitalize on existing local opportunities by attracting more resources from the business community and individual donors, encouraging volunteerism, and creating partnerships with local governments.

LEGAL ENVIRONMENT: 3.0

The registration and activity of Romanian associations and foundations is still governed by Government Ordinance (G.O.) 26/2000. The ordinance establishes the conditions for NGO registration, manage-

LEGAL ENVIRONMENT	
2002	3.0
2001	3.0
2000	3.0
1999	3.5
1998	3.5

ment, and relationship with the public administration, as well as the terms for receiving "public utility" status. Since the ordinance was issued, NGOs have recommended

amendments which were put together by the Department for Institutional and Social Analysis (DAIS) and submitted to parliament to be discussed prior to issuing the law.

The registration process has been simplified by G.O. 26/2000, but access to specialized legal advice is scarce, primarily available in the capital city and a few other major cities. The Registry of Associations and Foundations is not fully operational. Access to updated information on Romanian NGOs included in the Registry is diffi-

cult: the fees for receiving information are not publicized and the time for getting a response to a request is 30 days.

By June 2002, 11 NGOs were granted "public utility" status, but the procedures for awarding this status still need to be clarified. Some ministries, such as the Ministry of Youth and Sports and the Ministry of Labor and Social Solidarity, developed their own specific procedures for awarding "public utility" status, but there are no uniform criteria across all ministries.

The legal treatment of sponsorship also remains a concern for NGOs, although the G.O. 127/1999 was approved by the Parliament in October 2001 (Law 576). The limit established by the law for sponsorship deductions is small: up to 5 percent of taxable income. In addition, the law no longer differentiates incentives based on categories of activities, so many sponsors will probably support sports and cultural events with broad media coverage instead of long-term community projects.

Overall, no significant changes were intro-

duced to the legal framework over the past year. Improved legislation is still needed on sponsorship and taxation. Clear proce-

dures are also needed for awarding "public utility" status and to facilitate access to the Registry of Associations and Foundations.

ORGANIZATIONAL CAPACITY: 4.0

The capacity of Romanian NGOs to expand services and increase the number of beneficiaries remains limited. Some organizations, mainly in the social field, cooperate with local government bodies such as the departments for child

ORGANIZATIONAL CAPACITY	
2002	4.0
2001	4.5
2000	5.0
1999	4.0
1998	3.5

protection or the social assistance departments to identify beneficiaries. Involving beneficiaries in the activities of the organization

is not a common practice and there are often gaps in communication between service providers and recipients. Associations created by parents of disabled children are the exception. Such organizations have very specific goals and all members put together their resources to sustain the organization.

Strategic planning is still a weakness for most NGOs. Although more NGOs have a well-defined mission, they do not make a clear distinction between mission, goal and objectives. About 70 to 80 percent of organizations do not engage in strategic planning or develop annual budgets. Many organizations rely on a single person, usually a founding member, to make decisions and implement activities. Other

organizations cannot afford to hire the necessary personnel. Many times there is no distinction between staff and board. The provisions of G.O. 26/2000 regarding board responsibilities are not always implemented.

Accountability of NGOs toward their constituencies and the general public remains a concern. Constituency-building capacity is still weak. An important step forward is that more NGOs issue annual reports and financial statements. Some organizations have become aware of the importance and benefits of transparency, but most of them produce annual reports only because they are required by donors or public institutions.

Volunteers have become an important resource for NGOs, especially within the context of the International Year of Volunteering which raised public interest regarding volunteer contributions. NGOs also consider the alternative of building a core full-time, paid staff, but difficulties in raising funds for salaries force them to hire personnel on a project-by-project basis.

The technical endowment of NGOs is critically unsatisfactory. This is mainly due to the lack of funding, but also to underdeveloped infrastructure (e.g. telephone lines) especially in rural areas.

FINANCIAL VIABILITY: 4.5

In the middle of 2002, Romanian NGOs were still feeling the effects of the absence of major grant programs in 2000-2001. Many organizations diversified their sources of funding, by seeking public

funds and/or individual and corporate contributions. Other funds come from membership fees and economic activities. However, local sources of funding still represents a small percentage of NGO

2002 NGO Sustainability Index

revenues.

Local support for NGO activities is increasing. This

FINANCIAL VIABILITY	
2002	4.5
2001	4.5
2000	5.5
1999	5.0
1998	4.5

support comes either from the local government, or from the business sector. The public contribution is, in many cases, in-kind (i.e. office space or access to equipment) but

financial support is also increasing. It is expected that NGOs will continue to develop their cooperation with local governments as more funds are expected to become available for partnership activities between NGOs and public administration.

Few companies provide support for community projects implemented by non-governmental organizations. While there is still no culture of social corporate responsibility, some Romanian companies are beginning to replicate the philanthropic behavior of international corporations. Social services, and sports and cultural

events are still the most attractive areas for sponsorship because of their great public impact and broad media coverage.

NGOs have to improve fundraising skills, build sound financial systems, and promote transparency regarding activities and expenditures. Existing positive examples are worth being adapted and multiplied. For example, SOS Children Villages developed a fund-raising system targeting Romanian companies that provides comprehensive information on the current activities of the organization and suggests various funding options to potential sponsors.

For the long term, Romanian NGOs have to attract more local resources for activities and improve relationships with stakeholders. Grant programs will be an important resource for a limited period of time and for specific activities, but recognition and support from the local community are key aspects of NGOs sustainability.

ADVOCACY: 4.0

During 2001-2002 Romanian NGOs engaged more in advocacy and lobbying campaigns on issues either reflecting citizen interest or promoting international initiatives. The Association for Promotion of Women in Romania (APFR), based in Timisoara, drafted a law on domestic violence and conducted campaigns against domestic violence, with support from both local and central authorities. NGOs active in the Sighisoara area, a well-preserved medieval town, conducted a sustained advocacy campaign together with the local community against the development of a

ADVOCACY	
2002	4.0
2001	4.5
2000	3.5
1999	4.0
1998	3.5

new theme park known as Dracula Park. The campaign contributed to the UNESCO decision to stop the project. More than 60 business associations joined forces during an Open Doors Campaign Advocacy Days, in support of legislative agendas adopted by coalitions in the tourism, IT, and manufacturing sectors. Child protection federations are actively involved in developing child welfare regulations. Romanian NGOs have also joined international campaigns on issues such as breast cancer and HIV/AIDS.

Trade unions, business organizations, and NGOs joined the Civic Initiative for the Responsibility of the Political Act (ICRAP). The coalition attempted to collect the

250,000 signatures needed to submit a new Electoral Code to Parliament. Although not successful in promoting the legislative proposal, ICRAP succeeded in raising public awareness regarding the need for electoral and constitutional reforms.

While NGOs successfully advocated in particular sub-sectors, some major issues that are priorities for the whole non-profit sector remain unresolved: amending the G.O. 26/2000 regarding associations and foundations; the sponsorship law; and finalizing the “one percent law”—a tax incentive for sponsors modeled on a Hungarian law. Although there are ongoing consultations between NGOs and decision-makers on these laws, these (sometimes pro-forma) consultations have not yielded concrete results yet.

The Department for Institutional and Social Analysis (DAIS), operational since February 2001 within the Prime Minister’s Office, supports NGO initiatives and facilitates communication between NGOs and policy makers. DAIS keeps abreast of NGO issues and provides related information in a transparent manner. The Department for Relations with Civil Society within the Chamber of Deputies’ Office for Communication, Press, and Public Relations distributes electronically the weekly legislative agenda.

In sum, while some organizations increasingly gain recognition for their lobbying and advocacy capacity, overall the Romanian non-profit sector needs to improve its lobbying and advocacy skills and to develop the framework regulating lobbying activities.

SERVICE PROVISION: 3.1

During 2001-2002, the Romanian NGO sector made some progress in terms of service provision.

SERVICE PROVISION	
2002	3.1
2001	3.5
2000	4.0
1999	4.0

About 1/5 of the active NGOs provide social services. Their services increasingly reflect the needs and priorities of local communities. Child protection NGOs, in particular, have mobilized various public and private resources for their activities.

The range of services provided is not always based on market demand, as NGOs tend to adjust their programs to grant opportunities rather than existing needs. The

lack of resources limits the ability of organizations to broaden their constituencies, especially when the services provided are expected to be for free. Charging for services and cost recovery are not common, but fees are paid for services like training, consultancy, provision of information, and publications.

Although some NGO activists feel that authorities use consultations with the non-profit sector only to improve their public image, the relationship with authorities is improving. However, NGOs have to further improve transparency and be more proactive in sharing information and building partnerships with the authorities and with the private sector.

INFRASTRUCTURE: 3.6

In 2001, new regional resource centers were established in Suceava, Vilcea,

INFRASTRUCTURE	
2002	3.6
2001	4.0
2000	4.0
1999	4.0

Constanta, Cluj, and Calarasi with technical support from the Bucharest-based NGO, Centras. Existing centers in

Satu Mare, Timis, and Tulcea, initiated with donor support several years ago, managed to continue their activities. These centers aim to facilitate access to information, training, and technical assistance for local NGOs. Although NGOs widely support the concept of resource centers, they are concerned about the centers' outreach capacity and sustainability.

There are about six local organizations that continue to provide small grants to NGOs. Most of these funds are raised abroad, but are distributed locally. Information on funding and training opportunities is disseminated through a number of publications with national coverage. However, access to information remains limited for many NGOs, largely due to the inappropriate technical endowment.

Networks and coalitions are seen mainly as an expression of support for an

initiative and not as effective working or advocacy groups with specific tasks and responsibilities. Coalitions often have a formal status and only one or a few members assume the workload and responsibilities for the entire group.

There is a core group of NGO professional trainers able to transfer knowledge and skills on various subjects for beginning and advanced levels. Training materials are widely available in the Romanian language. Training providers are usually located in Bucharest or in other cities, but on-site training sessions are organized with logistic support from local organizations. Sustainability of the service providers is still a challenge due to scarce financial resources. The small fees charged for their services can not cover the costs of a training program.

Partnerships, either formal or informal, between NGOs and other sectors are generally isolated and based on personal relationships rather than the community's general interest. Intersectoral partnerships could bring benefits for the partners and for the community. NGOs have to build such relationships, which are key elements for long-term sustainability.

PUBLIC IMAGE: 3.8

PUBLIC IMAGE	
2002	3.8
2001	4.0
2000	3.5
1999	4.0
1998	4.0

The effects of the 1998 media "campaign" against NGOs seem to be overcome; media increasingly reports positively on NGOs. Local media is more receptive to NGO

activity, reporting on local projects and their benefits for the community. National newspapers, radio stations and TV stations pay less attention to the nonprofit sector. However, certain events like the Easter telethons conducted by Antena 1 and Foundation Smile Romania have become traditional. The funds raised through such events, although not very

large, are used to support projects initiated by local organizations.

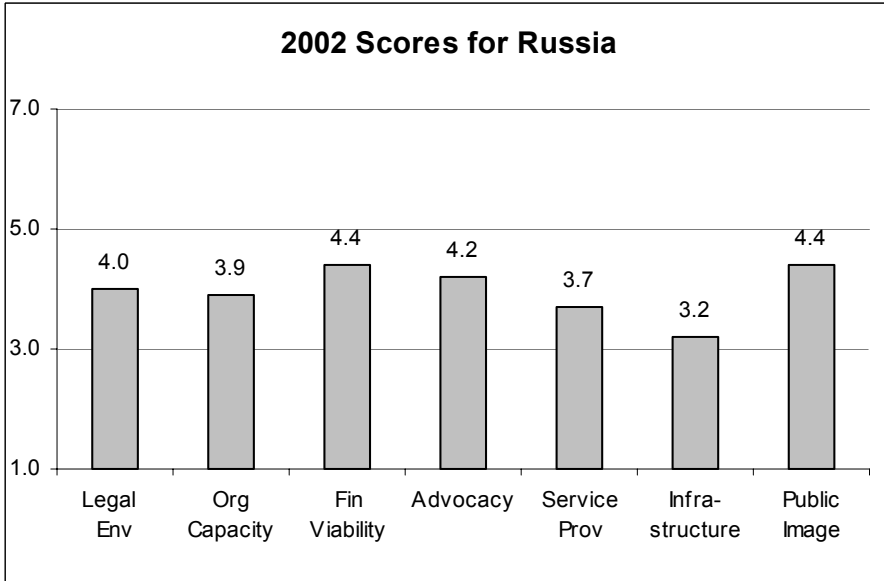
The gap between mass media and NGOs is due to the insufficient capacity of NGOs to market their activities and results, but also to the very selective way media processes the large quantity of information it receives. Romanian organizations are taking steps toward transparency and use annual reports as a PR instrument, but they need to improve their knowledge in order to use information effectively. Even when positive examples from the sector are reflected in the media, they remain isolated and do not generate much needed analysis regarding the role played by NGOs in the community.

According to recent public opinion sur-

veys, citizens have a positive perception of NGOs and an increased level of trust in NGOs. Furthermore, the relationship between NGOs and public authorities has improved, especially at the local level. NGOs' expertise and contribution is acknowledged and the number of projects developed in partnership with the government has increased.

There is no progress in adopting a generally accepted code of ethics, despite ongoing discussions on this topic over the past several years. Elements of self-regulation are included in the G.O. 26/2000 but not all NGOs pay attention to things like administrative boards and good governance.

RUSSIA



Capital:
Moscow

Polity:
Presidential-parliamentary democracy

Population:
145,470,197

GDP per capita (PPP): \$7,700

NGO SUSTAINABILITY: 4.0

The Civic Forum in late 2001 significantly changed the vector for the development of the NGO sector in Russia. While the immediate results of the event included more press coverage for the third sector and increased dialogue in specific regions of the Russian Federation, the long-term effect of such a mammoth event is not predictable. Nonetheless, experts agree that, despite the many challenges remaining, this year marked a positive turning point for NGO potential in Russia. This year's NGO Sustainability Index shows improvements primarily in the areas of Legal Environment, Advocacy and Service Provision.

NGO SUSTAINABILITY	
2002	4.0
2001	4.3
2000	4.3
1999	4.1
1998	3.4

Over the past year, NGOs have noted quantitative and qualitative improvements

in dialogue with local and federal authorities, both within the scope of the Civic Forum and outside it. Further, experts noted that local NGOs have become more active in developing local sources of funding and better at targeting and meeting local community needs.

While not producing concrete legislative change, the Civic Forum provided, and continues to provide, the NGO sector with a mechanism for engaging federal structures in constructive dialogue. The key opportunity now is for the NGO community to effectively leverage this dialogue into concrete change.

Despite these advancements, significant challenges remain to the development of an independent NGO sector. Under the current framework of "managed democracy," federal and local authorities allocate most of their support to so-called government-organized NGOs (GONGOs). These

NGOs were either established by the authorities themselves to affect public opinion or have been almost fully integrated into local government campaigns. Examples include a number of NGOs established and supported by the Central Election Commission to affect local election outcomes and a network of environmental assessment organizations set up and funded by the Ministry of Nuclear Power. The fact that the government invests resources into these NGOs demonstrates that it recognizes the need for civil

society structures in the general sense. However, these GONGOs are seen mainly as executive structures for mobilizing public opinion in favor of government initiatives.

Another major issue hindering third sector development is the lack of unity in lobbying for reform. While many NGOs lobby for their own personal interests with authorities and businesses, NGOs have yet to unite to lobby for concrete improvements in the legislative infrastructure.

LEGAL ENVIRONMENT: 4.0

The current federal legislation governing NGO activities remains primitive and unclear. Developed during the beginning of the transition period, the current legislation

LEGAL ENVIRONMENT	
2002	4.0
2001	4.2
2000	4.0
1999	4.0
1998	3.0

is out-dated and rudimentary. The ability of NGOs to serve their communities has long ago outstripped the rights given by this legislation. As NGOs have be-

come more advanced, these administrative laws restrict the flexibility of NGOs in a very competitive and mature donor and client market. Furthermore, legislation prevents or discourages NGOs from engaging in many revenue-generating and community-building activities. Examples include the lack of clear guidelines for the employment of volunteers and the complex nature of financial and tax reporting. While these remain considerable problems, NGOs have increased their ability to influence legislation over the past few years, thereby improving their ability to address some of these problems.

Overall, government harassment of NGOs has not been an issue over the past year, although there have been isolated incidents. The current legislation provides local authorities with the ability to liquidate

and/or penalize NGOs whose activities contradict local policy. Current legislation also allows local authorities to effectively shut down NGOs through constant tax inspections and court action, both controlled by local administrations.

