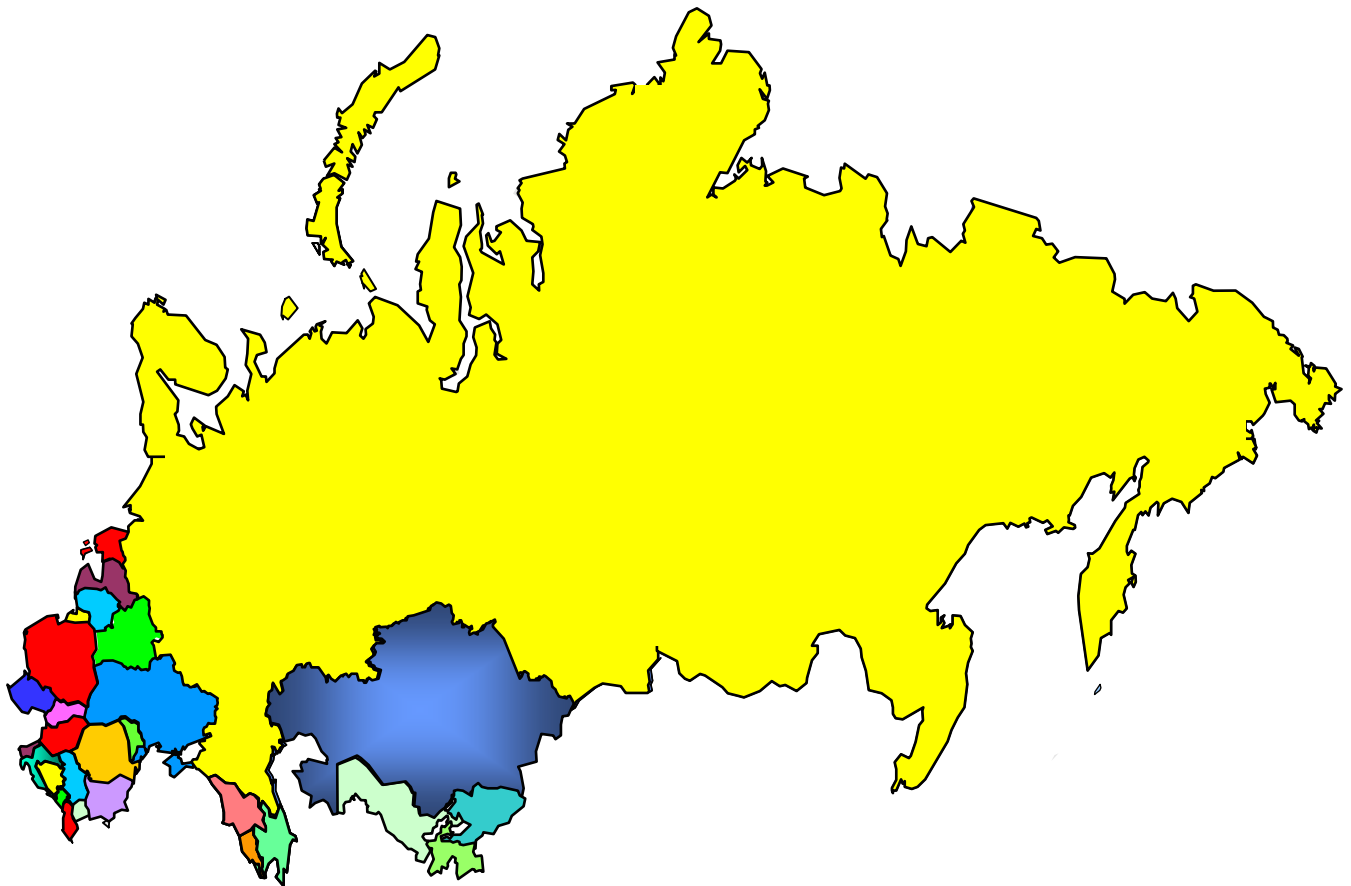


The 2003 NGO Sustainability Index

for Central and Eastern Europe and Eurasia



Seventh Edition – June 2004



Developed by:
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Office of Democracy, Governance and Social Transition

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Edited by Todd Anderson and Jennifer Stuart

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DIMENSIONS OF NGO SUSTAINABILITY

Seven different dimensions of the NGO sector are analyzed in the 2003 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:

- 1 NGO sector's sustainability enhanced significantly by practices/policies in this area. While the needed reforms may not be complete, the local NGO community recognizes which reforms or developments are still needed, and has a plan and the ability to pursue them itself.
- 2 NGO sector's sustainability enhanced by practices/policies in this area. Local NGO community demonstrates a commitment to pursuing reforms and developing its professionalism in this area.
- 3 NGO sector's sustainability somewhat enhanced by practices/policies in this area or commitment to developing the aspect in question is significant.
- 4 NGO sector's sustainability minimally affected by practices/policies in this area. Progress may be hampered by a stagnant economy, a passive government, a disinterested media, or a community of good-willed but inexperienced activists.
- 5 NGO sector's sustainability somewhat impeded by practices/policies in this area. Progress may be hampered by a contracting economy, authoritarian leader and centralized government, controlled or reactionary media, or a low level of capacity, will or interest on the part of the NGO community.
- 6 NGO sector's sustainability impeded by practices/policies in this area. A hostile environment and low capacity and public support prevents the growth of the NGO sector.
- 7 NGO sector's sustainability significantly impeded by practices/policies in this area, generally as a result of an authoritarian government that aggressively opposes the development of independent NGOs.

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: Consolidation, Mid-Transition and Early Transition. The Consolidation stage, the highest level of sustainability and development, corresponds to a score between 1 and 3 points; the Mid-Transition stage corresponds to a score between 3 and 5 points; and the lowest level of development, the Early Transition stage, corresponds to a score of 5 to 7 points on the scale.

LEGAL ENVIRONMENT

Consolidation (1-3):

The legislative and regulatory framework makes 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.

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.

Early Transition (5-7):

The legal environment severely restricts the ability of NGOs to register and/or operate, either through the absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation), or government hostility towards and harassment of NGOs.

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

Consolidation (1-3):

Several transparently governed and capably managed NGOs exist across a variety of sectors. A majority of organizations have clearly defined mission statements, and many NGOs utilize strategic planning techniques. Boards of directors exist, and there is a clear distinction between the responsibilities of board members and staff. NGOs have permanent well-trained staff, and volunteers are widely utilized. Most NGOs have relatively modern equipment that allows them to do their work efficiently. Leading NGOs have successfully developed strong local constituencies.

Mid-Transition (3-5):

Individual NGOs demonstrate enhanced capacity to govern themselves and organize their work. Some individual NGOs maintain full-time staff members and boast an orderly division of labor between board members and staff. NGOs have access to basic office equipment, including computers and fax machines. While these efforts may not have reached fruition yet, leading NGOs understand the need and are making an effort to develop local constituencies.

Early Transition (5-7):

NGOs are essentially "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. Organizations rarely have a board of directors, by-laws, staff, or more than a handful of active members. NGOs have no understanding of the value or need of developing local constituencies for their work.

FINANCIAL VIABILITY

Consolidation (1-3)

A critical mass of NGOs have sound financial management systems in place, including independent audits and the publication of annual reports with financial statements, to win potential donors' confidence. NGOs raise a significant percentage of their funding from local sources, including government, corporate and individual philanthropy, and earned income. Most NGOs have multiple sources of funding, which allow them to remain viable in the short-term. A growing economy makes growth in domestic giving possible.

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Mid-Transition (3-5)

NGOs pioneer different approaches to financial independence and viability. While still largely dependent on foreign donors, 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. However, a depressed local economy may hamper efforts to raise funds from local sources. Training programs address financial management issues and NGOs begin to understand the importance of transparency and accountability from a fundraising perspective, although they may be unable to fully implement transparency measures.