Regional legislation is more often than not simply a copy of federal legislation in the area of NGO governance. Many regions have included new mechanisms for NGO/government cooperation such as municipal grants procedures and competitive procurement, but these laws only amend federal legislation and do not eliminate the federally mandated controls.

Taxation remains a vexing issue. Russian tax legislation is based solely upon the needs and circumstances of the business community. NGOs lack an independent tax status for providing benefits to the local community. This is primarily due to government distrust of the NGOs' and philanthropists' ability to misuse tax benefits. For example, the 2001 Tax Code removed tax incentives for corporate philanthropy, effectively discouraging businesses to contribute officially to NGO services.

NGOs face a similar situation regarding earned income. As the tax laws focus on the business community, NGOs are generally taxed at a similar rate for all reve-

nue-generating activities. However, local and regional tax incentives for small businesses do not pertain to NGOs. Further, for-profits have more liberty in developing start-up capital and manipulating assets. In short, the government taxes NGOs as business structures but does not use taxation to stimulate activity as with business.

These legislative regulations significantly impede the potential of the NGO sector to raise local, private donations. The mechanisms that would make it possible to bring the citizens' funds into the non-profit projects are absent both at the federal and regional levels.

ORGANIZATIONAL CAPACITY: 3.9

NGO organizational development remains highly individualistic and dependent upon each organization's leadership. NGO

ORGANIZATIONAL CAPACITY	
2002	3.9
2001	4.4
2000	4.0
1999	3.5
1998	3.0

leaders and directors still retain a high degree of control in their organizations and NGO internal governance structures remain

weak. Public perception of individual NGO executives continues to play a leading role in organizational fundraising and business/government partnerships.

NGO development in the areas of telecommunications and technical resources remains high. Donor emphasis on information resources and communication has allowed NGOs over the past year to develop the potential for communication, information exchange, and direct access to information resources.

Over the past year, the NGO community has noted both an increase in full-time staffing and a low retention rate for long-

time staff. The expertise developed in the NGO sector over the last 10 years is slowly being siphoned off by businesses and government structures that have come to recognize the talents and skills of NGO professionals. As businesses and governments recover from the economic crisis of August 1998, they are now able to provide competitive salaries with which NGOs are unable to compete. For this reason, many trained NGO specialists are moving to business and/or government and now serve mainly a consultative role to NGOs in their areas.

Finally, the NGO community has noticed an increased willingness on the part of donors to invest in NGO organizational development and asset building. While local donors previously focused all their investments into programmatic activities, they are now realizing the benefits of strong organizational capacity in implementing programs and projects. One of the main goals for the NGO community in the coming years will be to identify criteria and evaluation mechanisms for judging organizational capacity so that investment in this area can be better targeted.

FINANCIAL VIABILITY: 4.4

In general, NGO financial viability remains weak. Most organizations do not have guaranteed funding for more than 2 to 3 months at a time. The poor social and economic situation, the absence of experience in, and traditions of, corporate giving

and the low average household income place objective constraints on the flow of funds to the non-profit sector. Current legislation discourages donations and increases the costs of fundraising activities.

FINANCIAL VIABILITY	
2002	4.4
2001	4.7
2000	5.0
1999	5.0
1998	4.0

Finally, there is no legislative basis for the creation and maintenance of endowments.

However, developments over the past year are encouraging.

Corporate philanthropy is increasing at a notable rate. Multi-million dollar community development programs by such large companies as Yukos Oil and Alfa-Bank are opening new opportunities for NGOs to tap corporate donors. The number of large corporations engaging in systematic philanthropy is set to rise in the next few years. Regional businesses have also begun exploring systematic philanthropy to replace the in-kind donation mechanisms of previous years.

Further, local government administrations are rapidly promoting the use of municipal

grants and competitive procurement procedures to increase the role of NGOs in community development. For example, the Irkutsk regional government increased its municipal grant program to 2.5 million rubles last year in an effort to stimulate NGO involvement. Although still opaque and fraught with allegations of corruption, these municipal and regional mechanisms provide NGOs with an increasing diversification of funding resources. To further this trend, NGOs must do a better job of clarifying their economic contribution to local communities and presenting themselves as economically efficient service providers.

Overall, data on the financial status of the NGO sector is scarce. While it is evident that corporations and governments are coming to play a larger role in the financial viability of the third-sector, the bulk of funding remains in the “off-the-books” area of individual, one-time contributions and donations.

ADVOCACY: 4.2

Despite continuing problems, NGO advocacy has improved significantly over the last year. On the federal level, this improvement is in no small part due to the Civic Forum held in late 2001. Even at the start-up and preparation stages, federal governments included NGO leaders in the design and content of the forum. Approximately 5,000 NGO representatives from the Russian regions participated in the event and contributed actively to the 20-odd discussion panels. Significantly, several regional administrations have jumped on the bandwagon to create regional civic forums in which NGOs are encouraged to dialogue with legislators and businesses regarding regional development.

ADVOCACY	
2002	4.2
2001	4.9
2000	4.5
1999	3.5
1998	3.0

However, the Civic Forum is widely con-

ceded to be a trial mechanism. Neither the federal government nor NGOs were properly prepared to engage in well-founded debate regarding many of the issues involved in civil society development. Many of the NGO participants used the Forum as a mechanism to advance their own interests and not those of the sector as a whole. The fact that none of the recommendations were immediately enacted in federal legislation demonstrated that the federal government still lacks mechanisms for operationalizing NGO input into the policy process. Nonetheless, the Forum was a powerful mechanism for stimulating dialogue on the federal level and provided a launching pad for further debate.

This past year has also seen a noted improvement in NGO input into the development of local and national policy. For example, the INDEM Foundation’s “Anti-Corruption Report” was widely distributed

and discussed in government circles. Further, NGOs played a significant role in lobbying for the "Alternative Civil Service" (ACS) Bill that allows youth to choose between community and military service.

Two key issues still hindering NGO advocacy are the lack of transparent information and well-founded research. The lack of transparency in information provided by government structures makes it difficult for NGOs to design and construct convincing arguments for policy change. Further, the lack of qualified research in economic and social community development makes it difficult for NGOs to use facts and data to back up their policy recommendations.

Experts also noted that NGOs have become more sophisticated in their political

lobbying processes. While far from being highly effective in this area, NGOs are beginning to move away from ineffective models of public campaigning and have begun working with professional lobbying groups and other politically influential groups such as business and party lobbies.

In the area of advocacy for legal reform, as mentioned previously, leaders tend to agree that the current NGO legislation is out-dated. Several bills currently being debated in the federal Duma to improve the NGO infrastructure (such the laws *On Foundation*, *On Profit-Generating NGO Activities*, and *On Social Order*) were drafted several years ago and are still pending.

SERVICE PROVISION: 3.7

Although the data on NGO service provision is effectively non-existent, several trends in the NGO community indicate that NGOs are becoming more active in meeting community needs.

SERVICE PROVISION	
2002	3.7
2001	4.3
2000	4.5
1999	4.5

Primary among these trends is the increased recognition by local governments of NGO potential in providing social services. Government investment in NGO services through

municipal grants and competitive procurement is increasing the role of NGO service provision that is sanctioned by local authorities. While most NGOs cannot compete with the physical and/or human resources of government service providers, their role in community service provision is increasing.

Further, as the Russian economy begins to stabilize and NGO financial viability slowly increases, NGOs are better able to provide regular, on-going services as opposed to services provided under one-time "projects" supported by donors. However, as noted by the expert panel, NGOs are severely lacking in their ability to effectively market and evaluate these services. Due to current tax legislation, NGOs have yet to be able to actively engage in on-going fee-for-service activities. Low per capita income does not allow for many citizens to pay for NGO services. Further, the lack of tax benefits effectively places NGO and private services at the same cost.

However, the increased flexibility of local governments to solving community problems and increased investment by business demonstrate that the potential for NGO service provision is quickly rising.

INFRASTRUCTURE: 3.2

The regional infrastructure for the non-profit sector across Russia remains stable. Local resource centers (RCs) continue to

INFRA- STRUCTURE	
2002	3.2
2001	3.4
2000	3.5
1999	3.5

be funded primarily by international donors. These RCs provide critical services to start-up NGOs and act a focal point for local coalitions. RCs

maintain important relationships with local governments and act as a marketing mechanism for local NGOs. Without the RCs, local governments would not have the resources or the organizational capacity to organize NGO fairs, conferences, local grant competitions, and inclusive public hearings. In short, resource centers continue to provide valuable services to both NGOs and local governments.

Local non-governmental, grant-making structures have also shown little progress over the last year. Although large corporations have started to increase their grant-making budgets, these funds are mainly distributed through federal organizations. Of the 20 active community foundations, only those in Togliatti and Tyumen have been successful in cultivating funds from local donors for community development.

As mentioned previously, the Russian legal framework does not yet provide for the critical establishment of endowments.

Large NGO coalitions have been less noticeable over the last year, primarily due to the attention generated by the Civic Forum. However, many coalitions continue to exist and advocate for improved policy and legislation. Some of the more active coalitions include those promoting democratic alternative civil service, an improved juvenile justice system, the creation of a human rights ombudsman, and local budget transparency. Each of these coalitions unites NGOs and NGO leaders across the regions of Russia for advocacy at the local and federal levels.

Nationwide "literacy courses" in NGO development are still widely offered, although the need for such training, which is primarily targeted at the grassroots level, has diminished. Many NGOs are over-trained in the basics of grant writing, fundraising, accounting, etc. While some leading training organizations have begun to re-focus on specialized professional training, the bulk of NGO training programs have yet to specialize or keep up with the changing demand of a more sophisticated and mature NGO community.

PUBLIC IMAGE: 4.4

PUBLIC IMAGE	
2002	4.4
2001	4.5
2000	4.5
1999	5.0
1998	4.0

Public perception of NGOs continues to suffer from the scandals and misrepresentation NGOs suffered in the early and mid-1990s. Overall, the

general public still remains ignorant of NGO activities and the public benefits they provide. This is in part due to the inability of local NGOs to market themselves and

conduct effective outreach as well as a lack of effective representation in local press.

Most NGOs concentrating on providing services have little or no resources for marketing or outreach. Very few NGOs can afford staff dedicated to public relations and outreach.

Further, mass media remains focused on the humanitarian side of public services

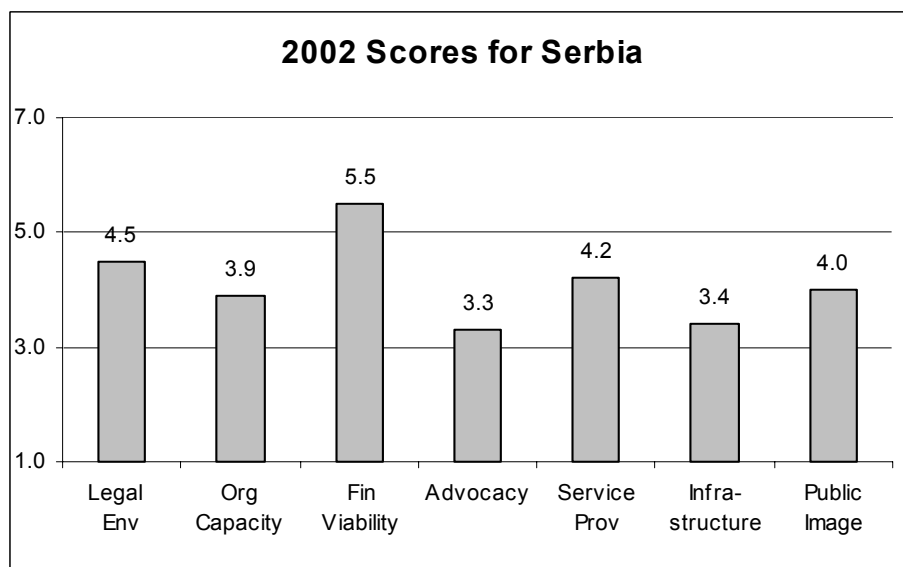
2002 NGO Sustainability Index

more often highlighting individual cases of assistance to children and pensioners or other disadvantaged members of society. The journalism community has yet to focus on the way in which NGOs meet overall community needs or the economic and social benefits of NGOs in their regions. Federal mass media have become more sophisticated at illustrating the ways in which NGOs and businesses are systematically addressing community needs, but these media outlets are still in need of powerful examples and consistency of reporting. Unfortunately, the PR potential of the Civic Forum served more as an advertisement for the federal government in its campaign to develop civil society than a

means of popularizing the concept of civil society.

On a positive note, perception of the NGO community by government and business has improved significantly over the last year. As mentioned previously, government structures have come to see NGOs as viable partners in community development and are demonstrating this recognition by allocating municipal funds to NGO projects. The increase in corporate philanthropy also demonstrates that the business sector has come to see NGOs as an effective and honest mechanism for funneling donations and contributions to target groups.

SERBIA



Capital:
Belgrade

Polity:
Parliamentary
democracy

Population:
8,227,290

**GDP per capita
(PPP):** \$2,300

NGO SUSTAINABILITY: 4.1

Two years after a civil society-driven political transition brought a democratically-oriented coalition to power in Serbia, non-governmental organizations remain critical

NGO SUSTAINABILITY

2002	4.1
2001	4.1
2000	4.5
1999	5.4
1998	5.4

in bringing citizens' issues to the attention of government, protecting individual rights and freedoms, monitoring government performance, and providing a host of services to citizens at the grass roots level. In 2002, NGOs helped bring about legislation that protects minority rights as well as draft laws on sexual harassment and freedom of information. They engaged in dialogue with government on a host of sensitive issues ranging from trafficking in persons to police reform, and helped to advance Serbia's regional reintegration by working with

government to reduce barriers to travel between Serbia, Bosnia, and Croatia.

There are now 4,000 registered NGOs in Serbia, up from only 196 in 1994 and almost double the number of NGOs registered in 2000. While only a small percentage of these organizations is strong and active, the growing number of groups is an indication of a liberalizing attitude towards NGOs and their function in society. Nevertheless, NGOs continue to exist within a precarious operating environment. While Government regularly taps NGOs as a key resource on a host of policy issues, it is less tolerant of civil society's essential role as advocate and watchdog.

Serbia's transition is still in an early stage and Serbian NGOs are still trying to define new roles and arenas for activism. More often than before, ad-hoc coalitions are being formed, and while still nascent, issue-based advocacy is on the rise. In addition, new social priorities are emerging,

the most significant of which are trafficking in persons, human rights protections, and the development of democratic decision-making in local communities.

Just as prior to 2000, indigenous funding sources are nonexistent, and will likely only grow after Serbia's largely dormant economy begins to revitalize. The legal framework for NGO operation remains weak, with a noticeable tendency towards

governmental control and influence over NGO activities. When confronted with government heavy-handedness and a disturbing tendency to bring civil society in very late in discussions of policies affecting their operations, civil society has been somewhat slow to unify and react. NGOs have made only limited progress in engaging a somewhat apathetic and increasingly frustrated citizenry in their activities.

LEGAL ENVIRONMENT: 4.5

NGOs in Serbia continue to wait for the reformist government that they helped propel to power in 2000 to pass more favorable

LEGAL ENVIRONMENT	
2002	4.5
2001	5.0
2000	5.0
1999	6.0
1998	5.0

NGO legislation. As draft legislation continues to languish in Parliament, NGOs remain governed by a poorly defined set of legislation that includes a regressive

1982 Serbian law, the 1989 Serbian Law on Foundations and Endowments, and a more liberal Federal law dating from 1990.

Despite the problematic and outdated legislation, local NGOs are able to register with relative ease, with most organizations choosing to register under the more liberal 1990 Federal law. However, while NGOs can register with little difficulty under this legislation, they must claim to work across the territory of the Federation, even though few do in reality. International organizations, on the other hand, find it very difficult to register under the current legislative framework. As a result, many international organizations are not registered, often operating only under the bilateral agreements signed by their home countries.

The poorly defined nature of the current legislation would seem to allow state interference. In practice, however, the state lets NGOs operate freely. Unlike most

other topics, NGO dissolution is well-defined under current legislation and NGOs are provided with a reasonable level of protection in this regard.

NGOs do not pay taxes on grants, and receive some limited tax exemptions on income generated depending on the amount earned. Currently, individuals do not get any deductions on contributions to NGOs, while companies receive limited deductions if they contribute to certain kinds of NGOs.

New NGO legislation was drafted over a year ago, and has been sitting in Parliament ever since. NGOs had significant input during the drafting of this legislation, and feel that it will represent a major improvement over the current situation, even though it does not address some important issues, including taxation. While there is some indication that Parliament will debate the legislation in the near future, other priorities may delay this further.