Early Transition (5-7)

New NGOs survive from grant to grant and/or depend financially on one foreign sponsor. While many NGOs are created in the hopes of receiving funding, most are largely inactive after attempts to win foreign donor funding fail. Local sources of funding are virtually non-existent, in part due to a depressed local economy. NGOs have no financial management systems and do not understand the need for financial transparency or accountability.

ADVOCACY

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, including NGO legislation; 2) monitor and lobby political parties; and, 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.

Mid-Transition (3-5)

Narrowly defined advocacy organizations emerge and become politically active in response to specific issues. Organizations at the Mid-Transition level of 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. Information sharing and networking within the NGO sector to inform and advocate its needs within the government begins to develop.

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 the concept of "public policy".

SERVICE PROVISION

Consolidation (1-3)

Many NGOs provide a wide range of goods and services, which reflect community and/or local donor priorities. Many NGOs deliver products beyond basic social services in 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. Government bodies, primarily at the local level, recognize the abilities of NGOs and provide grants or contracts to enable them to provide various services.

Mid-Transition (3-5)

The contribution of NGOs to covering the gap in social services is recognized by government, although this is only rarely accompanied by funding in the form of grants or contracts. 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. While NGO-provided goods and services respond to community needs, needs are generally identified by foreign donors, or by NGOs in an unsystematic manner. The constituency for NGO expertise, reports and documents begins to expand beyond their own members and the poor to include other NGOs, academia, churches, and government.

Early Transition (5-7)

A limited number of NGOs are capable of providing basic social services--such as health, education, relief, or housing – although at a low level of sophistication. 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 or donors. There are rarely attempts to charge fees for goods and services.

INFRASTRUCTURE

Consolidation (1-3)

NGO Intermediary Support Organizations (ISOs) and/or NGO resource centers are active in all areas of the country and provide advanced training, informational services, legal support and advice, and philanthropic development activities. Efforts are underway to establish and endow community foundations, indigenous grant-making institutions, and/or organizations to coordinate local fundraising. A professional cadre of local experts, consultants and trainers in non-profit management exists. NGOs recognize the value of training, although the lack of financial resources may remain a constraint to accessing locally provided training. Topics of available training cover: legal and tax

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issues for NGOs, accounting and bookkeeping, communication skills, volunteer management, media and public relations skills, sponsorship and fundraising. NGOs work together and share information through networks and coalitions. NGOs are beginning to develop intersectoral partnerships with business, government, and the media to achieve common objectives.

Mid-Transition (3-5)

ISOs and resource centers are active in 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 and networks are beginning to be 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. The value of intersectoral partnerships has not yet been realized.

Early Transition (5-7)

There are few, if any, active ISOs or resource centers, 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.

PUBLIC IMAGE

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 campaigns to increase 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. Media covers the work of NGOs, and NGOs approach media and public relations in a professional manner. Increased accountability, transparency, and self-regulation exist within the NGO sector, including existence of a generally accepted code of ethics or a code of conduct.

Mid-Transition (3-5)

The media does not tend to cover NGOs because it considers them weak and ineffective, or irrelevant. Individual NGOs realize the need to educate the public, to become more transparent, and to seek out opportunities for media coverage, but do not have the skills to do so. As a result, the general population has little understanding of the role of NGOs in society. 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, but this is not yet widespread.

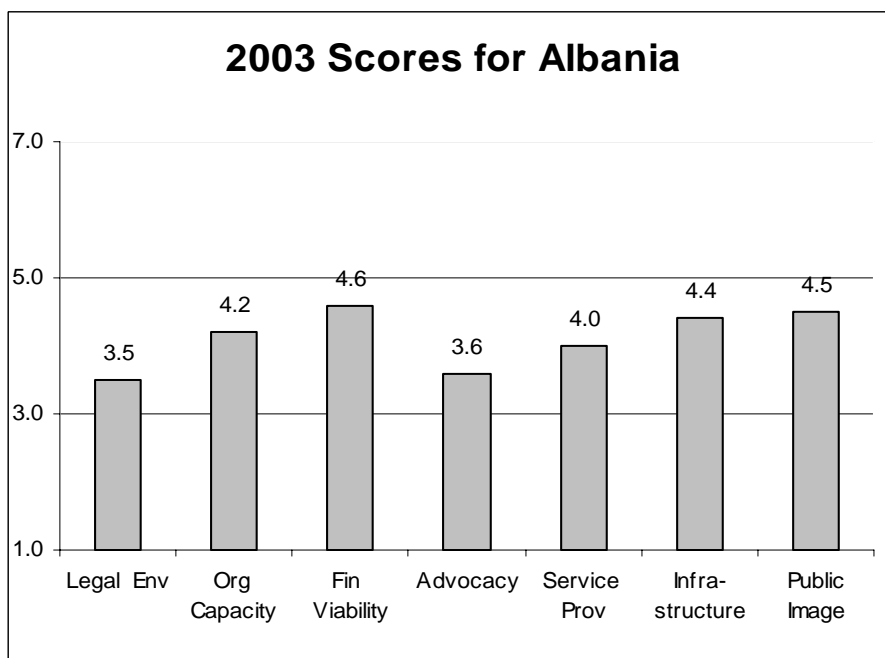
Early Transition (5-7)

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-controlled media. 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.

2003 Score Sheet

COUNTRY	Legal	Env	Org Capacity	Fin Viability	Advocacy	Service Prov	Infra- structure	Public Image	OVERALL
NORTHERN TIER:									
CZECH REPUBLIC		3.0	2.9	1.9	2.0	2.2	3.0	2.1	2.4
ESTONIA		1.8	2.6	2.6	2.0	2.5	2.0	2.2	2.2
HUNGARY		1.3	2.9	3.3	3.3	2.3	2.4	3.2	2.7
LATVIA		2.6	2.9	3.3	2.0	2.5	2.8	2.8	2.7
LITHUANIA		1.6	2.6	3.0	1.6	3.4	2.2	3.3	2.5
POLAND		2.0	2.2	2.8	1.9	2.0	1.9	2.2	2.1
SLOVAKIA		2.5	2.0	3.2	1.6	2.2	1.9	2.0	2.2
SLOVENIA		3.7	3.5	3.3	3.0	3.0	3.8	3.6	3.4
<i>Regional Average</i>		2.3	2.8	2.9	2.3	2.6	2.6	2.8	2.5
SOUTHERN TIER:									
ALBANIA		3.5	4.2	4.6	3.6	4.0	4.4	4.5	4.1
BOSNIA		3.5	3.8	5.4	3.6	4.4	4.5	3.8	4.1
BULGARIA		2.0	4.4	3.7	2.5	2.9	2.5	3.4	3.1
CROATIA		2.8	3.8	4.4	3.0	3.4	3.6	3.4	3.5
KOSOVO		3.2	4.3	5.6	3.8	4.8	3.5	3.9	4.2
MACEDONIA		2.9	3.7	4.5	3.3	4.0	3.3	3.9	3.7
MONTENEGRO		3.4	4.8	5.4	4.3	4.2	4.6	4.7	4.5
ROMANIA		4.0	3.8	4.3	3.8	3.1	3.6	4.0	3.8
SERBIA		4.5	3.8	5.4	3.2	4.1	3.3	3.9	4.0
<i>Regional Average</i>		3.3	4.1	4.8	3.5	3.9	3.7	3.9	3.9
EURASIA:									
ARMENIA		3.8	3.6	5.5	3.8	4.0	4.0	3.9	4.1
AZERBAIJAN		5.0	4.8	5.8	4.8	4.8	4.7	5.3	5.0
BELARUS		6.8	4.8	6.2	5.7	5.1	4.8	5.6	5.6
GEORGIA		3.7	4.0	4.6	4.0	4.4	3.8	4.4	4.1
KAZAKHSTAN		4.0	3.8	4.7	3.6	3.9	3.6	3.9	3.9
KYRGYZ REPUBLIC		3.9	4.3	5.0	3.8	3.8	3.8	4.1	4.1
MOLDOVA		3.7	4.2	5.3	4.1	4.5	3.8	4.2	4.3
RUSSIA		4.3	4.3	4.9	4.5	4.1	4.0	4.6	4.4
TAJIKISTAN		4.3	4.6	5.7	4.5	4.3	4.1	4.4	4.6
TURKMENISTAN		6.7	5.3	6.0	6.1	4.8	5.0	5.9	5.7
UKRAINE		4.0	3.9	4.8	3.4	3.3	3.5	4.4	3.9
UZBEKISTAN		4.2	4.4	5.5	5.1	4.6	4.5	4.3	4.7
<i>Regional Average</i>		4.6	4.4	5.3	4.5	4.4	4.2	4.6	4.6