There are other signs that the legal framework for NGO operations is fragile. In the fall of 2002, the Ministry of Foreign Economic Relations submitted a draft law on donations that proposed extremely retrograde central government controls over NGOs receiving contributions from foreign or domestic sources. This law was accepted by the government and well on its way towards passage before any NGOs

were asked to review it. Intense pressure from the donor community and local and international NGOs helped convince the ministry to shelve this proposed legislation. As of this writing, no new draft legislation has been released.

Capacity within the legal sector to provide legal advice and assistance to NGOs is limited. There is little literature available in local languages, and no courses are taught in law schools. The Center for the

Development of the Non-Profit Sector (CRNPS) and the Yugoslav Lawyers' Committee for Human Rights (YUCOM) provide some assistance and advice to NGOs on legal matters. CRNPS has published several booklets on legal issues and uses its regional centers to provide legal assistance to NGOs outside of Belgrade. CRNPS also plans to train lawyers on the new NGO legislation, once it is finally passed.

ORGANIZATIONAL CAPACITY: 3.9

Established NGOs continue to increase their level of organizational sophistication. At the same time, nascent organizations

ORGANIZATIONAL CAPACITY	
2002	3.9
2001	4.0
2000	4.5
1999	5.0
1998	5.0

with little organizational capacity are proliferating throughout the country. While in most cases, NGOs view donors rather than citizens as their

constituents, some NGOs – particularly those working on a local level – do make an effort to develop true local constituencies. Overall, however, citizens still lack an understanding of the role of NGOs in society and NGOs have not made concerted efforts to remedy this situation.

A significant number of NGOs operate with a clearly defined mission and vision that guides their work and many are attempting to do some strategic planning to guide their work. As a general rule, older NGOs have a better defined mission and sense of purpose and are more focused

on the needs of their beneficiaries than new organizations that are often formed in response to the availability of donor funds.

Legally, NGOs are required to have a board of directors, but the degree to which the boards function varies considerably, with many NGOs unconcerned about formally adhering to their statutes. Few organizations have permanent paid employees. Instead, most organizations hire employees on a project-by-project basis. In general, volunteerism within the NGO sector is not well-developed. Few organizations have structured ways to recruit and manage volunteers and few people understand the benefits of volunteering or have the time to do so. With a few notable exceptions, such as OTPOR and CeSID, those organizations that do utilize volunteers do so on an ad-hoc basis and generally draw volunteers from their circle of friends and family. The number of organizations with their own computers, email and websites is constantly growing.

FINANCIAL VIABILITY: 5.5

The majority of Serbian NGOs remain heavily dependent on foreign donor fund-

FINANCIAL VIABILITY	
2002	5.5
2001	6.0
2000	6.0
1999	6.0
1998	6.0

ing. As a result of the stagnant economy, local support, if available at all, generally comes in the form of volunteer time or other in-kind support, rather than financial contributions. NGOs' efforts to raise money locally are further hampered by the overall lack of trust in society. While NGOs remain dependent on money from foreign donors, most organizations at least attempt to diversify the sources of their funding from multiple donors.

ing. As a result of the stagnant economy, local support, if available at all, generally comes in the form of volunteer time or other in-kind support, rather than financial contributions. NGOs'

Financial management continues to be a significant problem within the NGO sector. The legal framework provides little guidance on this issue. Furthermore, few NGOs have a dedicated finance person and many advanced NGOs feel that foreign donors do not take auditing seriously, thereby wasting an opportunity to encourage good financial practices.

The concept of fundraising is developing slowly. Some larger organizations have a fundraising strategy and there are some efforts to raise funds in local communities. There are a few examples of organizations successfully raising money by charging for their services, but this is still rare. Few organizations charge membership fees.

ADVOCACY: 3.3

NGO-government cooperation, at both the federal and local levels, continues to improve slowly, albeit with a tendency towards excessive government control of

ADVOCACY	
2002	3.3
2001	3.5
2000	4.0
1999	6.0
1998	6.0

government-NGO partnerships. As reported in recent editions of the Index, many government officials have NGO backgrounds, and therefore both understand what the sector has to offer and have extensive contacts within the sector. This does not guarantee that they work effectively with NGOs, however, as many take their experience from a time when NGOs enjoyed access to an extremely large pool of donors funds subject to fewer restrictions and controls than are present today. Tensions sometimes arise when these officials design programs that NGOs are expected to implement, while disregarding the now more stringent requirements international donors attach to grant funds. Much of the cooperation between

government control of government-NGO partnerships. As reported in recent editions of the Index, many government officials have NGO

government and NGOs can be attributed to personal contacts, rather than an institutionalized mechanism for NGOs and government to work with each other. In certain municipalities, however, more formalized cooperation exists, particularly between environmental organizations and local governments.

NGOs have had great success over the course of the past year in advocating to get laws passed or to raise certain issues in the public eye. Among recent achievements, a coalition of women's and human rights organizations succeeded in getting Parliament to change the criminal code to criminalize violence against women. A campaign led by NGOs on minority rights led to the formation of an inter-ministerial group to look at the issue in greater depth, which ultimately led to the adoption of the Federal Law on Ethnic and National Minorities. As described above, NGOs have also played a role in advocating the government to improve the draft NGO law that is pending before Parliament.

SERVICE PROVISION: 4.2

NGOs provide a variety of services in the fields of economic development, environment and governance, but are not very involved in the provision of basic social services, including health, relief, housing and water. Some NGOs do provide services to refugee communities.

SERVICE PROVISION	
2002	4.2
2001	3.8
2000	4.0
1999	4.0

NGOs strive to ensure that the goods and services they provide reflect the needs and priorities of their constituencies and communities. For example, NGOs provide training to municipalities on the Local Self-Governance Reform. There are also examples of NGOs working with state hospitals and schools to teach them how to

write proposals and utilize the services of volunteers. Other NGOs provide training to media outlets, parliamentarians and members of the judiciary.

Some NGOs have started to charge their clients for the goods and services that they provide, but this is still quite rare and there are no known examples of NGOs charging for the training courses that they offer. Local and federal governments have begun to recognize the value that NGOs can add in the provision of services and some government agencies, including the Ministries of Social Affairs, Education and Sports, have begun to support NGOs' service provision efforts. Such support, however, is still not systematic, varying considerably by ministry, municipality, and issue.

INFRASTRUCTURE: 3.4

Despite the drop in score for this dimension, the support network for Serbian NGOs continues to develop. A number of NGO resource centers exist throughout the country. CRNPS has had a center in Belgrade for many years and opened seven regional centers in the last year. While Civic Initiatives only has one Belgrade-based office, they are in contact with over 1,000 NGOs, to whom they provide training, consulting, library services, publications, and space for events. Other organizations provide support to NGOs working in a given region or within a certain field, such as women's rights. Given the ongoing scarcity of locally-raised funds, there are no community foundations or organizations that award grants from locally generated money. However, there are a few organizations, including Civic Ini-

INFRASTRUCTURE	
2002	3.4
2001	3.0
2000	4.0
1999	5.0

tiatives, the Regional Environmental Center and the Open Society Foundation, which re-grant international donor funds.

Over the past two years, NGOs have greatly increased the amount of information that they share with their peers through newsletters, brochures, etc. Although few formal coalitions exist, there are many informal coalitions, including the Forum of Yugoslav NGOs, through which information is also shared. Inter-sectoral partnerships are also becoming more widespread, although there has been more success developing partnership with government than with business. NGOs and media generally cooperate well, particularly at the local level.

Capable local trainers offer courses throughout Serbia in fields ranging from basic NGO management to more specialized areas such as strategic management, fundraising, volunteer

management and advocacy. Courses in accounting and financial management

have also been added to the offerings recently.

PUBLIC IMAGE: 4.0

While NGOs continue to benefit from a largely positive public image in Serbia, they are no longer in the spotlight as they

PUBLIC IMAGE	
2002	4.0
2001	3.5
2000	4.0
1999	5.5
1998	5.0

were in the period immediately preceding and following the ouster of Milosevic, thereby explaining the drop in score from last year. Media coverage of the NGO sector has improved since Milosevic times, but there is still much work to be done in this area. Media coverage is significantly more robust at the local level. Another issue is that media outlets do not distinguish between corporate advertising and public service announcements (PSAs), charging equal air time for both, and therefore making it too expensive for most NGOs to buy coverage to publicize their campaigns. There are, however, some examples of media providing free coverage to NGO campaigns; for example, Studio B and B92 provided free coverage

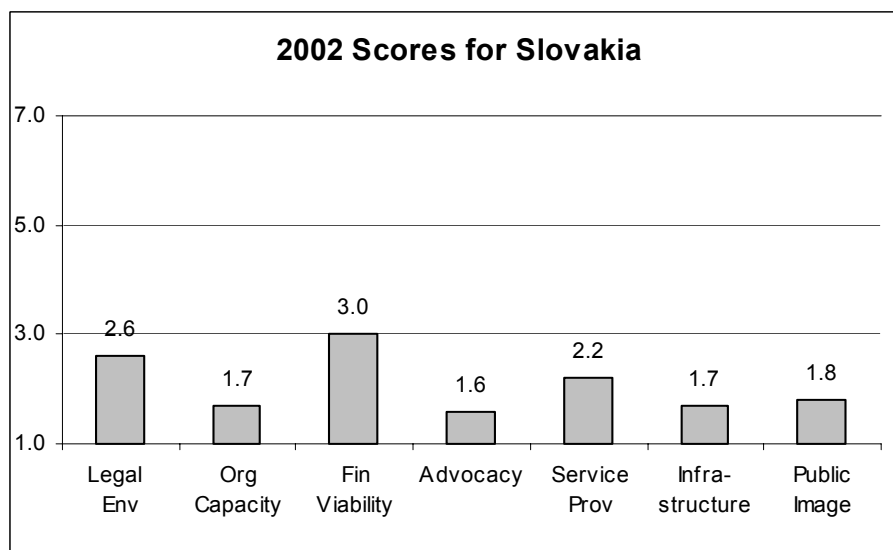
for a campaign to improve the situation of women in the labor market.

for a campaign to improve the situation of women in the labor market.

The public's perception and understanding of NGOs is slowly improving, particularly in small communities and cities. While government officials, particularly at the local level, have begun to recognize the value of NGO activities and input, NGOs remain off the radar screen for most businesses. NGOs, particularly larger, more established ones, have started to actively work to publicize their activities and promote their public image, but this is still not done sufficiently.

Self-regulation is not well practiced within the NGO sector. Since the law does not require NGOs to do so, few NGOs publish annual reports, although some publish programmatic reports on occasion. NGOs do not have a written code of ethics, but some organizations do try to adhere to an unwritten code.

SLOVAKIA



Capital:
Bratislava

Polity:
Parliamentary
democracy

Population:
5,422,366

**GDP per capita
(PPP):** \$11,500

NGO SUSTAINABILITY: 2.1

NGO SUSTAINABILITY

2002 2.1
2001 1.9
2000 1.9
1999 2.1
1998 2.8

2002 was an important year for the continued social and political development of Slovakia, culminating in the Parliamentary elections in September. It was also

a year of intense preparation for accession to NATO and the European Union.

The number of NGOs in the Slovak Republic has increased to more than 20,000, including a wide variety of organizations such as grantmakers, service providers, watchdog groups, voluntary groups, mutual benefit organizations, sports clubs, and community initiatives. The most numerous group of NGOs are civic associations, which account for 95% of all registered NGOs. The remainder are foundations, non-investment funds, and non-profit organizations.

In 2002, NGOs provided a variety of services, including traditional social services which often filled gaps left by the state. A number of non-partisan pre-election projects were implemented focusing on increasing civic participation. Much was accomplished in connection with decentralization of state power, communication with newly established regional self-governments and fostering of regional development. NGOs started to play an important role in Slovakia's future accession into NATO and the European Union, serving as a natural vehicle for contacting citizens and helping them understand these processes.

The issue of financial autonomy and sustainability of NGOs saw some important changes in 2002. Most importantly, the "1% Law" came into effect, which allows taxpayers to dedicate this portion of their personal income taxes to the organization of their choice. The European Union also created new opportunities for certain types

of NGOs to compete for financial support in the framework of pre-accession funds. On the downside, foreign private foundations increasingly were closing their programs, relying mostly on the newly established Trust for Civil Society in Central

and Eastern Europe as a means of continuing support to NGOs in Slovakia. Due to this difficult funding situation, NGOs had to adopt quickly new strategies, cope with serious transformation processes, and in some cases even close their operations.

LEGAL ENVIRONMENT: 2.6

LEGAL ENVIRONMENT

2002 2.6
2001 2.5
2000 2.5
1999 3.5
1998 3.5

Several initiatives took place in the area of legal and fiscal reform for NGOs in Slovakia. In December 2001, the Parliament of the Slovak Republic enacted three impor-

tant acts and amendments: the new Act on Foundations, amendments to the Act on Non-profit Organizations Providing Generally Beneficial Services, and the Act on Income Tax.

The new Law on Foundations was adopted after a long and sometimes controversial discussion among NGOs. In general, it focuses on simplifying the process of registration and increasing the effectiveness of management of foundation assets. It also introduces a new Institute of Special Funds. However, this law also presents a challenge, as it states that the Law on Free Access to Information is applied to foundations in the same way as to public institutions, despite the fact that foundations are private institutions.

Amendments adopted to the Law on Non-profit Organizations is generally positive, providing changes in the definition of non-

profit organizations and also simplifying the process of registration.

The Slovak government demonstrated its willingness to create better conditions for the third sector by approving the requirements proposed by NGO representatives concerning the "1% Law" and also amending the Income Tax Law. The amendment adopted in December 2001 enables citizens to donate 1% of their paid income tax to NGOs. This law represents a fundamental change in NGO financing and communication with the public. Thanks to a well-organized NGO campaign, more than 4,000 NGOs registered as recipients of the 1% Law this year and gained approximately \$2.4 million from more than 325,000 taxpayers. While significant progress has been made, NGOs continue to seek reforms to improve their financial situation in a number of areas including: disadvantages in public procurement, and the ambiguity of legislation concerning the business activities of NGOs.

The need to increase the capacity of lawyers to deal with NGOs led to the creation of an NGO Law Clinic at the Law Faculty of Comenius University within which students will be involved in NGO consulting.

ORGANIZATIONAL CAPACITY: 1.7

Advances in the legal framework for NGOs are influencing the organizational capacity of NGOs. Many NGOs have become highly specialized, professional operations, despite the fact that the majority of

NGOs in Slovakia still operate primarily with only part-time staff or volunteers. In fact, the number of NGOs that without paid employees is growing. It is often very difficult to raise funds to pay staff and as such,

ORGANIZATIONAL CAPACITY

2002	1.7
2001	1.5
2000	1.5
1999	2.0
1998	3.0

the ability to recruit qualified staff, and maintain some organizational continuity is very limited. NGOs therefore rely on the work of volunteers, ei-

ther unpaid or paid only a symbolic wage, even though the conditions for volunteering are also less than ideal. Recruitment and coordination of volunteers is requiring more effort and skills. Paid NGO staff often serve in less than official status, not entering into formal occupational relationship with NGOs, as this type of arrangement is often financially advantageous for both the individual and the NGO.

Slovak NGOs generally have clearly defined mission and incorporate strategic planning techniques in to their decision making process. This is less common with smaller NGOs which tend to act more-or-less spontaneously, with defined short-term goals. The NGO sector is well-organized in that umbrella associations, service organizations and different formal and informal platforms, coalitions and ad hoc groups exist to represent the interests of the sector. These groups usually have paid staff, at least one coordinator.

Many NGOs have modern, basic office equipment and advanced technical equipment in their offices, thanks to international donor support. Several small NGOs have equipped their offices with older technology and furniture given away by companies as in-kind gifts. Such efforts are often a part of NGO fundraising strategies.

There is little tradition of strong governing structures or boards in NGOs. However, the leading NGOs and major foundations do recognize the importance of dividing responsibilities between the board of directors, executive management and the staff. For some of these groups, the boards of directors are becoming a guarantee of transparency and credibility. In contrast, smaller NGOs have limited separation of authority and responsibility and it is not uncommon to see board members working as paid employees in the office.

NGOs generally continue to be engaged internationally in activities and programs and share their experience with countries going through similar political and societal developments. Progress has continued especially in areas of EU accession and integration of Slovakia into NATO. Regional and cross-border cooperation, especially within Visegrad countries, is growing as well.