ALBANIA



Capital: Tirana

Polity:
Presidential-
parliamentary
democracy

Population:
3,100,000

**GDP per capita
(PPP):** \$3,506

NGO SUSTAINABILITY: 4.1

In 2003 a relative level of normalcy returned to Albania. Local government elections took place in October 2003 in a peaceful atmosphere in which the political discourse was far more civil and far less divisive than in previous post-communist elec-

NGO SUSTAINABILITY

2003	4.1
2002	4.3
2001	4.6
2000	4.6
1999	4.8
1998	4.2

tions. Numerous domestic NGOs participated as monitors during the elections providing 2,200 observers, doubling the number of such observers from the previous elections in 2001. Governing structures remained relatively stable throughout the year—as opposed to the previous year—though some instances of fierce infighting among the ruling party contin-

ued. The opposition party continued to participate in government and refrained from its former tactic of acrimonious charges of deceit and fraud during unruly public demonstrations. There were no serious threats to public order. However, corruption remains endemic and pervasive.

It is believed that there are currently between 400 and 800 NGOs in Albania, of which approximately 300 are active. The strongest NGOs continue to be those engaged in advocacy, youth issues, and civic education. Youth appear far more open to a spirit of voluntarism than their elders. Women's organizations, one of the largest sub-sectors in the NGO community, are also strong. Service organizations continue to grow in strength, particularly in light of the World Bank's emphasis

2003 NGO Sustainability Index

on the delivery of social services through the NGO sector in response to the national Poverty Reduction Strategy (PRS). Yet, in monetary terms, the Bank is not the largest donor in the social sector. The donor community considers service delivery a priority since the Kosovo crisis of 1999.

The overall outlook for the sector remains mixed. The implementation of a progressive NGO law, enacted in 2001, introduced a standardized registration procedure. However, numerous NGOs failed to register under the new law and NGOs reported incidents of unwarranted intrusions into their financial affairs by the tax police. The NGO coalition on anti-corruption was instrumental in the drafting and passage of legislation regarding the disclosure of assets of senior public officials. NGO capacity building continued but the needs remain great. The absence of an Albanian

history of individual and corporate philanthropy, combined with a constricted Albanian economy, indicates that NGOs remain donor-driven while the number of donors in Albania is shrinking.

While the economic growth rate continues to be impressive, it is from an exceedingly low base as Albania as one of the smallest economies in Europe. The economy remains poor and civil society development is sluggish, though slowly improving. Priorities for development are based upon the need to combat the pervasive corruption within Albania: reform of the justice system, the media, the health care sector, small businesses, agriculture and the social services sector.

LEGAL ENVIRONMENT: 3.5

The current legal environment is generally favorable to the development of the NGO sector. While the legislation is perceived as fair and free, the lack of clear regulations

LEGAL ENVIRONMENT	
2003	3.5
2002	3.6
2001	4.0
2000	4.0
1999	4.0
1998	4.0

and the implementation of those regulations mean that many procedures remain opaque, including financial reporting and taxation. However, standardized forms have been developed for the registration of NGOs in the Tirana District Court, judges trained in their use, and the system introduced, resulting in the reduction of uneven and arbitrary registration decisions.

One drawback remains the requirement that all NGOs register in the Tirana District Court. Tirana NGOs report being able to register within one week; those outside of Tirana report that a longer time period is needed. Generally, free legal services for registration are centered in Tirana though legal expertise outside Tirana is gradually developing. However, this central registration requirement should make it fairly easy in coming years to gather reliable data on the number of registered NGOs.

There were no known cases of the state dissolving a NGO on political or arbitrary grounds. NGOs are generally able to operate freely and without harassment by central or local governments. NGOs are free to address matters of public debate and express criticism. However, the lack

of clarity in the law and the failure to implement regulations on the tax status of NGOs led to reported cases of “harassment” by the tax police who often treat NGOs as businesses rather than NGOs. However, this “harassment” is not targeted against any one NGO but to the sector as a whole, through an absence of understanding of the new NGO legislation. This is symptomatic of a society in transition, whereby many new laws are contradicted by remaining laws. The need for more clarity and better implementation of NGO tax regulations is paramount. This need leads to the slippage on the Legal Environment Index Score for 2003 from that of 2002.

By 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. However, as noted above, there is a need to clarify the tax framework and to provide additional tax benefits to the NGOs. While the former is a possibility, it is not anticipated that the Ministry of Finance will be open to granting greater tax benefits to NGOs in the near future.

The legislation allows NGOs to earn income from the provision of goods and services. It also states that NGOs are free to compete for government contracts and procurement. With the growing decentralization of local government units’ budget authority and decision-making capacity, there are growing opportunities for NGOs to provide such goods and services on contract and procurement grounds.

ORGANIZATIONAL CAPACITY: 4.2

Positive change in terms of organizational capacity continues, though slowly, with much still remaining to be done. Constituency building, while seen as improving slightly, remains the weakest link in the chain of NGO organizational capacity. With some exceptions, NGOs view the

ORGANIZATIONAL CAPACITY

2003	4.2
2002	4.5
2001	5.0
2000	5.0
1999	5.0
1998	4.0

donor community as the constituency rather than the local community. Meanwhile, donors other than USAID offer little in the way of technical assistance or training to increase the ability of NGOs to build their local community development abilities. Establishment of the USAID funded Partners Cen-

ter filled a gap in addressing the capacity building needs in Albania. In two years, Partners trained over 750 NGO representatives in financial management and transparency, organization and staff management, internal procedures, project cycle management and board development. The NGO sector, through Partners, now enjoys a resource center which addresses the organizational development needs of the sector at a national level and supports sector advocacy initiatives.

Strategic planning capacities have improved noticeably though there is a marked disparity between the abilities of NGOs located in Tirana and those outside the capital. Many Tirana-based organizations create and publish annual plans. Few outside Tirana do so. Two elements are seen as fundamental to this develop-

ment. First, increasingly the donor community requires NGOs to provide a clear, coherent, and concise strategic plan as a prerequisite for funding. Second, Tirana-based NGOs tend to have larger resources needed to generate an annual strategic plan than their smaller up-country cousins.

While many organizations have a relatively clear management structure, numerous organizations lack a clear division of authority in regard to their purpose even though the NGO legislation requires it. Transparency in management and Board decisions remain weak, with a single, and strong leader remaining the predominant management model. The functions of a Board are often little understood

and often viewed as an imposition of the donor community.

Staffing patterns of Albanian NGOs follow funding patterns, i.e., the greater the funding, the greater the staffing. Emigration remains a problem within the NGO community, with the “best and brightest” generally, though not always, seeking to better their financial prospects and quality of life in opportunities presented outside of Albania. A volunteer culture is weak in Albania, a legacy of the previous Communist regime where “volunteers” were forced into labor-intensive projects. There is a greater spirit of voluntarism among those young enough to have escaped this enforced voluntarism and in smaller, rural-based initiatives where the common good is easily discernible.