FINANCIAL VIABILITY: 3.0

Financial sustainability continues to be a crucial question for the further development of the NGO sector in Slovakia. Many

FINANCIAL VIABILITY

2002	3.0
2001	3.0
2000	3.0
1999	3.0
1998	4.0

NGOs are still significantly dependent on foreign sources, and it is clear that the level of international donor funds will be diminishing in the coming years. As a result,

grass-roots and national NGOs must develop new strategies to build constituencies and raise funds from local sources.

Since January 1, 2002 the amendment to the Act on Income Tax came into force, which enables individual taxpayers to dedicate 1% of their income tax for the support of public interest activities, including NGOs.

2002 NGO Sustainability Index

In the framework of pre-accession funds, the European Union has gradually created several opportunities for NGOs to compete for financial support. Once Slovakia joins the EU, further possibilities of financial support will open. However, qualifying for this type of funding will require a level of organizational and financial sophistication that many NGOs do not yet have.

The Slovak NGO sector was selected to be the first supported from the Trust for Civil Society in Central and Eastern Europe. Within this new grant mechanism created by five private American foundations, leading donors in this region in the last decade, two consortia of local grant-making foundations were selected to begin managing and distributing the Trust funds in Slovakia in 2002.

Business support for the NGO sector remains limited. In some regions, few viable businesses exist, making corporate philanthropy an unrealistic option at this time. Large, national corporations tend to support only well-known NGOs, to the exclusion of others. There is also a general trend for the private sector to support NGOs through in-kind support, due to mistrust of NGOs' ability to manage funds.

Direct financial support in the form of grants from the central government has been decreasing gradually. Remaining government support needs to be improved by making it more transparent and introducing new principles and policies guaranteeing more stable and long-term development of NGOs.

ADVOCACY: 1.6

NGOs continued to develop their ability to mobilize support and advocate for different societal or NGO specific issues. The

ADVOCACY
2002 1.6
2001 1.5
2000 1.5
1999 1.5
1998 2.0

Council of Government of NGOs representing both NGOs and public institutions, continues in its advisory and consulting work, especially regarding NGO-related legislation. NGO repre-

sentatives were also invited to join different fora, committees, and roundtables formed by public institutions, including those connected with decentralization of state power and regional development, EU accession, and integration of Slovakia into NATO.

Many NGOs exercised great effort to contact political parties on non-partisan is-

issues, mostly in connection with their pre-election projects implemented before Parliamentary elections in September 2002. NGOs prepared 88 non-partisan pre-election projects, mobilizing young people, the rural population, Roma community, women and other groups of citizens. Relatively high voter turnout (70%) was partly a result of these NGO initiatives.

NGOs learned that creating small coalitions can be a very efficient means for achieving their goals. SocioForum, for example, succeeded in lobbying the parliament regarding specific social legislation. A separate group of NGOs was involved in advocating for the Act on the Ombudsman (December 2001) and, after its adoption, in promoting a civic candidate as the first ombudsman.

SERVICE PROVISION: 2.2

NGOs provide a wide variety of services ranging from traditional social services to expert services of think tanks offering

SERVICE PROVISION
2002 2.2
2001 2.0
2000 2.0
1999 2.0

analysis in technical areas that are often seen as the territory of the state. The third sector tends to fill the gap in services not provided by state institutions or in cases

when their quality is low and/or ineffective. In general, NGOs have been able to provide high-quality services for lower costs in comparison to state institutions. Despite the fact that NGO services are often considered to be of a high quality, the government does not tend to procure services from the NGO sector. NGOs have difficulties assessing community needs and fo-

cusings their activities accordingly. NGOs also still do not offer services demanded by the state or the private sector.

Although it is difficult to estimate the financial value of activities performed by NGOs, their contribution to the overall development of society is indisputable. Changes in the thinking of NGOs are starting to be evident. Fees for trainings, for example, which were often questioned before, are accepted today by the NGO community as a normal practice.

NGOs publish various types of brochures and publications, but rarely are able to recover costs through publication. In some cases, this is due to donor policies that do not want products they supported to be used to earn income.

INFRASTRUCTURE: 1.7

Slovak NGOs understand the importance of coalition building and facilitating communication with state and local authorities. One of the biggest coalitions of NGOs is

INFRASTRUCTURE
2002 1.7
2001 1.5
2000 1.5
1999 1.5

still the Gremium of the Third Sector (G3S) – an informal advocacy group of elected NGO leaders that defends and pursues the interests of NGOs. A few years ago this coalition was replicated at the regional level, and now a network of seven regional G3S exist. Several other formal as well as informal coalitions have also been created gradually over the years to foster cooperation among different types of NGOs.

Several well-established NGO support organizations continue to provide a broad scope of services to NGOs, including information-sharing, capacity-building and

networking. Over the past few years, several forms of cross-sectoral partnerships have begun to emerge. In particular, very powerful partnerships have arisen on the regional level, where NGOs are mostly involved in development programs and are perceived as positive agents by the local communities.

The further development of infrastructure organizations depends on the availability of financial resources. Many of these groups are generally funded by foreign sources, and as such, are financially vulnerable. For many of them it will be very difficult to change the nature of their cash flow to one based on fees for services and contracts with public institutions, as opposed to reliance on grants. Infrastructure organizations also need to work on their internal capacity to enable them to specialize further on priority issues for the NGO community.

PUBLIC IMAGE: 1.8

PUBLIC IMAGE	
2002	1.8
2001	1.5
2000	1.5
1999	1.0
1998	1.5

As a result of its humanitarian and charity work, struggle for justice, emphasis on democratic values, and ability to mobilize citizens, the NGO sector has gradually become a more accepted component of Slovak society.

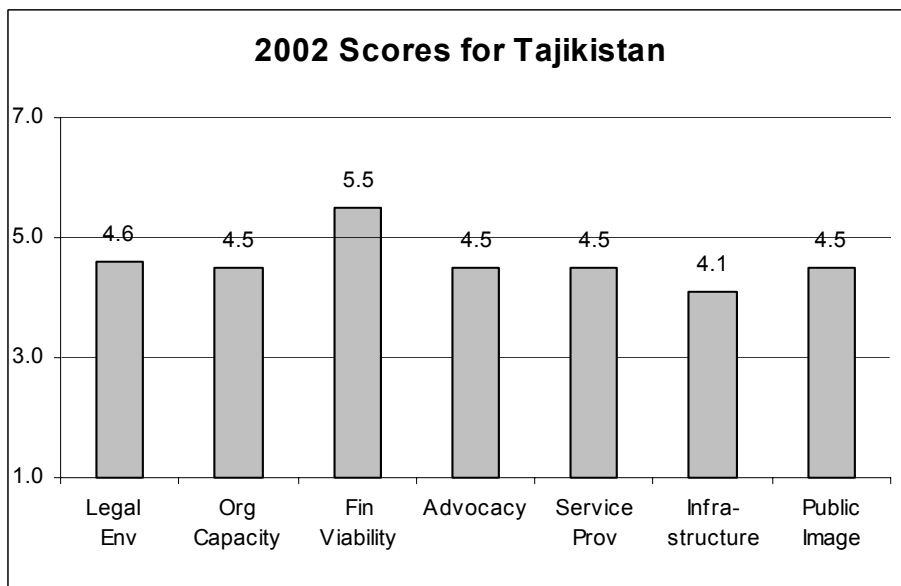
In particular, citizens consider NGOs working in health/social care and education as the most "useful".

The government is generally supportive of NGO efforts, which is demonstrated by the recent NGO-friendly legislation passed by Parliament. Comments and arguments from NGO experts on different issues, such as environmental protection, regional development, education and social affairs, are broadly supported by the public and even the government, in some instances.

Media coverage of the third sector has been quite broad. Several pre-election projects involved national TV and national and regional radio stations and were received positively by the public. In addition, the public has generally shown its interest in NGOs by supporting the 1% campaign.

This generally positive image of NGOs is tempered by scandals involving individual NGOs and certain negative trends. For example, after the parliamentary elections, some NGOs were accused of abusing the pre-election campaign for their own enrichment. Additionally, some businesses have established their own foundations to improve their corporate image, which potentially threatens the positive reputation of other foundations as their performance and use of funds is not always transparent.

TAJIKISTAN



Capital:
Dushanbe

Polity:
Presidential

Population:
6,719,567

**GDP per capita
(PPP):** \$1,140

NGO SUSTAINABILITY: 4.6

Compared to 2001, the NGO sector in Tajikistan has shown marked improvement across the board. Sustainability scores

NGO SUSTAINABILITY	
2002	4.6
2001	5.1
2000	5.4
1999	6.1
1998	6.6

across all seven dimensions of this year's Index reflected growth in the country's third sector. This broad improvement can be attributed to several factors, including an increased and more

rigorous donor presence in Tajikistan (facilitated by the improved security situation); the increasing interest, within that donor community, of engaging Tajik NGOs in reconstruction and reconciliation work; and the slow but steady maturation of "first generation" Tajik NGOs, who, through constant investments in training and technical assis-

tance, are helping to mold the third sector into a stable and professional partner for government and other sectors. Perhaps most importantly from the standpoint of local NGOs has been the quantum leap in government recognition enjoyed by the NGO sector. In a country with an authoritarian, "super-presidential" state, the main catalyst of this change was the participation of Tajik President Rakhmonov in an NGO conference on Social Partnerships in June 2002. This conference brought together several hundred NGO activists, international organizations, and a government delegation led by the President, and including several other ministers. The unprecedented participation by such a high-level government delegation signaled a welcome change in the government's attitudes towards NGOs, and has helped to trigger other improvements in the sector.

LEGAL ENVIRONMENT: 4.6

The legal environment for Tajik NGOs continues to improve. In 2001, the government reduced the registration fees for NGOs from

LEGAL ENVIRONMENT	
2002	4.6
2001	4.8
2000	5.0
1999	6.0
1998	6.5

approximately 400 per year. Furthermore, Tajikistan's NGO legislation remains fairly progressive, modeled after that of the Russian Federation.

Following the June 2002 Social Partnerships conference, there has been a marked reduction in the intensity and frequency of harassment by state bodies of Tajik NGOs. Following the public admonishment by the President to cooperate with NGOs, local authorities have reduced administrative impediments to NGOs' operations, not only in the capital city but in outlying regions as well. In an environment where the rule of law is generally fairly weak and informal and parallel channels of influence and control tend to dominate, this easing of state pressure on NGOs is largely the result of informal instructions – transmitted through state structures from the top and disseminated downward – not to create difficulties for NGOs. The momentum generated by President Rakhmonov's participation in the

Social Partnerships conference is actively being stoked and maintained by Tajik NGOs, who have found a potent tool in their ongoing efforts to educate, work with and cooperate with local government officials. The work of the Counterpart Consortium Civil Society Support Centers in Tajikistan has also contributed to this process, since they have, over the period of a number of years, been developing ongoing relationships with local officials in five regions of Tajikistan.

In terms of taxation of the NGO sector, the situation in Tajikistan presents a mixed picture. On the one hand, while grants are not taxed, the law does not distinguish between commercial enterprises and income-generating (but non-profit) activities by NGOs. This effectively serves to preclude any chances for financial self-sufficiency by NGOs, and ensures their continued dependence on foreign donors. Furthermore, the Tajik Tax Code does not recognize non-commercial organizations, and NGO employee salaries are thus taxed at normal commercial rates. The lack of a law on commercial activities by NGOs or a law governing the work of non-profit (charitable) organizations is required in order to clarify the status of revenue-generating NGOs and to specify a system of waivers and exemptions for them. Also worrying is the government's intention to introduce a tax of 0.5 percent of the credit portfolio on NGO microfinance activities.

ORGANIZATIONAL CAPACITY: 4.5

Organizational capacity of Tajik NGOs continues to be one of the weakest dimensions of the sector. Against a backdrop of persistent economic depression and a legislative environment that by and large does not recognize income generation by non-commercial organizations, Tajik NGOs are increasing their reliance on foreign donors.

This erodes Tajik NGOs' ability to conduct strategic planning and internal development in a fully autonomous manner, as NGOs are all too often obliged to modify their activities and/or structure to correspond to donor-defined priorities, both sectoral and geographical. Ironically, this to some extent has led to NGOs more actively seeking to build

ORGANIZATIONAL CAPACITY

2002	4.5
2001	5.0
2000	5.5
1999	6.0
1998	6.0

constituencies for their initiatives. The desperate financial straits of most Tajik NGOs precludes strong internal development – most staff and organizations

are project-driven, and thus temporary. As a result, the concept of a functioning, empowered Board of Directors is poorly understood and not widely employed among the NGO community. Local NGOs tend to regard formally-appointed board members with suspicion, consistent with the accusation that they “contribute nothing, yet nevertheless demand control.”

Without wider acceptance of boards of directors, transparency, devolution and transfer of management are still rarities in the Tajik NGO community.

Very few successful coalitions of NGOs have emerged in Tajikistan. Large-scale, high-profile coalitions of leading NGOs almost inevitably collapse due to funding scarcities, internal organizational weakness, and conflicts between strong personalities leading to questions of ownership. Some grassroots coalitions, however, have managed to persevere, since these are generally driven by ground-up considerations, with considerable support from constituents.

FINANCIAL VIABILITY: 5.5

Tajikistan’s economy remains one of the weakest in the former Soviet Union, and this fact fundamentally impacts the financial viability of the NGO sector. Local sources of

FINANCIAL VIABILITY

2002	5.5
2001	6.0
2000	6.0
1999	7.0
1998	7.0

support for NGOs do exist, but they are, with few exceptions, in the form of labor and material. Monetary sources of local support are extremely rare. Through ongoing trainings provided

by international donor organizations and civil society programs, Tajik NGOs are generally increasing their knowledge of fundraising and membership outreach. However, the very real structural constraints imposed upon them by the weak economy mean that these investments still have not borne com-

mensurate fruit. Nevertheless, nascent financial management systems are beginning to appear in the more advanced Tajik NGOs.

Local support for NGOs, where it exists, tends to come in the form of in-kind goods and/or services. Volunteerism is quite high, reflecting an active population that is severely underemployed. There is almost no formal monetary support to Tajik NGOs from Tajik businesses, as the country’s tax legislation does not provide exemptions or tax benefits to such charitable contributions. Financial viability of NGOs can thus only be achieved realistically through income generation. However, those NGOs that have successfully engaged in this (for example, by providing for-pay computer services or trainings) have encountered harassment and suspicion on the part of tax police.

ADVOCACY: 4.5

Cooperation between NGOs and local and central government officials in Tajikistan has improved remarkably following the conclu-

ADVOCACY	
2002	4.5
2001	5.0
2000	5.5
1999	6.0
1998	6.5

sion of the conference on “Developing Social Partnerships” that was held in June in Dushanbe. The conference was groundbreaking for Central Asia, in that it included the personal participation of the President. Previously, although certain officials had exhibited a cooperative attitude towards NGOs, the overall attitude of the Tajik government towards the third sector was one of measured skepticism at best. Following President Rakhmonov’s public appeal to state officials to cooperate with NGOs, a distinct attitude shift seems to have taken place among the authorities. This has begun to slowly manifest itself at different levels of contact between the first and third sectors: in a more “open-door” attitude among local officials towards NGOs, increased willingness to participate in NGO-organized trainings, and increased participation in social sector

projects. It remains to be seen whether or not this new attitude will result in wider space for advocacy work. At the moment, NGO advocacy efforts continue to be weak and fairly rare – the exceptions being clustered around issues of immediate material interests to the NGOs themselves (registration procedures, state policies on women, etc.).

A small number of NGOs focused on legal issues such as NGO rights and taxation issues have emerged in Tajikistan. These organizations are, on the whole, quite professional, and have actively contributed to certain policy debates, in particular on issues of direct concern to the NGO community. However, there is an almost hermetic absence of NGO involvement in Tajikistan’s political life. Furthermore, legal NGOs in Tajikistan remain few and far between, and are unable to offer support to communities outside of one or two major cities.

The NGO sector in Tajikistan made significant strides in improving service provision this past year. Although the legal, advocacy and consultative spheres of service provision remain woefully under-served, Tajik NGOs nevertheless have begun to expand the range of goods and services they provide both to their constituencies and to their own members. In particular, an increasing number of NGOs have received training in and begun to manage microcredit programs, in order to spur small- and micro-enterprises in their neighborhood. Furthermore, an increasing focus by some donor agencies has catalyzed a community-

SERVICE PROVISION: 4.5

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SERVICE PROVISION	
2002	4.5
2001	5.0
2000	5.5
1999	5.5

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focused approach to many NGOs that were previously exclusively donor-focused.

Government recognition of the important services that NGOs can provide has strengthened in Tajikistan. In fact, in some ways there has been an over-reaction from the side of state officials, to the point where they resort to NGOs to fill material needs, in the belief that NGOs are better financed than the state. While this has further spurred NGOs to be responsive to the needs of this new “client,” it raises the disturbing specter of the state abandoning certain responsibilities entirely in the hope that NGOs will fill the gap. A striking example of this came in Khoyent (Tajikistan’s second largest city), when the mayor invited local NGOs to a meeting, whereupon he asked them to donate batteries for the city’s garbage trucks.

Overall, while the range of goods and services provided by NGOs is slowly expanding, and these services generally are de-

mand-driven, cost recovery remains almost non-existent, due to the inability of NGOs' clients to pay for goods and services.

INFRASTRUCTURE: 4.1

A total of five Civil Society Support Centers (CSSCs) now serve Tajik civil society actors (including NGOs, CBOs, and others) in five regions of the country. Each of these centers offers training, organizational development

INFRASTRUCTURE	
2002	4.1
2001	4.8
2000	5.0
1999	6.0

assistance, information and technical support. Efforts to integrate these centers into a nationwide network have begun – an important step,

since, if successful, it will set two precedents: both for successful local network development, and for institutionalizing and standardizing intermediate support organization standards for Tajikistan. In another encouraging sign, initial steps have been taken to begin training local grant review committees, with the ultimate goal of developing a local grant-making capacity among Tajik NGOs.

An increasing number of international donor organizations are funding civil society training programs, thus adding to the sup-

ply of trainings available to Tajik NGOs. However, demand continues to outstrip supply. This shortage has been acutely felt following the boom in NGO registration spurred by the reduction of registration fees by the Tajik government. The cumulative increase in the number of Tajik NGO activists who have undergone training, however, means that at least a rudimentary training capacity exists across the country. Previously, coalition-building was neither taught nor actively encouraged by foreign organizations funding civil society programs in Tajikistan. However, some efforts are now underway to train NGOs in the basics of forming coalitions, networking, etc. Nevertheless, horizontal links between NGOs remain very weak, reflecting the general weakness of the sector itself: most organizations are fully engaged in trying to stay afloat financially, leaving little time or effort for internal development, much less coalition-building. However, small territorial coalitions of 10 NGOs or less have emerged around specific issues, for example environmental concerns.

PUBLIC IMAGE: 4.5

The previous year has seen a quantum leap in the public image of Tajik NGOs. The image and perception of NGOs in society and by the government has changed markedly following the public participation of the

PUBLIC IMAGE	
2002	4.5
2001	5.0
2000	5.0
1999	6.0
1998	7.0

President in an NGO Social Partnerships conference. This has led to increased coverage by the Tajik media (still dominated by state-run

outlets) in two ways. First, the state media at the national level now covers the activities of NGOs much more energetically. Secondly, the President's direct appeal to government officials to cooperate with NGOs has led to an increase in coverage of the third sector by local (regional) media, which are often under the direct or indirect control of local administrations.

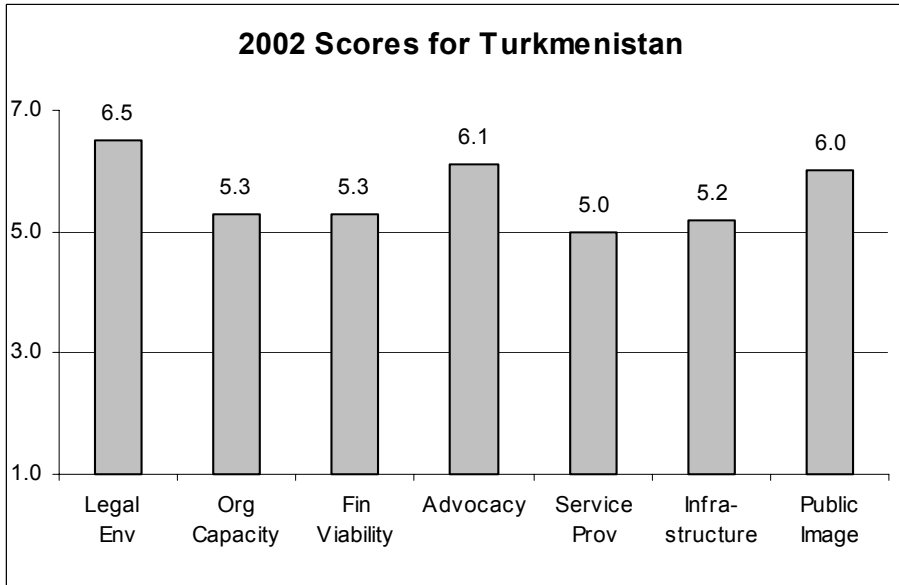
The increase in media coverage of NGOs has corresponded with increasing understanding on the part of average citizens as

2002 NGO Sustainability Index

to what an NGO is. The general public's knowledge of NGOs is also increasing because of the increasing work of NGOs in community-level service-provision. Unfortunately, this may be leading to serious misperceptions concerning the third sector, as citizens come to overestimate the role and capacity of NGOs to solve social problems. In the public consciousness, NGOs are becoming seen as outlets for free services, or

merely the representatives of foreign donor organizations, thus contributing to the isolation of NGOs from Tajik society at large. For example, some local communities will not begin rehabilitation or construction projects until prompted to do so by NGOs or until foreign assistance is promised.

TURKMENISTAN



Capital:
Ashgabat

Polity:
Presidential

Population:
4,688,963

**GDP per capita
(PPP):** \$4,70

NGO SUSTAINABILITY: 5.6

The NGO sector in Turkmenistan remains the weakest in the former Soviet Union. According to the Counterpart Consortium's database, there were 267 public organizations and initiative groups¹ as of April 2002, an increase from 156 last year. As in previous years, registration remained the main problem faced by Turkmen organizations. Not a single independent organization was able to register over the past year, and the absolute majority of NGOs continue to work without registration. However, some groups received registration under governmental or quasi-NGO umbrellas. In addition, activists are now often obtaining licenses and patents "for individual labor activities," which allow them to conduct certain activities without of-

NGO SUSTAINABILITY	
2002	5.6
2001	5.8
2000	6.0
1999	6.6

ficial registration. Possession of several patents or licenses may even allow recipients to open a bank account. It is obvious that no groups will be able to register until a new NGO law is adopted. Although there has been a request from the President to draft a law, the government's willingness to adopt and implement one looks very unlikely.

Until April 2002, a serious crackdown ravaged public organizations in Turkmenistan. Many environmental NGOs were called in by law-enforcement agencies and harassed for working without registration and the KNB² broke up a class being led by another NGO. However, the harassment eased somewhat after April, when a number of high-ranking officials, including the Minister of the KNB and the Minister

¹ Initiative group is a name usually used for unregistered NGOs.

² Committee for National Security, former KGB.

of Internal Affairs, were fired by the President for organizing a coup d'etat.

Aside from a few officially recognized Soviet-holdover quasi-NGOs, such as the Union of Women, the Union of Veterans, the Union of Youth, and the Trade Union, that receive financial support from the government, NGOs are financially dependent on international donors. There are still approximately 10 international donors with an in-country presence. These donors work only with registered organizations, contributing to a lack of financial resources for most independent groups. The business community provides some financial assistance to a few NGOs; however, such assistance is sporadic and usually takes the form of barter deals.

NGO leaders and staff are predominantly

women. Many programs target specific gender needs, as well as other social issues – rights of disabled people, pensioners, and consumers, environmental problems, and others. Nationwide or local political advocacy by NGOs is non-existent; however, a few recent reforms in the country led to several protests by people in Ashgabad and other cities. There have been no known attempts over the past year to create coalitions to work on a common issue. NGOs are mainly run by strong personalities rather than democratic structures, and only a few, like the Water Users' Association, have a functioning Board of Directors. Along with the inability to register, this lack of democratic governance limits the ability of NGOs to become truly sustainable organizations based upon a stable and active membership and constituencies.

LEGAL ENVIRONMENT: 6.5

Although the issue of a new NGO law in Turkmenistan has been discussed for a number of years, no new law has been adopted, and this does not appear to be a government priority.

Without registration, NGOs are not able to fully and officially operate. At present, all NGO activities are regulated by the very general Civic Code and the outdated 1992 Law on Public Organiza-

tions. Laws and regulations often contradict each other or are not recognized by various officials. For example, the Civil Code does not prohibit NGOs from making a profit; however, NGOs are not legally allowed to make a profit without registration. Tax authorities do not always acknowledge the Civil Code when dealing with NGOs and often refer only to the Tax Code.

Recently, an increasing number of NGO activists have purchased licenses and patents to implement individual commercial activities. Licenses can be combined by several members, which may provide a legal basis

for opening a bank account, renting an office space, and providing social services. This, of course, does not prevent an organization from being shut down by any agency, should a government official decide to do so. The government justifies its control of NGO activities as necessary to "cease operation of any false NGOs." In reality, however, legal instruments are used to halt the operations of any non-loyal group for political reasons, under charges of tax abuses or similar violations. There are some lawyers who work with NGOs on legal issues but their work is complicated by the fact that NGOs cannot legally register.

No NGOs were able to register as a public organization over the past year. However, some NGOs were able to register as "public commercial organizations" or as groups under the umbrella of governmental bodies and quasi-NGOs. For instance, a number of environmental NGOs were registered under the umbrella of the Ministry of Nature Conservation. Such arrangements seem to satisfy both the Ministry of Justice and the organizations themselves.

There is no direct taxation of grants for Turkmen NGOs, however registered NGOs are subject to a social tax, personal income tax, 1% tax on property, and other local taxes. Taxes also apply to non-registered organizations that obtain licenses and pat-

ents to implement certain activities. In comparison with last year, the legal environment has not witnessed any improvements; however, NGOs have become more accustomed and begun adapting to this difficult environment.

ORGANIZATIONAL CAPACITY: 5.3

Most NGOs in Turkmenistan do have a willingness to improve their organizational capacity, however the above factors negatively affect their ability to do so. This year an increased number of organizations have developed clearly defined missions; however only 5-10% understand the need for a

ORGANIZATIONAL CAPACITY

2002	5.3
2001	5.5
2000	5.8
1999	6.0

strategic plan and have the necessary skills and experience to develop one. For the most part, NGOs continue to be led and governed by strong

and active personalities, rather than by democratic structures. The role of a Board of Directors is unclear to most NGOs in Turkmenistan.

The scarcity of donors, a lack of local funding sources and general non-acceptance of local public organizations impede the development of organizational capacity.

Since many donors do not work with unregistered initiative groups, and those who do often do not have resources to provide training courses for all who need them, such groups lack the ability to ensure appropriate staffing, management structures, and advanced technical capacity. To a great extent, NGOs rely on volunteers – paid personnel is usually used as long as there is grant funding; once a grant is over, such personnel continue to work without being paid.

Technical capacity has improved somewhat in recent years. There are several Civil Society Support Centers (CSSCs) providing general services to many groups, such as access to Internet and e-mail; however, this access is very limited due to the low quality and high telephone costs in the regions. Many NGOs use computers, as well as other hardware and software that they received as grants from previous donors and intermediary support organizations.

FINANCIAL VIABILITY: 5.3

With few exceptions, the third sector remains dependent on international donors. Many international donors continue to work only with registered groups, which hampers

FINANCIAL VIABILITY

2002	5.3
2001	5.5
2000	6.0
1999	7.0

the ability of non-registered NGOs to gain any long-term financial viability. It is still uncommon for organizations to receive financial assistance from local businesses or the gov-

ernment. Such assistance usually takes the form of barter deals: for example, an NGO might obtain office space in exchange for the use of computers or provision of free consultations.

Economic difficulties in the country, a lack of any tax incentives for businesses, and limited information about the NGO sector constrain local business philanthropy, although such cases do exist. For example, groups representing the interests of disabled people and pensioners in Ashgabad received some

assistance from the business community. Local governments may also provide financial assistance, but this depends on personal preferences of local governors. Fees are collected by a few organizations and are non-taxable, however they are minimal and do not contribute to long-term sustainability.

Although there are organizations that conduct financial management trainings, e.g. the School of Business, the Fund of Entre-

preneurship Support, and Counterpart Consortium, they can not sufficiently meet demands or they impose conditions that many NGOs cannot meet. In addition, the general negative attitude towards NGOs by the government does not allow NGOs to operate in a transparent manner. NGOs do not conduct financial audits or publish annual reports with financial statements for fear of generating problems with the law-enforcement agencies.

ADVOCACY: 6.1

NGO advocacy is practically non-existent in Turkmenistan. Despite this, some ties between NGOs and local and national governments have begun to appear recently. A Member of Parliament and a local governor deputy in charge of social issues are former NGO members. The little advocacy that exists is limited to local government and non-political issues. Some NGOs tried to work

ADVOCACY	
2002	6.1
2001	6.3
2000	6.3
1999	6.5

with the Institute for Democracy and Human Rights under the President; however, the director of the Institute was fired, halting any attempts to

cooperate. The new leadership of the Institute is more reluctant to work with public organizations.

There are still no mechanisms for NGOs to participate in the political process, since NGOs are not officially recognized. Although the general attitude of local government towards NGOs was reported to have improved, real advocacy may cause a strong reaction from the government or law-enforcement agencies. There were no coalitions reported over the last year that lobbied interests on behalf of NGOs. Instead, international organizations, including the US and British Embassies and the OSCE, lobbied for NGO interests and played a significant role in protecting NGOs against law-enforcement agencies when any attempt to engage in advocacy-related work resulted in problems.

SERVICE PROVISION: 4.5

Despite the fact that the majority of NGOs are not registered and work semi-legally, they continue to provide services to their constituencies. After having problems with the government for performing activities without registration, some began obtaining licenses and patents to perform certain activities. These licenses and patents allow them to legally implement their work and render services; however, they are limited to a certain degree. For example, in order to

conduct classes in schools, an organization must officially obtain approval, which can be granted only if the organization is registered. Nevertheless, some groups (like RIF in Turkmenbashi) conduct classes in schools without such approval. Some projects were conducted together with the business and government bodies, like the Ministry of Nature Conservation.

SERVICE PROVISION	
2002	5.0
2001	5.0
2000	5.3
1999	6.0

Only registered groups can charge fees-for-services. The cost of licenses and patents varies from 4-5 Million Manats for education services (e.g., conducting ecological classes in schools, providing training courses, etc.) to 12 Million Manats for medical services. Usually, receiving licenses requires additional costs including bribes to relevant license-issuing agencies. In addition, any income generated from activities based on a license is taxed, making it very difficult for an NGO to achieve sustainability solely through such activities.

Outside of the capital, NGOs are frequently viewed as valuable service providers. Common NGO spheres of activity include education (environmental classes,

junior achievement classes, and others), information dissemination, consultations (legal, medical, etc.), and environmental protection (including special researches and studies). The Water Users' Association continues to be an active provider of potable drinking water to remote communities in northern Turkmenistan. Since activities are conducted either in the regions or for specific target groups, services generally meet the requirements and needs of those to whom they are provided. In addition, studies are conducted to ensure that there is demand for services. For example, Counterpart Consortium conducts Participatory Community Appraisals with NGOs that want to apply for grants, during which NGOs and community members jointly discuss and prioritize their needs. Grants must meet the identified constituencies' needs in order to be approved.

INFRASTRUCTURE: 5.2

There are three CSSCs operated by Counterpart Consortium, as well as a number of NGOs who have become strong enough to provide services to other NGOs, including Ecosodrujestvo in Ashgabad and EcoClub in Dashoguz. These play a significant role in providing access to information, including Internet and e-mail. With a telecommunica-

INFRASTRUCTURE	
2002	5.2
2001	5.5
2000	5.7
1999	6.5

tions monopoly in the country – Turkmentelkom -- Internet and email have become very expensive and unaffordable for most NGOs. This problem was exacerbated when Turkmentelekom arbitrarily raised Internet access rates by 300%. In addition, the resource centers have libraries, materials, and databases that NGOs may use. The majority of NGOs cannot afford to pay fees for the services that resource centers provide. There are also Intermediary Support Organizations (ISOs)

that redirect grants to NGOs from international donors.

Competition amongst NGOs is frequently noted. Nevertheless, NGOs do share information through a number of listserves, regular round tables, meetings, and personal connections. There have also been attempts to create a so-called NGO Forum to share views between NGOs. In addition, CSSCs and ISOs provide information about different sources of grants in the country, as well as other information.