FINANCIAL VIABILITY: 4.6

As noted previously, the NGO sector remains highly dependent on the donor community for grants and as customers for their services. Even where the state moves toward increased participation of the NGO sector, this development is donor driven. The history and practice of private philanthropy remains non-existent. Local fundraising is hampered by the lack of local support and the lack of tax incentives. Financial viability, without donor assistance, for the vast majority of NGOs continues to be a target long to be realized.

FINANCIAL VIABILITY	
2003	4.6
2002	4.8
2001	5.0
2000	5.0
1999	5.0
1998	5.0

There exists no philanthropic organization whereby private citizens can support myriad organizations through a single donation. Local support

is far more prevalent in small, community-based efforts in the rural areas, again

where the common good is far more self evident, than in the urban areas.

Diversification of funding is the exception rather than the rule. The few NGOs that enjoy a diverse set of funding sources tend to be the pre-dominant “think tanks” in Tirana that are able to respond nimbly and cogently to donor solicitations. The number of European bi-lateral donors is decreasing, and as a result NGO diversification abilities, given the lack of a local market, are also decreasing. As local governments begin to understand the concept of citizen participation and as NGOs begin to understand the concept that local governments may be seen as partners rather than adversaries, greater numbers of private-public partnerships can be anticipated. However, how this translates into practice will remain on a case-by-case nature for the foreseeable future.

The culture of sound financial management systems is being cultivated but is not yet the norm. The number of NGOs with good systems, along with respectable auditing and accounting procedures, is increasing but the majority of NGOs con-

tinue to be deficient in this regard. Financial mismanagement is relatively common as the NGO sector is not immune to the culture of corruption so pervasive in Albania.

ADVOCACY: 3.6

Advocacy skills continue to improve. There was a burst of enthusiasm by NGOs for their advocacy skills in 2001, due to the passage of the new NGO law, but this has been tempered by the reality that the passage of a law does not necessarily translate into the implementation of the law, particularly in Albania. Advocacy was also hampered in 2003 by the challenge of three different governments in seven months and the World Bank's Poverty Reduction Strategy, whereby numerous NGOs moved from an advocacy focus to providing social services.

ADVOCACY

2003	3.6
2002	3.9
2001	3.0
2000	4.0
1999	4.0
1998	4.0

There was an increase in issue-based efforts by coalitions of NGOs during the year. Coalitions around the issues of human trafficking and corruption

launched successful campaigns to raise public awareness, often to the discomfort of central government.

Nonetheless, cooperation with local and national government continues to increase, though not consistently. The NGO Albanian Coalition Against Corruption (ACAC) cooperates with the central government's Anti-Corruption Monitoring Unit on issues such as the declaration of assets of ranking government officials and the drafting and implementation of legislation on conflict of interest and political campaign financing. As noted above, the

opportunities for local government units to work with NGOs is increasing. Relationships between NGOs and governmental units continue on a rudimentary level, but governmental units are becoming more reconciled to the role of an effective civil society in the polity of their decision-making process.

Political lobbying efforts on the part of NGO coalitions showed two notable successes during the year. The ACAC worked diligently for nearly 12 months to help draft and introduce legislation for the declaration of financial assets for over 2,500 senior governmental officials. Once the legislative draft was agreed on, ACAC, acting in the face of active negative sentiment in the Parliament, campaigned both publicly and behind the scenes for six months to encourage Parliament to pass the legislation, which was achieved in February 2003. A coalition of women's groups actively campaigned for over two years to ensure the passage of a Family Code that ensures women's property rights and protection from domestic abuse.

A nascent NGO coalition emerged in 2003, without any donor funding, to address the tax regulation issues facing NGOs. While this indicates far more local leadership than in the past, the coalition is faced with the ongoing Albanian problem of lack of trust of any party and in negotiation with any other parties. The coalition has yet to reach consensus on the approach to take or who should lead the effort. Often international donor presence

mitigates such mistrust to the point that consensus can be reached far more rapidly between the local participants than

without such presence. On the other hand, ownership of this process tends to reside with the donor rather than the participants.

SERVICE PROVISION: 4.0

The current NGO law allows NGOs to provide goods and services. Due to the introduction of the World Bank's Poverty Reduction Strategy, with its emphasis on the provision of services through civil society, particularly the NGO sector, there is a greater number and diversity of NGOs providing services than last year. In addition, other donors continue to prioritize

SERVICE PROVISION	
2003	4.0
2002	3.9
2001	5.0
2000	5.0
1999	5.0

service provision in their funding cycles. Local government decentralization is also slowly opening opportunities for the NGO sector. Services include health care, child care, vocational training, care for the physical and mentally disabled, HIV/AIDS awareness, and legal assistance to the victims of corruption and human trafficking. However, delivery remains insufficient to meet demand. Constituencies, while broadening, remain less

than robust. The quality of the products and services continues to improve, with a rising number of NGOs able to sell their products to other NGOs, academia and government.

NGOs increasingly understand that there is a distinct need for some element of cost recovery. Few, if any, charge even nominal fees or have any knowledge of market demand. Even fewer have the capacity to determine the ability of constituencies to pay.

Government recognition and support slowly improves through the mechanisms of the Poverty Reduction Strategy and the decentralization process. However, there are others in government who regard NGOs as enemies that publicize and highlight the government's inability to mitigate corruption and human trafficking.

INFRASTRUCTURE: 4.4

Outside of Tirana, there are five resource centers funded by the Dutch government through the OSCE. They provide access to computer equipment, photocopying, and language training. The centers also offer some training and temporary office space. Dutch funding is phasing out and the OSCE is seeking alternative sources of funding. None of these resource centers charged nominal fees for their services, pointing again to the lack of a long term, indigenous strategic plan for the survival of such centers.

As there are no internet service providers outside of Tirana, access to the internet is mainly limited to those within Tirana. Calls from outside of Tirana are too expensive, and the land lines too slow, to provide general access to information for NGOs outside Tirana. In turn, this helps to explain the disparity between the development of NGOs within and outside Tirana.

Local grant making organizations continue to be the arms of international donors: Open Society Foundation, USAID, Democracy Grants through the US Embassy, the British, and the Dutch predominate.

PUBLIC IMAGE: 4.5

The public image of NGOs continues to improve, though slowly and unevenly. The Electronic Media Law provides for the free airing of Public Service Announcements (PSAs). However, the demand by TV and radio stations for payment to broadcast PSAs (and any and all other announce-

Few NGOs share information with one another. Whatever networks that exist are *ad hoc* and fluid, and mutual distrust between NGOs continues. Coalitions of NGOs within or across sectors, except for the local initiative and the exception noted above, continue to be donor driven. The lack of an organized NGO community continues.

Training materials are readily available in the Albanian language. The quality of local NGO training organizations has increased to the point that an increasingly common dissatisfaction among NGOs is the lack of training programs beyond basic NGO skills. The Partners-Albania Center for Change and Conflict Management over the past two years has provided basic organizational and management skills to indigenous NGOs, both within and outside Tirana. They are pursuing financing from various donors to continue such training. Yet those who have captured the skills taught now seek higher-level training in an environment wherein most NGOs are not ready for such advanced training. Uneven NGO development continues to be prevalent. However, the demand for a revision of training services away from a previous common base can be judged as an indication of the increasing maturity and sophistication of parts of the NGO sector.

ments) continues unabated, and that only those NGOs with the most generous donor base are able to disseminate information or a message. This skews information released to the public to donor driven issues.