In addition to the above services, CSSCs and ISOs continue to play a very important role as training providers to NGOs. Although the number of training courses was reduced due to a lack of funding, there is still a group of local trainers capable of providing both preliminary and advanced courses on various subjects, such as fundraising, sustainability, strategic planning, and advocacy. There are also trainers who can teach these

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courses in the Turkmen language, which is especially important outside the capital.

There are several examples of NGOs working in partnership with local business, gov-

ernment, and media. A number of environmental NGOs have joint projects with the Ministry of Nature Protection and local government. Some NGOs work with the Ministry of Health and UNHCR on refugee programs.

PUBLIC IMAGE: 6.0

As reported above, NGOs experienced numerous problems with law-enforcement agencies until April, when the President fired both the Ministers of the KNB and Internal

PUBLIC IMAGE	
2002	6.0
2001	6.0
2000	6.2
1999	7.0

Affairs. However, while there has not been any serious harassment of NGOs reported since then, the KNB continues to be very involved in everyday

life, and remains a clear potential threat to NGOs, especially those who are actively involved in politically sensitive areas.

There have been no significant improvements in relations with the media (all of which is state-owned) over the past year. While it remains forbidden to use the term “non-governmental organization” in the press or media, the state media has begun to occasionally mention the work of “public associations” in certain fields, particularly ecology and health care. In other

cases, the media has referred to “clubs” or initiative groups. Usually, the general public and the business community are more aware of quasi-NGOs, like the Union of Women and the Union of Youth. Independent groups are often known among constituencies that they represent, like invalids or disabled people or environmentalists. Constituencies do support such groups and use them.

There is little chance that the public image of NGOs can be significantly improved until the generally suspicious attitude from the government changes. NGOs are reluctant to publish any advertisements in newspapers or any reports in public sources, as they are afraid of attracting attention to their activities. They prefer to remain in the shadows and keep as low a profile as possible. Usually information about public organizations is distributed to other groups and the public through newsletters, CSSCs, and round tables. In addition, a few NGOs are working on creating and publishing their own websites.

UKRAINE



Capital:
Kyiv

Polity:
Presidential-parliamentary democracy

Population:
48,396,470

GDP per capita (PPP): \$4,200

NGO SUSTAINABILITY: 4.0

The Third Sector in Ukraine has matured over the past year in certain fundamental regards. The legal environment was improved through the introduction of changes that make it easier for NGOs to earn income.

NGO SUSTAINABILITY	
2002	4.0
2001	4.3
2000	4.4
1999	4.1
1998	4.2

Organizational capacity and advocacy skills have improved as evidenced by more regular cooperation among NGOs and growing efforts to employ strategic planning. In addition, intermediate support organizations (ISOs) are providing more advanced training, further reducing the need for foreign trainers. The two areas where the Third Sector remains weakest relate to financial viability and public image. Deep dependence on donor funding persists and broad public understanding of and support for NGOs remains weak.

Because NGOs may register either at the national or local levels, the precise number of registered organizations is unknown. Experts estimate, however, that approximately 30,000 groups are registered, of which 4,000 are active. Ukrainian NGOs work on a variety of issues from social services and public policy to culture and politics, representing every demographic group. As is the case elsewhere as well, NGOs in the capital and oblast centers are the most developed, while those in smaller towns or rural areas are less so. Unique to Ukraine are certain geographical differences. Many experts generalize that civil society is more vibrant in major urban areas as one moves west, even though western oblasts have weaker economies than the resource-rich east. This is generally attributed to socio-historical factors such as Western Ukraine's experience under different political systems as borders shifted. Among the influences on this part of Ukraine were early Polish experi-

ments with democracy, the long-time support for an independent, democratic

Ukraine, and a long tradition of private property.

LEGAL ENVIRONMENT: 4.5

The legal environment in Ukraine remains a challenge to NGO sustainability, but this year witnessed some significant improvements.

LEGAL ENVIRONMENT	
2002	4.5
2001	5.0
2000	5.0
1999	5.0
1998	4.6

First, registration has become a largely perfunctory process and time delays have decreased, generally taking several weeks and at most only 2 months in Kyiv and certain oblast centers. In past years, the process could take six months or more. Delays or refusals are commonly based on applications being incomplete, but such issues are usually easily rectified. There were no known instances of forced dissolution of an NGO over the past year.

Second, tax regulations have been improved. In summer 2002, the tax authorities issued a new reporting form that more clearly allows NGOs to report non-taxable earnings. Previously, procedures for capitalizing on small legal loop holes for NGOs were ill-defined and difficult to use. Unfortunately, few NGOs are aware of the fact that they can earn income under specific conditions or of the changes in tax forms. Thus, this opportunity remains largely untapped. As in the past, grants are not taxed in Ukraine except on salaries paid to staff or consultants from these funds.

Third, legislation now allows NGOs registered as charitable organizations to create endowments and businesses can receive deductions up to 4% of their profits for their contributions to such organizations. While this may benefit mature social service NGOs who are generally registered as charitable groups, many NGOs, such as advocacy groups and associations, must register as public organizations;

therefore, this benefit is not extended to them. Another change is that individuals receiving aid (e.g. money to pay for medical care) from a registered charity do not need to report this assistance as income and thus do not pay income tax on it.

While the legal framework has seen some significant improvements, one noteworthy drawback occurred when the Cabinet of Ministers passed resolution 153 regulating foreign assistance in Ukraine. This resolution may well increase government oversight over donor programs and thus the Ukrainian NGOs that receive grants from donors. Implementation of this resolution is just beginning, so the actual impact remains unknown. Donors are pressing the GOU to repeal it.

Due in large part to donor support, local legal capacity in Third Sector issues is growing, but remains concentrated in Kyiv and oblast centers. Many legal aid clinics exist throughout the country providing services, often pro bono, that NGOs may utilize. However, the need for assistance remains great since many NGOs operate on a shoe-string budget and involve little if any full time professional staff.

Leading NGOs realize that they must collaborate to improve the legal environment, as was discussed at two "Civic Forums" this year involving over 400 NGOs. Yet, a strong coalition working on these issues has yet to emerge.

Overall, NGOs remain free to operate within the law. Visits by the tax authorities or other government inspection bodies to NGOs are not uncommon, although the issue is not unique to the Third Sector; the business community faces similar problems. Harassment increased in the lead up

to the March 2002 elections for those groups most actively involved in promoting fair elections. Yet, generally, the scope of this problem has not changed much from

previous years – which is of note since this was an election year during which many had expected the situation to seriously deteriorate.

ORGANIZATIONAL CAPACITY: 3.5

Problems common to NGOs in other struggling democracies also exist in

ORGANIZATIONAL CAPACITY	
2002	3.5
2001	4.0
2000	4.0
1999	3.5
1998	3.7

Ukraine. The majority of NGOs in Ukraine are small local organizations, often isolated. Competition for funding and insufficient

cooperation with other groups persist. Elite groups often do not have wide outreach and few organizations in Ukraine have detailed plans for recruiting members and/or volunteers. Strong constituency building and membership services are frequently lacking. Furthermore, many NGOs continue to operate without a division of responsibilities between the board of directors and staff members. Highly centralized and personalized leadership structures remain the norm.

Despite these limitations, past investments bore fruit this year as experts witnessed

improvements in organizational capacity. The need for strategic planning, membership/ constituency outreach and stronger internal management has slowly been digested, resulting in increased demand for such services, which previously were largely donor driven. A growing number of NGOs have paid professional staff and are paying payroll taxes for those employees. Increasingly, job descriptions, timelines and other tools are being used to better manage operations. In addition, more NGOs are seeking to better use their boards and, when appropriate, are inviting government officials to serve as board members. As previously reported, most “active” NGOs have basic office equipment and increasingly access the Internet, be it through their office, Internet cafés or other means. Much progress remains, but a healthy share of the NGO community seems to be turning a corner – realizing the need for professionalism and slowly applying tools to be so.

FINANCIAL VIABILITY: 5.0

As in past years, dependence on international donors remains extremely high for most NGOs.

FINANCIAL VIABILITY	
2002	5.0
2001	5.0
2000	5.0
1999	5.0
1998	4.6

While the overall economic situation in Ukraine has been improving over the past two years, the vast majority of the population has little money to contribute

to charity work, professional associations, advocacy groups, or community projects.

Nevertheless, increasingly, NGOs are providing cost-share – usually in-kind contributions – in proposals, although often at the behest of donors. Leading NGOs have been successful in diversifying their funding base – even think tanks that often struggle for funding. They may, however, remain predominantly reliant on one or two foreign donor sources. A few groups working on charitable causes have achieved greater success in raising domestic funding; social sector organizations are more likely to be

successful in raising funds in a way that will not negatively impact their activities. The same cannot be said for public policy or civic action groups for whom acceptance of local funds in many instances means a loss of political independence or jeopardizes the public perception of political independence.

The number of NGOs earning income through social enterprises remains small. As noted earlier, there is not a broad understanding within the Third Sector on how to run social enterprises within the laws and regulations; most NGO activists believe that this cannot be done. All active NGOs are under pressure to demonstrate accountability and careful record keeping - not just by foreign donors, but also by the tax authorities. Yet, independent financial audits and publication of annual reports

that include financial statements are extremely rare.

While the financial viability of NGOs has not dramatically changed in the last year, it is noteworthy that groups are asking for more training in this area and more developed groups are moving from reactively responding to donors' tenders or anxiously searching for any kind of funding even if the activities were not within one's scope. Rather, these more savvy NGOs are promoting their services and seeking to define their agenda for donors, as opposed to letting their agenda be defined by donors. In addition, there is a slow growth in the number of government bodies that allow for NGO participation in government tenders. The practice is not yet widespread, but the trend is moving in a "healthy" direction.

ADVOCACY: 3.5

Here too Ukraine has seen some slight progress. Lines of communication among NGOs and between civil society and government have improved. Even during the hotly contested 2002 parliamentary elections, the Central Election Commission felt impelled to organize an advisory board

ADVOCACY	
2002	3.5
2001	4.0
2000	4.0
1999	5.0
1998	4.4

that involved a number of leading NGOs with substantive experience in this area and brought meaningful issues to the board for discussion and review. On the local level, most NGOs are at least somewhat effective at communicating with government and initiating policy change. Local government even occasionally turns to local well-known, effective NGOs for policy advice. Organizations are pro-actively sharing information and referring people to other groups when they cannot help - helping to strengthen the initiatives of fellow NGOs.

While such mutual support is now frequently witnessed, coalition skills sector-wide still require improvement. It can still be said that NGOs are often more successful at conducting awareness campaigns to raise the visibility of their issues than at national-level advocacy focusing not only on legal and regulatory reforms but also the implementation of laws and regulations. While leading groups may increasingly seek to work in coalitions, the difficult task with effectively managing such initiatives is still being mastered - i.e. managing personality issues, multi-organizational funding, enforcing responsibilities. For less developed organizations, the need to build coalitions is not universally understood.

Nevertheless, there have been some advocacy campaigns and coalitions on such issues as elections, freedom of speech, and Third Sector laws and regulations. There is a growing understanding among NGOs about the need to address the legal framework regulating NGO issues, as

evidenced by the fact that this matter was a central issue at the first and second “Civic Forum” which brought together over 400 NGOs from across the country. As mentioned, a group of about 10 NGOs have continued to lobby over the past year for legislative reform related to NGO issues. Beyond the impact of NGOs learning to effectively cooperate with one another through the various coalitions that emerged, results were seen in government decision making too. For instance, a

well-meaning but technically weak law on political advertising and another on election debates were blocked, in part due to vibrant civic initiatives. Leading think tanks continue to gain access to government officials at the national level and feed their research into the policy process. Some professional associations, such as those of taxpayers, libraries, and businesses, have also been successful in their advocacy efforts.

SERVICE PROVISION: 3.0

Ukraine’s Third Sector held its ground over the past year, maintaining previous accomplishments related to service provisions and making some micro-

SERVICE PROVISION	
2002	3.0
2001	3.0
2000	4.0
1999	2.5

improvements that may pave the way for more significant developments in future years. Numerous organizations provide services in different areas such as educa-

tion, democracy, environmental protection, legal consulting, training, empowerment, job training and health. These groups operate throughout Ukraine and target a wide range of demographic groups. Dependency on donor funding impacts what services are provided, but NGOs have been able to secure continued funding. Thus, Ukraine’s NGOs are meeting the needs of a broad spectrum of constituents, although funding limitations hamper NGOs’ ability to more completely respond to the depth of community needs.

The concepts of clientele and constituencies are somewhat better understood now, as evidenced by workshops and publications which reach out to government offi-

cial, subject experts, other NGOs and the public. However, groups could do more to consult with constituencies when designing strategic plans and activities. Although it is not yet a pervasive practice for NGOs, think tanks, academia, church groups and government to routinely reach out to one another, this does occur on occasion, for example, between think tanks and academia that may cooperate and then invite relevant NGOs and government officials to review their research.

Cost recovery remains problematic as discussed earlier and thus experience in charging for services remains limited. NGOs have successfully won contracts from local government to provide social services to the wider population and the number of localities allowing NGOs to bid on tenders is slowly growing. While there are national laws and regulations on procurement and grant making as well as by-laws in a few cities, the emerging practice of NGOs receiving government contracts or grants is not well publicized nor have lessons learned for government and the Third Sector been well documented and widely shared.

INFRASTRUCTURE: 3.5

Indigenous organizations have strengthened their efforts to support the Third Sector. Over the past year, ISOs have continued to provide high quality basic training and other services and several groups are now providing advanced training

INFRASTRUCTURE

2002	3.5
2001	4.0
2000	4.0
1999	3.5

on NGO development topics and sector-specific topics. Donors now rely largely on such groups rather than international trainers. In addition, the practice of NGOs paying for training is slowly emerging and even groups that cannot necessarily afford to pay may state their understanding of why fees need to be instituted. Internet access is growing as

well and some organizations are using the Internet to improve their activities. Access, however, is often through employers, Internet cafes or various types of resource centers, not necessarily within NGO offices. Unfortunately, much of this infrastructure requires continued donor funding. Local grant-making capacity is very limited. Indigenous foundations are rare; capacity that does exist is the result of a few organizations receiving awards from donors to implement re-granting programs.

There are many instances of NGOs working with one another as well as with government and the media, both formally and informally. More work remains to be done in this area, however, particularly given competition over funding.

PUBLIC IMAGE: 5.0

While Ukraine's Third Sector has made some important strides recently, public awareness and participation remains very

PUBLIC IMAGE

2002	5.0
2001	5.0
2000	5.0
1999	4.0
1998	3.9

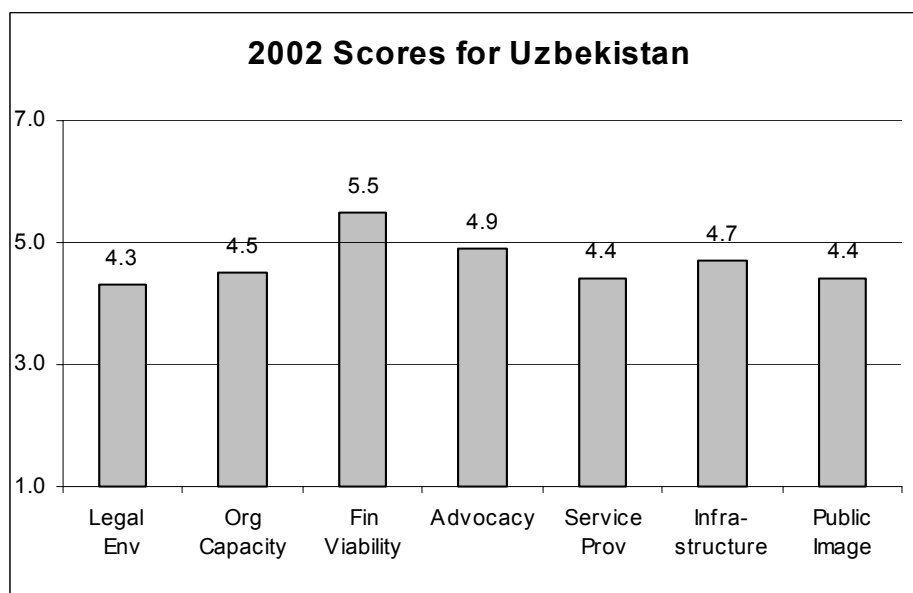
low. The average Ukrainian may know of a local charity and commend its effort, but not understand the broader role of civic organizations, particularly in terms of representing citizens' interests and engaging government. Government and business may have a positive perception of NGOs providing social services, but do little to help. Generally speaking, other types of NGOs (e.g. advocacy and public policy groups) are less positively viewed, although government officials and business representatives are starting to reach out to the Third Sector, more commonly at the local level. The practice is far from universal.