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Some Ministers insist on referring to NGOs as “stooges”. They see NGOs as fawning on foreign donors to ensure ongoing funding whenever a report is released

PUBLIC IMAGE	
2003	4.5
2002	4.6
2001	5.0
2000	4.5
1999	5.0
1998	4.0

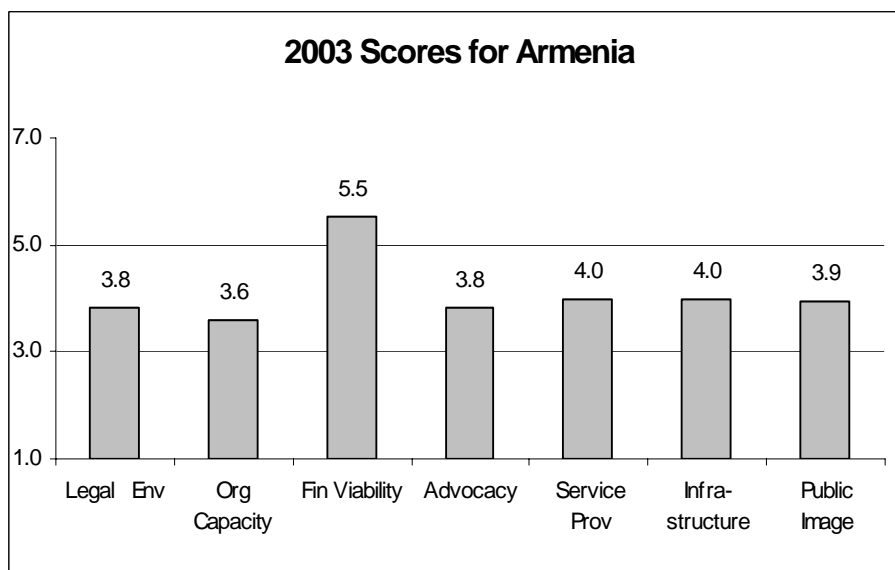
that indicates a lack of progress of the GOA on any given area. On the other hand, analysis by the media of reports released by the NGOs remains nearly non-existent.

Media understanding of the role and work of NGOs remains weak and incoherent. On the other hand, NGOs have, for the most part, been unable to bring a clear

and coherent message to the media. “Spin control”, within the media, the NGO community, and the Government of Albania, remains an art fundamentally unknown. Invective continues as discourse, though the local government elections of October 2003 indicate that the level of invective has moderated to a point whereby it may be deemed as moderately “civil”.

There is no Code of Ethics for the NGO community in Albania, reflecting the lack of trust among NGOs and the lack of mutually agreed mechanisms whereby such agreements can be reached. While leading NGOs publish annual reports, this is not typical of the NGO community.

ARMENIA



Capital:
Yerevan

Polity:
Presidential-
parliamentary
democracy

Population:
3,800,000

**GDP per capita
(PPP):** \$2,559

NGO SUSTAINABILITY: 4.1

Despite few changes in the economic environment and a series of controversial elections, Armenian NGOs made progress in 2003. The NGO community was very active during both Presidential and Parliamentary elections. Regional-based coalitions of NGOs emerged to coordinate their activities in the southern regions of Armenia. Through the joint efforts of NGOs and MPs, the Na-

NGO SUSTAINABILITY

2003	4.1
2002	4.2
2001	4.4
2000	5.0
1999	5.1

tional Assembly enacted the Freedom of Information Act. A number of youth-led NGOs successfully competed with their elders in obtaining grants from donors. Two NGO conferences were held in the regions, resulting in coalitions being formed around specific issues. A number of women NGO leaders participated in the development of Armenia's National Plan of Action on Gender. A national association of NGOs working to combat domestic violence is being formed. According to the Ministry of Justice, there are 3,565 registered NGOs of which two-thirds are active.

LEGAL ENVIRONMENT: 3.8

There are three pieces of legislation regulating the third sector: the Law on Public Organizations (2001), a Charity Law

(2002), and a Law on Foundations (2002). The majority of NGOs in Armenia are registered under the Law on Public Organiza-

tions, although now that the Law on Foundations allows entrepreneurial activities, some NGOs are registering as Foundations – according to the Ministry of Justice

LEGAL ENVIRONMENT	
2003	3.8
2002	3.8
2001	4.0
2000	4.0
1999	4.0

there are 406 foundations in Armenia. A recent survey of 151 NGOs around the country showed that 96 percent of those polled would like to have the right to engage in entrepreneurial activities. Although this issue simmered for two years, NGOs finally realized that they will have to conduct a serious advocacy and lobbying campaign to win an amendment to change the law. However, given the current composition of the National Assembly, this undertaking may meet resistance from parliament.

NGOs still encounter a lack of legislation governing the status of volunteers. NGOs

experience difficulties with the Social Security Fund over social payments for volunteers. For example, in Vanadzor an NGO is contesting penalties for non-payment of wages and social security deductions. In response, the NGO held several press conferences and started a media campaign around the issue of voluntarism.

Through World Learning, legal clinics are held in Yerevan and in the regions on a monthly basis. An ICNL-trained Armenian lawyer provides legal advice to NGOs and leads discussions about current legislative initiatives and status of implementation of enacted laws affecting NGOs. Legal libraries have also been established in World Learning's regional offices.

ORGANIZATIONAL CAPACITY: 3.6

The NGO sector progressed in three areas in 2003: constituency relations, internal management, and use of volunteers. NGOs began to reach out to their constituents, enrolling them as members, and seeking their involvement on a variety of issues.

ORGANIZATIONAL CAPACITY	
2003	3.6
2002	3.9
2001	4.0
2000	5.0
1999	5.0

Many of the NGOs working on the rights of the disabled have large and active constituencies, as do those working in the area of poverty reduction. Board development remains a challenge for most NGOs. While most of them have boards, they are mainly figureheads with no real involvement in the affairs of the NGO. Although most of the

older more established NGOs still evolve around individual leaders, there are a number of younger NGOs exhibiting sound management skills. Despite the perennial chase after grants, many NGOs have found their niche and resist the temptation to change their missions with every call for proposals. NGOs in the regions are increasingly able to compete for funding on equal footing with those in the capital. NGOs recruit and make frequent use of volunteers. A group from nine NGOs drafted a Code of Conduct for NGOs, using international best practices. They presented the draft Code in public meetings with approximately 100 NGOs throughout the country. A working group of 20 NGOs has been established to distribute the draft code for final recommendations and approval early next year.

FINANCIAL VIABILITY: 5.5

The Armenian economy and restrictions on NGOs carrying out income-generating activities continue to impede NGOs from becoming financially viable. The major source of funding for NGOs continues to be international donors, and there is an increasing number of NGOs able to compete for this funding. Although there are some Armenian Diaspora foundations present, they tend to fund humanitarian activities. There is a weak tradition of philanthropy although some of the larger Armenian companies have provided in-kind donations to NGOs working on children's issues and the disabled. Only a few NGOs have set up separate companies so that they can

FINANCIAL VIABILITY

2003	5.5
2002	5.6
2001	6.0
2000	6.0
1999	6.0

carry out income generating activities. Fundraising has become a priority for many NGOs who realize that international donor support is finite. Consultants have been brought in to provide training and technical assistance in fundraising. There has been considerable talk about social partnerships and social contracting in numerous seminars and roundtables. Although the government is willing in spirit, they have yet to allocate funding for services rendered by NGOs. At the local level, there is an increasing amount of in-kind support from regional and municipal governments to NGOs. The financial management skills of NGOs have improved as a result of considerable training and exposure to grants.

ADVOCACY: 3.8

One of the most notable successes of 2003 was the increase in NGO advocacy initiatives. A contributing factor may have been the controversial Presidential and Parliamentary elections held in February and May 2003. The NGO community was quite active prior to and during both elections. Whether it was organizing concerts to get out the youth vote or debates with parliamentary candidates on the issue of disability, NGOs were quite visible. A number of NGOs monitored party platforms, some monitored media coverage while another monitored political party financing. While

ADVOCACY

2003	3.8
2002	4.2
2001	4.0
2000	5.0
1999	5.0

some of the election-related activities were donor-driven, there were quite a few local initiatives, including the domestic observation of the elections, monitoring of political party financing, and the transportation of elderly and disabled to polling stations.

Once the new parliament was in session, MPs invited NGOs to participate as members of special independent commissions on disabilities, human rights and refugees. A two-year joint effort by a coalition of NGOs and MPs helped secure the passage of Armenia's first Freedom of Information Act in September. In addition, NGOs contributed to National Action Plans on Gender, Trafficking in Persons, and the Poverty Reduction Strategy. An increasing

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number of NGOs are involved in initiatives addressing issues of corruption in a variety

of areas from schools and pharmaceuticals to small business.

SERVICE PROVISION: 4.0

SERVICE PROVISION
2003 4.0
2002 4.0
2001 4.0
2000 4.0
1999 5.0

There was no real change in the area of service provision. While a large number of NGOs provide an array of social and health services, they do so with donor funding. Although the government recognizes the contribution that the NGOs are making to society this is not reflected

when it comes to budget allocations. Some social partnership initiatives between local government and NGOs exist in the regions but the contributions remain in-kind rather than payment for services. The government is beginning to look to NGOs for expertise on a number of issues but is not prepared to pay for this type of service. There is still need for legislation concerning public procurement and a code of conduct to go with it.

INFRASTRUCTURE: 4.0

NGOs in Yerevan and the regions are able to obtain a wide range of training and personalized consultations through World Learning's NGO Strengthening Project and the Armenian Assembly of America's NGO Centers. NGOs receive training in proposal writing, fundraising, financial management, and organizational development.

INFRASTRUCTURE
2003 4.0
2002 4.2
2001 4.5
2000 6.0
1999 5.5

Both of these organizations also provide grants. There are now a few Armenian NGOs giving out small grants for Parent

Teachers Associations and civil society projects. This summer the Southern Block Coalition was created and held a conference with over 150 local NGOs participating from nine towns. The participants de-

cidated on nine issues that needed to be addressed and elected board members to lead working groups on each issue. Representatives of local government, mayors, and members of Parliament attended the conference. Other active coalitions are working on issues of domestic violence, anti-trafficking, anti-corruption and the rights of pre-trial detainees. There are now a number of capable Armenian NGO management trainers providing expertise to local and international organizations. A number of partnerships between NGOs, media and local government were formed this past year. In Vanadzor, twenty high school students spent a month "shadowing" local government officials in a project facilitated by three NGOs. This program is now being replicated in other regional cities.

PUBLIC IMAGE: 3.9

NGOs received considerable coverage in the print and broadcast media over the past year. NGOs are beginning to understand public relations and have made

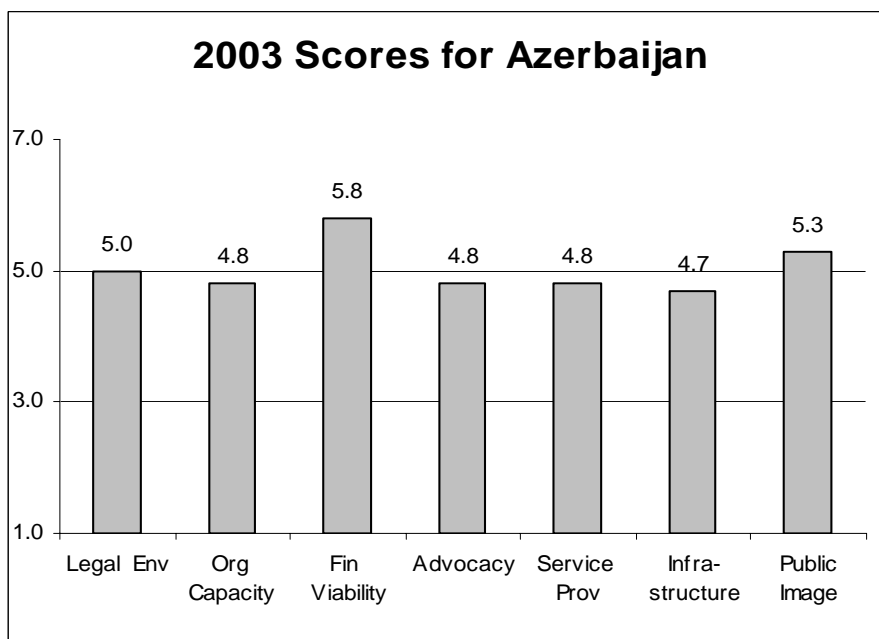
PUBLIC IMAGE	
2003	3.9
2002	4.0
2001	4.0
2000	5.0
1999	5.0

progress in their relations with the media. A large number of NGOs use the media, particularly television, as a part of their public awareness campaigns. However, despite the increase in press coverage, more work needs to be done on public outreach. A recent survey reported that only 30 percent of inter-

viewees were able to name an NGO. On the positive side, of those who could name NGOs, 61percent thought that NGOs are essential or very necessary. Civil society's involvement in the elections was publicly praised by the international community and was generally seen by the public in a positive light. The government's perception of NGOs improved. The government solicited numerous NGOs to express their views and opinions on government working groups. Additionally, businesses took more notice of NGOs and began to engage in a limited form of corporate philanthropy.

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AZERBAIJAN



Capital:

Baku

Polity:

Presidential
(dominant party)

Population:

8,200,000

GDP per capita

(PPP): \$2,936

NGO SUSTAINABILITY: 5.0

There are approximately 1,400 registered NGOs in Azerbaijan. However, only about 300-400 of these NGOs are active. Of this smaller number only a few can be considered 'strong NGOs' with reasonably developed organizational capacity and financial viability. In addition, there are hundreds of groups that have formed but are unable to obtain registration through the Ministry of Justice (MoJ). The NGO sector is thus characterized by a small minority of strong organizations with experience, expertise, and good relationships with donors and to a lesser extent government and private sector, while

NGO SUSTAINABILITY	
2003	5.0
2002	5.2
2001	4.9
2000	5.0
1999	5.7
1998	6.4

the bulk of the NGO sector is much less developed.

The implementation of current legislation governing NGOs creates major challenges for the development of the sector. Amendments made to the Law on Grants, effective January 2003, require all grant funds to be registered with the government authorities prior to use. The amended Law also requires NGOs to contribute 27 percent of consolidated payroll each month into the Social Insurance Fund. If enforced, these amendments create additional constraints to the operational and financial viability of NGOs in the country.

Azerbaijani NGOs provide a wide variety of services in the areas of humanitarian relief, environmental protection, youth, human rights, gender, civic and legal

education, and economic development. The majority of NGOs are donor dependent, and therefore service delivery is driven by donor priorities as much as by NGO responsiveness to community needs.

NGOs in Azerbaijan lack the relationships, resources, and capacities to effectively engage in advocacy initiatives on a wide scale. Lack of developed support structures, competitiveness among NGOs, inadequate links with constituencies, and lack of positive public image limits NGOs' influence on public policy.

LEGAL ENVIRONMENT: 5.0

LEGAL ENVIRONMENT

2003 5.0
2002 5.0
2001 5.0
2000 5.0
1999 6.0
1998 7.0

The current legislation governing NGOs includes the NGO Law of June 2000, the Law on the Registration of Legal Entities of 1996, the amended Grants Law of 1998, and internal MoJ regula-

tions on NGO Registration Procedures. This body of legislation is often improperly implemented creating a challenging environment for the effective functioning and development of the NGO sector.

The most significant impediment to the growth of the NGO sector is the de facto suspension of NGO registration by the MoJ, in place for the past three years. The existing Law on Registration of Legal Entities, which requires the MoJ to accept application documents and issue a certificate of registration or written letter of rejection within ten days, is not being implemented properly. Many NGO applications submitted to the MoJ receive no response, while others receive letters containing trivial reasons for rejecting the application. In general, there is a lack of transparency in the registration process. International donors, diplomatic missions, and Azerbaijani NGOs have called for improved implementation and a revised Law on the Registration of Legal Entities to resume and simplify the NGO registration process; however, these efforts have

yielded no concrete improvements to date.