Organizations are strengthening their

media outreach. Some groups are cooperating with journalists or producing newsletters. NGOs do seem to receive more media coverage, particularly during the pre-election period. The tone of coverage varies but many times is positive. Nevertheless, media outlets are facing heavy political pressure and are not free to report NGO activities or any news as they see fit. NGOs themselves understand the need to communicate with reporters and the public and thus try to hold press conferences, but more sophisticated plans for public outreach and communications are wanting.

Self-regulation of the NGO sector is lacking, although a handful of NGOs recognize the need for transparency, a code of ethics, annual reports with budget information and other tools to strengthen Third Sector credibility. The greatest hurdle for these forward-leaning groups to overcome is that in Ukraine's politicized environment many NGOs fear transparency of operations and finances.

UZBEKISTAN



Capital:
Tashkent

Polity:
Presidential
(dominant party)

Population:
25,563,441

**GDP per capita
(PPP):** \$2,500

NGO SUSTAINABILITY: 4.7

NGO SUSTAINABILITY

2002	4.7
2001	4.6
2000	5.1
1999	5.3
1998	4.7

The overall sustainability of the NGO sector in Uzbekistan remained fairly stable in 2002. Minor improvements in the legal environment and relationships with the government were tempered by

the deterioration in the economic situation and frustrations with the slow pace of democratic reforms.

Over the past year, NGOs were quite active in developing partnerships and delivering services in cooperation with local governments. Additionally, in the spring session of Parliament, President Karimov called for a stronger civil society, stronger NGOs, and support from the government for social partnerships with NGOs. As a result, the government, media, and general population now pay more attention to the third sector.

As the result of government efforts in 2001 to educate regional Ministry of Justice (MOJ) officials on the NGO law and the role of NGOs, local and regional officials are less ignorant than in the past. Nonetheless, while many local governments do work more with NGOs, there remain tendencies by some local officials to try to control and coordinate NGO activities.

While the NGO community is diverse, those organizations supporting women's rights, health care, and environmental issues have been especially effective, largely because their themes echo those supported by the government and donors. Self-censorship is present in the NGO community and amongst the media as well. Most NGOs are weak in constituency building and often are led by a few dynamic personalities. NGOs tend to be small, dependent upon foreign donors for financial sustainability, and not transparent in either their governance or their finances.

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The past year has witnessed a substantial growth of NGO activity in regions outside of Tashkent. Geographically, the majority of NGOs are still located in Tashkent, Nukus, Samarkand, Ferghana Valley, and Bukhara; but, surprisingly, the remote southern regions of Kashkadaryo, Surkhandaryo and Khorezm witnessed significant growth in the NGO sector recently. NGOs and other grassroots initiative groups are also beginning to emerge in truly rural areas. In Karakalpakstan, the NGO community continues to be very active, and the Karakalpakstan government is very supportive of NGO activities.

NGOs outside of the capital continue to be freer of government control and have more developed constituencies. Organizations

which are active in politically sensitive areas, such as human rights, continue to face harassment, but in 2002 some were finally registered. For example, the Independent Human Rights Organization of Uzbekistan was registered as a republican NGO, while local chapters of it and other human rights organizations have been able to register at the local level.

In the past, some elements within the government viewed foreign support for NGOs with suspicion. Now they see such grants as something they should have a role in “coordinating” or controlling.

LEGAL ENVIRONMENT: 4.3

The legal environment improved somewhat during 2002. During the spring session of Parliament, President Karimov made a speech supporting NGOs and the need for new NGO legislation. Groups of NGOs are

LEGAL ENVIRONMENT	
2002	4.3
2001	4.4
2000	5.4
1999	6.0
1998	5.6

now involved in the discussions and development of four new laws for NGOs within the Parliament: a new Law on Public Foundations, a new Law on Guarantees and

Support to NGOs, a new Law on Charity, and a new version of the Law on Public Associations. If passed, these legislative acts will provide a better basis for the development of civil society and local philanthropy in Uzbekistan.

Politically, NGOs express self-censorship, dealing only with those themes that are viable from a government perspective. While violations of human rights in Uzbekistan have not directly affected NGOs, they certainly limit the ability of NGOs to act as open advocates for political change.

Tax breaks for NGOs do exist for NGOs not engaged in commercial activity. Recent decrees and resolutions of the Cabinet of Ministers introduced several additional privileges for Homeowners Associations. Micro-credit organizations also received several privileges after an advocacy campaign of interested parties, including local NGOs and international donors.

ORGANIZATIONAL CAPACITY: 4.5

Few organizationally sophisticated NGOs exist in Uzbekistan. Too often the missions and goals of local organizations are based on the objectives and missions of the international donor community. Most NGOs lack adequate strategic

ORGANIZATIONAL CAPACITY	
2002	4.5
2001	4.8
2000	5.3
1999	5.5
1998	4.2

planning and base most of their activity on the whims of donors. Strategic decisions are made by NGOs with the assistance of donors.

Boards of directors and broad-based volunteerism are developing slowly. Too often charismatic and dynamic personalities dominate NGO leadership, who sometimes

can be inflexible and resistant to transparency and sharing control of the organization with a board. Accountability and governance are the main challenges to constituency building.

A handful of NGOs retain permanent paid staff. Most staff is dependent on the availability of donor assistance. When no donor funds are available, most NGOs work without staff.

This past year more rural NGOs emerged. These NGOs are more dependent on constituency support, thus they better reflect the needs of the community. Their development is encouraging, as a majority of Uzbekistan's population lives in rural areas. Volunteers in these areas are abundant and eager.

FINANCIAL VIABILITY: 5.5

The overall decline in the economic situation has clearly impacted NGO financial viability. Local donors are rare, but, ironically, their number has increased during the past year as NGOs become more prominent in society and the media. Because of the economic situation, however, this support is more often in-kind than in cash.

FINANCIAL VIABILITY	
2002	5.5
2001	5.1
2000	5.5
1999	5.5
1998	4.4

The lack of currency convertibility and poor laws related to taxation strain the financial viability of NGOs in Uzbekistan. The lack of currency convertibility also limits financial transparency of organizations, many of which receive grants in

dollars from foreign donors, even though this is technically illegal.

In a few instances, the government has given NGOs grants for specific projects. It is also possible for NGOs to generate income by charging fees-for-services, and some more mature NGOs have become financially independent as a result. However, too many organizations are hesitant to develop such activities. With a few notable exceptions, NGOs in Uzbekistan are entirely dependent on international donor assistance.

In addition, there are more new NGOs competing for donor assistance. This, coupled with the deterioration in the economy, means that for most NGOs financial viability is increasingly difficult.

ADVOCACY: 4.9

To a greater extent, NGOs in Uzbekistan are promoting their causes through advocacy campaigns. In 2002 national and local government officials became more receptive to working with NGOs.

ADVOCACY	
2002	4.9
2001	5.1
2000	5.2
1999	5.5
1998	4.6

Although advocacy is still limited at the national level, a coalition of NGOs is working with the Parliament and government on a new draft of the Law on Charities. Groups of NGOs also are now involved in the discussions and development of three other new laws for NGOs within the Parliament: a new Law on Public Foundations, a Law on Guarantees and Support to NGOs, and a new version of the Law on Public Associations.

NGOs have also become more active in their advocacy at the local level. In many regions of the country NGOs successfully engaged in community planning processes and implemented projects with the support and participation of local governments. One example of a very successful advocacy campaign was in Kokand, where a local NGO advocated on behalf of hearing- and speech-impaired children and got the local government to provide free transportation for students attending sign language classes provided by the NGO. The classes themselves are provided by the NGO as a result of a community planning process.

Only the most developed NGOs are involved in advocacy efforts. In addition, there is not sufficient training on the practical implementation of advocacy campaigns.

SERVICE PROVISION: 4.4

Civic organizations continued to strengthen their ability to provide quality services to clients. As NGOs become more engaged in rural communities and mahallas (neighborhoods), they have become increasingly responsive to the needs of their communities, and learned to plan their activities strategically to meet the needs of constituents.

SERVICE PROVISION	
2002	4.4
2001	4.0
2000	4.5
1999	4.5

Local government acceptance of NGOs as service providers has dramatically improved.

Local authorities have begun to realize that community based organizations ultimately strive to improve the lives of citizens, and are increasingly listening to NGOs' analysis of community problems and proposals for community programs.

Access to training opportunities and responsiveness to community needs are factors augmenting the ability of NGOs to provide services to their communities. However, because of the overall economic situation, there are fewer opportunities to market these services for most NGOs, meaning that most NGOs continue to be dependent on international donors.

INFRASTRUCTURE: 4.7

A network of NGO support centers now exists in seven regional capitals. These Centers provide training seminars, technical

INFRASTRUCTURE

2002	4.7
2001	4.6
2000	5.0
1999	5.0

support, information resources, networking opportunities, and professional services to NGOs and associations. The importance of

these centers cannot be minimized. For example, the number of NGOs in Samarkand province tripled (from thirty to ninety) in the last year since the opening of the Civil Society Support Center in Samarkand

The number and quality of trainers has improved in the past year. A new cadre

of Uzbek speaking trainers is also emerging. Training materials in the Karakalpak language are still lacking. Few NGOs implement activities to bolster their technical capacity, rather, they perform services to attract donor attention and potential funding.

Coalitions and networks are emerging in some sectors in the NGO community. However, few NGOs desire partnerships with others in an atmosphere of scarce donor resources. Scarcity of grants has led to increased competition and suspicion between NGOs. Coalitions are not typical, although some efforts to create coalitions in certain sectors (i.e. gender, environment) have emerged during the past year.

PUBLIC IMAGE: 4.4

Press coverage truly bolstered the public image of NGOs over the past year.

PUBLIC IMAGE

2002	4.4
2001	4.5
2000	4.8
1999	5.0
1998	4.8

However, some perceptions remain that many NGOs simply exist to attract large donor grants.

Previously, NGOs would have to pay bribes to journalists to attract publicity. This practice has now ceased and journalists, especially those with independent TV stations,

regularly cover NGO events in the capital city and in the regions. As service provision and trainings increase, the public image of NGOs in the country only stands to improve.

Organizations are publishing more materials that are available to the public, thereby increasing their public stature. Nonetheless, there continue to be many mutual misperceptions between NGOs and government officials.

STATISTICAL ANNEX

COUNTRY SCORES: 1997 - 2002

<u>Northern Tier</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
CZECH REP.				2.4	2.3	2.5
ESTONIA				2.4	2.1	2.2
HUNGARY	2.3	1.6	2.1	2.3	2.6	2.6
LATVIA	3.6	4.2		2.8	2.9	2.8
LITHUANIA	4.0	3.0	2.9	3.1	2.9	2.7
POLAND	1.8	2.0	2.1	2.1	2.1	2.2
SLOVAKIA	2.8	2.8	2.2	1.9	1.9	2.1
<u>Southern Tier</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
ALBANIA	4.4	4.2	4.8	4.6	4.6	4.3
BOSNIA		5.6	5.3	4.9	4.5	4.2
BULGARIA	4.0	3.6	4.0	3.7	3.6	3.1
CROATIA	4.6	4.4	4.6	4.3	3.8	3.7
KOSOVO			4.4	4.6	4.6	4.3
MACEDONIA	4.4	4.4	4.6	4.6	4.1	4.0
MONTENEGRO			4.6	4.6	4.7	4.6
ROMANIA	3.6	3.8	4.0	4.1	4.0	3.7
SERBIA	4.8	5.4	5.4	4.6	4.1	4.1
<u>Eurasia</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
ARMENIA		5.5	5.1	5.0	4.4	4.2
AZERBAIJAN		6.3	5.6	5.0	5.0	5.2
BELARUS				5.7	5.5	5.3
GEORGIA		3.6	3.8	4.1	4.0	4.2
KAZAKHSTAN	4.6	4.2	4.8	4.7	4.3	4.1
KYRGYZ REPUBLIC	4.6	3.8	4.2	4.3	4.3	4.0
MOLDOVA				4.6	4.2	4.2
RUSSIA	3.4	3.4	4.1	4.3	4.2	4.0
TAJIKISTAN		6.6	6.1	5.4	5.1	4.6
TURKMENISTAN			6.6	6.0	5.8	5.6
UKRAINE	4.0	4.2	4.1	4.4	4.3	4.0
UZBEKISTAN		4.9	5.3	5.1	4.6	4.7

COUNTRIES RANKED BY SCORES

Legal Environment

Consolidation	
HUNGARY	1.4
LITHUANIA	1.6
ESTONIA	2.0
BULGARIA	2.0
POLAND	2.1
SLOVAKIA	2.6
LATVIA	2.8
CROATIA	2.8
CZECH REPUBLIC	3.0
MACEDONIA	3.0
ROMANIA	3.0

Mid-Transition	
KOSOVO	3.3
MOLDOVA	3.3
BOSNIA	3.5
ALBANIA	3.6
MONTENEGRO	3.7
KYRGYZ REPUBLIC	3.7
ARMENIA	3.8
GEORGIA	3.9
RUSSIA	4.0
KAZAKHSTAN	4.2
UZBEKISTAN	4.3
SERBIA	4.5
UKRAINE	4.5
TAJIKISTAN	4.6
AZERBAIJAN	5.0

Early Transition	
BELARUS	6.5
TURKMENISTAN	6.5

Organizational Capacity

Consolidation	
SLOVAKIA	1.7
ESTONIA	2.2
POLAND	2.2
HUNGARY	2.7
CZECH REPUBLIC	2.9
LITHUANIA	2.9
LATVIA	3.0

Mid-Transition	
UKRAINE	3.5
BOSNIA	3.9
SERBIA	3.9
ARMENIA	3.9
RUSSIA	3.9
CROATIA	4.0
MACEDONIA	4.0
ROMANIA	4.0
GEORGIA	4.0
KAZAKHSTAN	4.0
KOSOVO	4.2
KYRGYZ REPUBLIC	4.3
ALBANIA	4.5
BULGARIA	4.5
MOLDOVA	4.5
TAJIKISTAN	4.5
UZBEKISTAN	4.5
BELARUS	4.7
MONTENEGRO	4.8
AZERBAIJAN	5.0

Early Transition	
TURKMENISTAN	5.3

Financial Viability

Consolidation	
CZECH REPUBLIC	2.0
ESTONIA	2.6
POLAND	2.8
LITHUANIA	2.9
HUNGARY	3.0
SLOVAKIA	3.0

Mid-Transition	
LATVIA	3.5
BULGARIA	3.8
RUSSIA	4.4
ROMANIA	4.5
MACEDONIA	4.6
ALBANIA	4.8
KAZAKHSTAN	4.8
GEORGIA	4.9
KYRGYZ REPUBLIC	5.0
UKRAINE	5.0

Early Transition	
CROATIA	5.1
MOLDOVA	5.2
TURKMENISTAN	5.3
BOSNIA	5.5
MONTENEGRO	5.5
SERBIA	5.5
TAJIKISTAN	5.5
UZBEKISTAN	5.5
ARMENIA	5.6
BELARUS	5.7
AZERBAIJAN	6.0
KOSOVO	6.0

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Advocacy

Consolidation	
SLOVAKIA	1.6
CZECH REPUBLIC	1.8
LITHUANIA	1.8
LATVIA	2.0
ESTONIA	2.1
POLAND	2.2
BULGARIA	2.5
CROATIA	3.0

Mid-Transition	
SERBIA	3.3
KYRGYZ REPUBLIC	3.3
HUNGARY	3.5
UKRAINE	3.5
MACEDONIA	3.6
ALBANIA	3.9
BOSNIA	3.9
ROMANIA	4.0
KAZAKHSTAN	4.0
KOSOVO	4.1
ARMENIA	4.2
MOLDOVA	4.2
RUSSIA	4.2
GEORGIA	4.3
TAJIKISTAN	4.5
MONTENEGRO	4.7
UZBEKISTAN	4.9
AZERBAIJAN	5.0

Early Transition	
BELARUS	5.4
TURKMENISTAN	6.1

Service Provision

Consolidation	
POLAND	2.1
CZECH REPUBLIC	2.2
SLOVAKIA	2.2
HUNGARY	2.3
ESTONIA	2.5
LATVIA	2.5
BULGARIA	2.8
UKRAINE	3.0

Mid-Transition	
ROMANIA	3.1
CROATIA	3.7
RUSSIA	3.7
LITHUANIA	3.8
ALBANIA	3.9
KYRGYZ REPUBLIC	3.9
ARMENIA	4.0
KAZAKHSTAN	4.0
MONTENEGRO	4.2
SERBIA	4.2
GEORGIA	4.2
MOLDOVA	4.4
UZBEKISTAN	4.4
BOSNIA	4.5
TAJIKISTAN	4.5
MACEDONIA	4.8
BELARUS	4.9
KOSOVO	5.0
AZERBAIJAN	5.0
TURKMENISTAN	5.0