Despite the concerted effort of international organizations and Azerbaijani NGOs to stop passage of the amendments to the Grants Law in mid-2002, the amendments were adopted and came into force as of January 2003. The amendments require the registration of grants (by the donor and recipient) with the relevant executive authorities prior to use. With adoption of these amendments, the previous notification process shifts to a necessity for validation by the government prior to the use of grant funds.

Technically the legislative framework allows NGOs to freely operate. Due to some inconsistencies in implementation, however, the ability of NGOs to operate without restraint often depends on the organization's affiliations, type of activity, and geographic area of operation. Harassment takes the form of unscheduled tax inspections, labor audits, or interruption of meetings in homes or offices. According to legislation, NGOs can be closed on the recommendation of the MoJ through the district courts only after three warnings are issued. However, as there are no clear criteria as to what warrants the issuance of a warning, many NGOs perceive that they can be closed for trivial reasons. Thus, while NGOs are nominally free to operate, engage in public debate and express criticism, they often under-

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take self-censorship in order to avoid undue attention.

The pool of local lawyers who are knowledgeable of NGO law is limited. Most qualified lawyers are concentrated in Baku-based legal NGOs. Progress has been made during the past year in enhancing the knowledge and capacity of legal NGOs as a result of the work local lawyers have done on the referendum, amendment to the Law on Grants and other legislation. NGOs' access to reliable legal counsel varies by region. The availability of legal services is often contingent on project funding for the NGO providing legal services. Legal services are provided through centers and short-term projects in various areas through legal NGOs such as Center for Legal and Economic Education (CLEE), Legal Education Society (LES), and Azerbaijan Young Lawyers Union (AYLU).

Current tax legislation creates challenges for NGO financial stability and sustainability. NGOs are eligible for some tax exemptions on grant funding. This includes a VAT exemption, although the reimbursement mechanism for VAT refunds is not being implemented. As of January 2003, all NGOs, except for those receiving grants provided through the United State government assistance program, are obligated to submit a contribution the Social Insurance Fund equal to 27 percent of the organization's staff salaries. NGOs are able to conduct commercial activities. However, the income earned from these activities is taxed at the same rate as a commercial entity and is restricted to specific uses. Additionally, there are no tax incentives for charitable contributions, which further limit NGOs' ability to benefit from individual or corporate philanthropy.

ORGANIZATIONAL CAPACITY: 4.8

Most Azerbaijani NGOs are weak in terms of institutional development, management,

ORGANIZATIONAL CAPACITY
2003 4.8
2002 5.0
2001 5.0
2000 5.2
1999 5.8
1998 6.0

and technical capacity. Many NGOs continue to be dominated by a strong leader, and the organizational development and activities often depend on the ambition, capabilities,

and political connections of this individual. However, there are signs of growing organizational strength in some leading NGOs that are moving toward more participatory internal management structures.

NGOs often find it difficult to identify and recruit qualified, professional staff, particu-

larly in regions outside the capital. Employment contracts are typically restricted by the terms and availability of grant funding. Recruitment mechanisms are underdeveloped, and many NGOs simply seek staff or volunteers from immediate circles of relatives or acquaintances. The potential of volunteer contributions is being increasingly recognized and the concept of volunteerism is becoming more widely accepted, although only a handful of NGOs effectively use volunteers at the current time.

Most NGOs have a limited sense of commitment to their stated mission. Outside of a few, well established NGOs, the majority of NGOs are driven by the motivation to gain access to the widest possible range of grant funding, across various areas of

activity. This strategy is becoming less effective as the donor community places increasing pressure on NGOs to demonstrate specific areas of expertise and experience to obtain project funding. Few NGOs have undergone strategic planning and follow up. Some progress is being made in this area, due in part to strategic planning seminars conducted by various international NGOs (e.g., ISAR, SOROS, IRC). However, strategic planning skills have not yet gained currency in practical application, and in general are not being used to guide the activities of most NGOs. The majority of NGOs lack perspective on the value and purpose of developing a local constituency. NGOs' links to constituencies are weak overall, and where they exist tend to only include short-term linkages in relation to funding opportunities. Some NGO leaders indicate that the tendency for NGOs to be perceived in strictly political terms (i.e. pro-government or pro-opposition) hinders effective constituency

building among the wider population. There is a growing awareness regarding the need for constituencies, and progress has been made within some target groups such as youth and women. In general, however, this is not a priority issue for the majority of NGOs.

Only a small percentage of NGOs have professional facilities and office equipment. Most office facilities and equipment are acquired through donor grant funding. In the regions, even where equipment exists, it is often out-dated and cannot be used effectively due to lack of technical knowledge and limited access to adequate utilities. Some NGOs lacking in office space or equipment are able to access computers, fax machines, and the Internet at resource centers.

FINANCIAL VIABILITY: 5.8

The primary source of funding for NGOs is grants provided by international donors. Among NGOs only a small core group is capable of accessing funding from multiple donors, while the vast majority struggle to exist from grant to grant and experience significant funding gaps. In most regions outside the capital, access to grant funding for NGOs is limited.

FINANCIAL VIABILITY

2003	5.8
2002	6.0
2001	6.0
2000	6.0
1999	6.0
1998	6.0

The short term funding security of most NGOs is overwhelmingly dependent on its connection to an international donor. Financial management systems in some NGOs are improving as a result of the influence of international donor organizations. In many NGOs, however, particu-

larly in those outside the capital, it is rare to find any written financial procedures. If they do exist, financial procedures usually meet only the minimum requirements imposed by donors. Financial transparency is often lacking. Independent financial audits are rarely conducted, financial statements are seldom prepared, and financial documents are almost never publicly disseminated, even if they are available.

A small number of NGOs are exploring alternative sources of support for their activities. Some NGOs are beginning to realize the benefit of cultivating relationships with communities as a source of support, even if this is only non-financial support. To gain increased financial independence, some NGOs have implemented fee-for-service activities such as the rental of training facilities, medical diagnostic tests, and legal

advice services. Other income generating activities such as advertising for private companies or establishing small artisan workshops have also been initiated. A growing number of NGOs have also tapped into financial resources from foreign oil companies. This is most evident along the Baku-Tbilisi-Ceyhun (BTC) pipeline route where NGOs competed for social and infrastructure support grants for the communities along the BTC route. It is likely that foreign oil companies will con-

tinue to serve as a small-scale funding resource for NGOs in the future. To date, however, these initiatives have been limited in scope and provide only a small supplement to donor financing. At this stage the potential for NGOs to earn income from sources other than grants is constrained by lack of tax privileges for non-profit entities, and also the practical challenge of NGOs identifying and providing marketable products and services in demand by the general public.

ADVOCACY: 4.8

In Azerbaijan, NGOs have achieved limited success in influencing the legislative process through lobbying efforts, and few examples of issue-based advocacy exist. Lack of transparency in the government decision-making process significantly reduces NGOs' opportunity to influence legislation. By default, therefore, NGO lobbying efforts are often reactive. Neverthe-

ADVOCACY

2003	4.8
2002	5.0
2001	5.0
2000	5.5
1999	6.0
1998	6.5

less, NGO participation in advocacy and lobbying efforts is increasing. Inroads are being made through individual contacts and through a few progressive government entities that hold a more favourable view of NGOs. Space is thus being created for interaction and advocacy. In some cases, for example, NGO representatives have gained access to parliamentary working group sessions or have been permitted to present proposals regarding draft laws or state programs.

Azerbaijani NGOs also are increasingly active in attempting to shape public opin-

ion and the public agenda on selected issues. This is leading to an increased awareness and understanding about how to use the media and other mechanisms to influence opinion. The Independent Consumers Union is active in using the media to raise awareness regarding consumer rights issues, and AYLU is attempting to shape public awareness regarding gender violence through regular inserts in Zerkalo newspaper. In response to the arrest of a local university professor, the Xachmaz Human Rights Resource Center organized a successful advocacy campaign, drawing on the support of several other NGOs to raise awareness of this issue and calling for the professor's release.