Infrastructure

Consolidation	
SLOVAKIA	1.7
ESTONIA	1.9
POLAND	1.9
LITHUANIA	2.3
HUNGARY	2.5
BULGARIA	2.5
CZECH REPUBLIC	3.0
LATVIA	3.0

Mid-Transition	
RUSSIA	3.2
SERBIA	3.4
UKRAINE	3.5
ROMANIA	3.6
KOSOVO	3.7
MACEDONIA	3.7
KYRGYZ REPUBLIC	3.7
MOLDOVA	3.8
CROATIA	3.9
KAZAKHSTAN	3.9
GEORGIA	4.0
TAJIKISTAN	4.1
ARMENIA	4.2
BOSNIA	4.5
BELARUS	4.5
ALBANIA	4.6
MONTENEGRO	4.6
AZERBAIJAN	4.6
UZBEKISTAN	4.7

Early Transition	
TURKMENISTAN	5.2

Public Image

Consolidation	
SLOVAKIA	1.8
ESTONIA	2.0
CZECH REPUBLIC	2.3
POLAND	2.3
HUNGARY	3.0
LATVIA	3.0

Mid-Transition	
BULGARIA	3.5
CROATIA	3.5
LITHUANIA	3.8
BOSNIA	3.8
ROMANIA	3.8
KOSOVO	3.9
KAZAKHSTAN	3.9
MACEDONIA	4.0
SERBIA	4.0
ARMENIA	4.0
KYRGYZ REPUBLIC	4.1
MOLDOVA	4.2
GEORGIA	4.4
RUSSIA	4.4
UZBEKISTAN	4.4
TAJIKISTAN	4.5
ALBANIA	4.6
MONTENEGRO	4.8
UKRAINE	5.0

Early Transition	
BELARUS	5.2
AZERBAIJAN	5.5
TURKMENISTAN	6.0

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Consolidation			
SLOVAKIA	2.1	1	1
ESTONIA	2.2	2	2
POLAND	2.2	2	2
CZECH REPUBLIC	2.5	4	4
HUNGARY	2.6	5	5
LITHUANIA	2.7	6	6
LATVIA	2.8	7	6

Mid-Transition			
BULGARIA	3.1	8	8
CROATIA	3.7	9	8
ROMANIA	3.7	9	10
MACEDONIA	4.0	11	12
RUSSIA	4.0	11	14
KYRGYZ REPUBLIC	4.0	11	16
UKRAINE	4.0	11	16
SERBIA	4.1	15	12
KAZAKHSTAN	4.1	15	16
BOSNIA	4.2	17	20
MOLDOVA	4.2	17	14
ARMENIA	4.2	17	19
GEORGIA	4.2	17	10
ALBANIA	4.3	21	21
KOSOVO	4.3	21	21
TAJIKISTAN	4.6	23	25
MONTENEGRO	4.6	23	25
UZBEKISTAN	4.7	25	21

Early Transition			
AZERBAIJAN	5.2	26	24
BELARUS	5.3	27	27
TURKMENISTAN	5.6	28	28

2002 NGO Sustainability Index

DIMENSION SCORES: 1998 - 2002

COUNTRY	LEGAL ENVIRONMENT					ORGANIZATIONAL CAPACITY					FINANCIAL VIABILITY				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
NORTHERN TIER															
CZECH REPUBLIC			2.0	2.0	3.0			3.0	3.0	2.9			2.0	2.0	2.0
ESTONIA			2.0	2.0	2.0			2.5	2.3	2.2			2.8	2.6	2.6
HUNGARY	1.0	1.0	1.0	1.7	1.4	2.0	2.0	3.0	2.8	2.7	2.0	2.5	3.0	2.8	3.0
LATVIA	4.0		3.0	3.0	2.8	4.0		2.6	3.3	3.0	5.0		3.5	3.5	3.5
LITHUANIA	4.0	4.0	4.0	2.0	1.6	3.0	2.5	2.5	3.0	2.9	3.0	3.5	4.0	3.0	2.9
POLAND	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.0	2.2	2.0	2.5	2.5	2.5	2.8
SLOVAKIA	3.5	3.5	2.5	2.5	2.6	3.0	2.0	1.5	1.5	1.7	4.0	3.0	3.0	3.0	3.0
<i>Average</i>	2.9	2.6	2.4	2.2	2.2	2.8	2.1	2.4	2.6	2.5	3.2	2.9	3.0	2.8	2.8
SOUTHERN TIER	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
ALBANIA	4.0	4.0	4.0	4.0	3.6	4.0	5.0	5.0	5.0	4.5	5.0	5.0	5.0	5.0	4.8
BOSNIA	5.0	5.0	4.5	4.0	3.5	5.0	4.5	4.5	4.0	3.9	6.0	6.5	6.0	5.7	5.5
BULGARIA	4.5	4.5	3.5	3.5	2.0	3.0	3.5	4.5	4.5	4.5	5.0	5.5	5.2	4.5	3.8
CROATIA	6.0	6.0	4.0	3.0	2.8	3.0	4.0	4.8	4.0	4.0	5.0	6.0	6.6	5.0	5.1
KOSOVO		3.0	3.0	4.0	3.3		4.5	4.5	5.0	4.2		6.0	6.0	6.0	6.0
MACEDONIA	3.0	3.0	3.0	3.0	3.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0	5.0	4.0	4.6
MONTENEGRO		3.5	3.5	3.7	3.7		5.0	5.0	5.0	4.8		5.5	5.5	5.5	5.5
ROMANIA	3.5	3.5	3.0	3.0	3.0	3.5	4.0	5.0	4.5	4.0	4.5	5.0	5.5	4.5	4.5
SERBIA	5.0	6.0	5.0	5.0	4.5	5.0	5.0	4.5	4.0	3.9	6.0	6.0	6.0	6.0	5.5
<i>Average</i>	4.4	4.6	3.7	3.7	3.3	3.9	4.3	4.6	4.4	4.2	5.2	5.6	5.6	5.1	5.0
EURASIA	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
ARMENIA	5.0	4.0	4.0	4.0	3.8	5.0	5.0	5.0	4.0	3.9	6.0	6.0	6.0	6.0	5.6
AZERBAIJAN	7.0	6.0	5.0	5.0	5.0	6.0	5.8	5.2	5.0	5.0	6.0	6.0	6.0	6.0	6.0
BELARUS			7.0	7.0	6.5			5.0	4.8	4.7			6.0	6.0	5.7
GEORGIA	3.0	3.5	3.0	4.0	3.9	4.0	3.5	4.0	4.0	4.0	4.0	4.5	6.0	5.0	4.9
KAZAKHSTAN	4.9	5.0	4.5	4.5	4.2	4.0	4.5	5.0	4.2	4.0	4.4	5.5	5.5	5.0	4.8
KYRGYZ REPUBLIC	3.9	3.5	4.3	5.2	3.7	3.9	4.0	4.0	4.0	4.3	4.2	5.5	5.5	5.5	5.0
MOLDOVA			3.0	3.0	3.3			4.5	4.5	4.5			5.5	5.3	5.2
RUSSIA	3.0	4.0	4.0	4.2	4.0	3.0	3.5	4.0	4.4	3.9	4.0	5.0	5.0	4.7	4.4
TAJIKISTAN	6.5	6.0	5.0	4.8	4.6	6.0	6.0	5.5	5.0	4.5	7.0	7.0	6.0	6.0	5.5
TURKMENISTAN		7.0	6.5	6.5	6.5		6.0	5.8	5.5	5.3		7.0	6.0	5.5	5.3
UKRAINE	4.6	5.0	5.0	5.0	4.5	3.7	3.5	4.0	4.0	3.5	4.6	5.0	5.0	5.0	5.0
UZBEKISTAN	5.6	6.0	5.4	4.4	4.3	4.2	5.5	5.3	4.8	4.5	4.4	5.5	5.5	5.1	5.5
<i>Average</i>	4.8	5.0	4.7	4.8	4.5	4.4	4.7	4.8	4.5	4.3	5.0	5.7	5.7	5.4	5.2

DIMENSION SCORES: 1998 – 2002

COUNTRY	ADVOCACY					SERVICE PROVISION					INFRASTRUCTURE				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
NORTHERN TIER															
CZECH REPUBLIC			2.0	1.8	1.8			2.0	2.0	2.2			3.0	3.0	3.0
ESTONIA			2.0	1.8	2.1			2.5	2.3	2.5			2.5	2.0	1.9
HUNGARY	1.0	1.5	3.0	3.5	3.5		2.5	2.0	2.3	2.3		2.5	2.0	2.5	2.5
LATVIA	4.0		3.0	2.2	2.0			2.5	2.4	2.5			3.0	3.0	3.0
LITHUANIA	2.0	1.5	2.0	2.0	1.8		3.5	3.5	4.0	3.8		3.0	3.0	2.5	2.3
POLAND	2.0	2.5	2.0	2.0	2.2		2.0	2.0	2.0	2.1		2.0	2.0	2.0	1.9
SLOVAKIA	2.0	1.5	1.5	1.5	1.6		2.0	2.0	2.0	2.2		1.5	1.5	1.5	1.7
<i>Average</i>	2.2	1.8	2.2	2.1	2.1		2.5	2.4	2.4	2.5		2.3	2.4	2.4	2.3
SOUTHERN TIER															
ALBANIA	4.0	4.0	4.0	3.0	3.9		5.0	5.0	5.0	3.9		5.5	5.0	5.0	4.6
BOSNIA	6.0	5.5	4.5	4.2	3.9		5.0	4.5	4.2	4.5		5.0	5.0	4.8	4.5
BULGARIA	2.8	3.0	3.0	3.0	2.5		4.0	3.0	3.0	2.8		3.0	3.0	3.0	2.5
CROATIA	4.0	4.0	2.5	3.0	3.0		5.0	4.4	4.0	3.7		4.0	4.0	4.0	3.9
KOSOVO		5.0	4.5	5.0	4.1		4.0	5.0	4.0	5.0		5.0	5.0	4.0	3.7
MACEDONIA	5.0	4.5	4.5	4.0	3.6		5.5	5.5	5.0	4.8		5.0	5.0	4.5	3.7
MONTENEGRO		3.5	3.5	4.5	4.7		4.5	4.5	4.0	4.2		5.0	5.0	5.0	4.6
ROMANIA	3.5	4.0	3.5	4.5	4.0		4.0	4.0	3.5	3.1		4.0	4.0	4.0	3.6
SERBIA	6.0	6.0	4.0	3.5	3.3		4.0	4.0	3.8	4.2		5.0	4.0	3.0	3.4
<i>Average</i>	4.5	4.4	3.8	3.9	3.7		4.6	4.4	4.1	4.0		4.5	4.4	4.1	3.8
EURASIA															
ARMENIA	6.0	5.0	5.0	4.0	4.2		5.0	4.0	4.0	4.0		5.5	6.0	4.5	4.2
AZERBAIJAN	6.5	6.0	5.5	5.0	5.0		4.5	4.5	5.0	5.0		5.5	4.5	3.0	4.6
BELARUS			6.0	5.5	5.4			5.0	5.0	4.9			5.0	4.5	4.5
GEORGIA	4.0	3.5	2.0	4.0	4.3		4.0	5.0	4.0	4.2		3.5	3.0	3.0	4.0
KAZAKHSTAN	4.5	4.5	4.5	4.3	4.0		4.5	4.7	4.0	4.0		5.0	4.5	4.1	3.9
KYRGYZ REPUBLIC	3.5	3.5	3.5	3.0	3.3		4.0	4.5	4.3	3.9		4.5	4.0	3.8	3.7
MOLDOVA			5.0	4.2	4.2			5.0	4.5	4.4			4.0	3.8	3.8
RUSSIA	3.0	3.5	4.5	4.9	4.2		4.5	4.5	4.3	3.7		3.5	3.5	3.4	3.2
TAJIKISTAN	6.5	6.0	5.5	5.0	4.5		5.5	5.5	5.0	4.5		6.0	5.0	4.8	4.1
TURKMENISTAN		6.5	6.3	6.3	6.1		6.0	5.3	5.0	5.0		6.5	5.7	5.5	5.2
UKRAINE	4.4	5.0	4.0	4.0	3.5		2.5	4.0	3.0	3.0		3.5	4.0	4.0	3.5
UZBEKISTAN	4.6	5.5	5.2	5.1	4.9		4.5	4.5	4.0	4.4		5.0	5.0	4.6	4.7
<i>Average</i>	4.8	4.9	4.8	4.6	4.5		4.5	4.7	4.3	4.3		4.9	4.5	4.1	4.1

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DIMENSION SCORES: 1998 - 2002

COUNTRY	PUBLIC IMAGE					FINAL SCORES				
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
NORTHERN TIER	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
CZECH REPUBLIC			3.0	2.5	2.3			2.4	2.3	2.5
ESTONIA			2.5	2.0	2.0			2.4	2.1	2.2
HUNGARY	2.0	2.0	2.0	2.8	3.0	1.6	2.0	2.3	2.6	2.6
LATVIA	4.0		2.0	2.7	3.0	4.2		2.8	2.9	2.8
LITHUANIA	3.0	2.5	3.0	4.0	3.8	3.0	2.9	3.1	2.9	2.7
POLAND	2.0	2.0	2.0	2.0	2.3	2.0	2.1	2.1	2.1	2.2
SLOVAKIA	1.5	1.0	1.5	1.5	1.8	2.8	2.1	1.9	1.9	2.1
<i>Average</i>	2.5	1.9	2.3	2.5	2.6	2.7	2.3	2.4	2.4	2.4
SOUTHERN TIER	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
ALBANIA	4.0	5.0	4.5	5.0	4.6	4.2	4.8	4.6	4.6	4.3
BOSNIA	6.0	5.0	5.0	4.5	3.8	5.6	5.2	4.9	4.5	4.2
BULGARIA	2.8	4.5	4.0	4.0	3.5	3.6	4.0	3.7	3.6	3.1
CROATIA	4.0	4.0	4.0	3.8	3.5	4.4	4.7	4.3	3.8	3.7
KOSOVO		3.5	4.0	4.5	3.9		4.4	4.6	4.6	4.3
MACEDONIA	5.0	5.0	5.0	4.5	4.0	4.4	4.6	4.6	4.1	4.0
MONTENEGRO		5.0	5.0	5.0	4.8		4.6	4.6	4.7	4.6
ROMANIA	4.0	4.0	3.5	4.0	3.8	3.8	4.1	4.1	4.0	3.7
SERBIA	5.0	5.5	4.0	3.5	4.0	5.4	5.4	4.5	4.1	4.1
<i>Average</i>	4.4	4.7	4.3	4.3	4.0	4.5	4.6	4.4	4.2	4.0
EURASIA	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002
ARMENIA	5.5	5.0	5.0	4.0	4.0	5.5	5.1	5.0	4.4	4.2
AZERBAIJAN	6.5	6.0	4.5	5.0	5.5	6.4	5.7	5.0	4.9	5.2
BELARUS			6.0	5.5	5.2			5.7	5.5	5.3
GEORGIA	2.0	4.0	5.0	4.0	4.4	3.4	3.8	4.0	4.0	4.2
KAZAKHSTAN	4.0	4.5	4.5	4.1	3.9	4.4	4.8	4.7	4.3	4.1
KYRGYZ REPUBLIC	3.8	4.0	4.5	4.5	4.1	3.9	4.1	4.3	4.3	4.0
MOLDOVA			5.0	4.3	4.2			4.6	4.2	4.2
RUSSIA	4.0	5.0	4.5	4.5	4.4	3.4	4.1	4.3	4.3	4.0
TAJKISTAN	7.0	6.0	5.0	5.0	4.5	6.6	6.1	5.4	5.1	4.6
TURKMENISTAN		7.0	6.2	6.0	6.0		6.6	6.0	5.8	5.6
UKRAINE	3.9	4.0	5.0	5.0	5.0	4.2	4.1	4.4	4.3	4.0
UZBEKISTAN	4.8	5.0	4.8	4.5	4.4	4.7	5.3	5.1	4.6	4.7
<i>Average</i>	4.6	5.1	5.0	4.7	4.6	4.7	5.0	4.9	4.6	4.5