Many NGOs were involved in voter education activities in the pre-election period. Some NGOs also registered their members as individual observers in order to monitor the election. While some NGO members were involved in the demonstrations after the elections, this was as individual supporters of various political parties, and not necessarily as NGO representatives.

SERVICE PROVISION: 4.8

NGOs provide services in a wide variety of fields in response to community needs and donor priorities, covering such areas as humanitarian relief, the environment, youth, human rights, gender, civic and legal education, conflict resolution, community development, and economic development. Within these areas Azerbaijani NGOs provide services independently or in cooperation with international NGOs in

SERVICE PROVISION
2003 4.8
2002 5.0
2001 5.0
2000 4.5
1999 4.5

various areas throughout the country. Some NGOs are beginning to incorporate participatory community assessments into their project

planning. There is also small anecdotal evidence that a few NGOs are beginning to recover costs for services, although this is rare as people have little disposable income and NGOs are hesitant to do anything that may attract the tax authorities. As a result, the majority of NGOs remain grant focused, often resulting in donor priorities taking precedence over community responsiveness. In general, the level of government support and recognition for these services is low, although it should be noted that this varies depending on the organization providing services, the type of activities being conducted, and the attitude of individual government representatives or entities.

INFRASTRUCTURE: 4.7

There are several NGO resource centers in Azerbaijan – both in Baku and in the regions – providing information and support for NGO activities. These include centers established to provide general access to information, equipment and training opportunities for NGOs, and well as centers targeted at more specific areas of support such as legal services or human rights ad-

INFRASTRUCTURE
2003 4.7
2002 4.6
2001 3.0
2000 4.5
1999 5.5

vocacy. Due to shifts in donor funding, some of the more well established NGO resource centers supported by international or-

ganizations have been phased out or have scaled-down their services during the past year. Although resource centers still remain in most areas of the country, NGO representatives indicate that currently demand is greater than the supply of services.

The majority of organizational capacity building seminars and technical trainings for NGOs are conducted in association with international organizations, although there is a growing cadre of trained and qualified Azerbaijani trainers. Overall the pool of trainers remains relatively small, concentrated in the capital and focused on areas related to humanitarian activities

and NGO management. Most Azerbaijani trainers are 'professional trainers' rather than experienced NGO practitioners and therefore are often challenged to meet the advanced technical training needs of strong NGOs. Accessing training services in the regions is sometimes difficult and

expensive, and the availability of training is often dependent on project funding. Sometimes it is difficult for NGOs to access information about existing training opportunities.

PUBLIC IMAGE: 5.3

Public awareness of NGOs and their activities remains low, although a recent public opinion survey shows a positive trend in this regard. This year's survey indicated that 22 percent of the population was aware of NGOs operating in their community, a significant jump over the same survey last year that showed only 16 percent were aware of NGOs operating in their community. Many NGO representatives acknowledge that not enough

PUBLIC IMAGE	
2003	5.3
2002	5.5
2001	5.0
2000	4.5
1999	6.0
1998	6.5

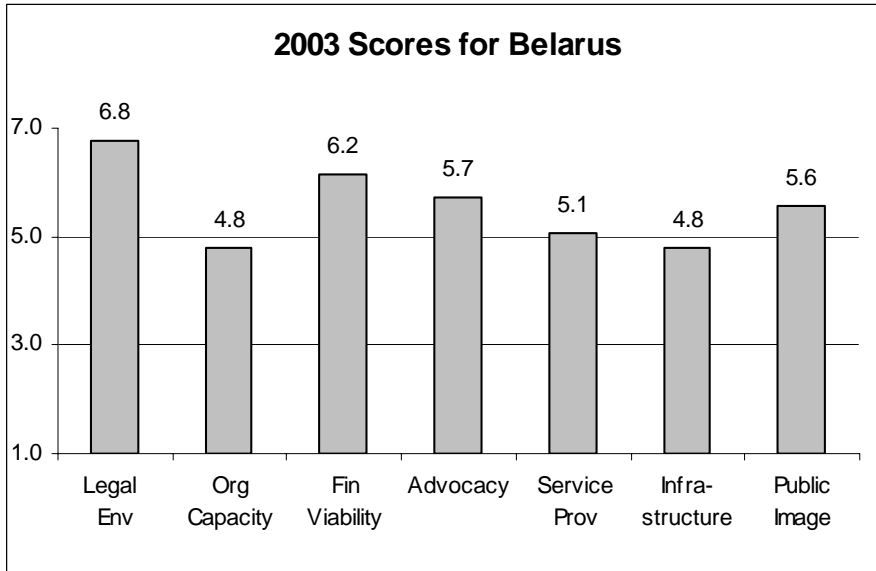
is being done to promote NGOs and their activities. Although some NGOs have websites, publish promotional brochures, and use various forms of media to disseminate information about their organizations, the public reach and effectiveness of these mechanisms is limited.

The public perception of NGOs is often influenced by the government's tendency to have a negative view of the NGO sector. This general attitude of the government impacts the level of acceptance of NGOs

as reliable and capable service providers, and as credible sources of information and expertise. The private sector has only a minimal understanding of NGOs and there is little interaction between NGOs and the business community.

In general, signs of progress exist in the media-NGO relationship, although coverage of NGO-related activities remains limited. NGO activities fall outside the media's main areas of interest and often unless NGOs invite media representatives to events and activities there is little coverage. Due to the high expense involved, TV programs covering NGO activities are limited and often low quality. Most media coverage of NGOs is found in the print media, while the majority of the population accesses news and information primarily from television. Accessing media coverage in the regions outside the capital is even more difficult, and many NGOs indicate that it is easier to get national coverage than local/regional coverage. These issues limit the effectiveness of the media coverage that NGOs are able to obtain as a means of increasing public awareness about NGOs and their activities.

BELARUS



Capital:
Minsk

Polity:
Presidential

Population:
9,900,000

GDP per capita (PPP): \$7,544

NGO SUSTAINABILITY: 5.6

The year was notable for massive government pressure on the structures of civil society: many organizations experienced administrative

NGO SUSTAINABILITY	
2003	5.6
2002	5.3
2001	5.5
2000	5.7

pressure or were closed. As a result the Index score dropped close to Belarus' previous 2000 score. The laws are ambivalent and often disregarded; NGOs' attempts to defend their rights in court usually yield no positive outcome. Along with the loss of independent NGOs, the authorities continued to assist in the creation of quasi-NGOs and continued to render all sorts of support to state-controlled public

organizations. The increased government-led repression mobilized and united many NGOs and others were forced to practice harsh internal censorship. In general, the situation in the third sector has considerably worsened. By removing key resource centers and human rights NGOs, the authorities are trying to deprive many others of the necessary assistance and support. NGOs which are implementing social projects also became targets of administrative pressure. It is increasingly difficult for NGOs to work within the legal framework and to find sources of financing. Major mass media are controlled by the authorities and prevent NGOs' access to mass media channels.

LEGAL ENVIRONMENT: 6.8

LEGAL ENVIRONMENT	
2003	6.8
2002	6.5
2001	7.0
2000	7.0

The inconsistency of NGO-related laws permitted state authorities to use strong levers of influence on the third sector. Yet a larger problem is legal practice: the authorities often disregard legislation; the number of bureaucratic and administrative obstacles is growing. The authorities initiated a crackdown early in 2003 on the third sector: dozens of leading NGOs and resource centers received numerous written warnings from the Ministry of Justice or the court ordered them closed. There were many cases of NGOs closed down on minor pretexts related to internal procedures and documents of organizations (to the extent of punishing for the use of abbreviations in internal documents and lack of inverted commas in the title of an organization).

At the same time, registration of new membership-based NGOs, which was very slow in the previous years due to bureaucratic delays by the registering bodies in violation of the legislation, now became often practically impossible. Registration of NGOs remained an expensive procedure. Since the state authorities can interpret any activity of independent NGOs as political, many organizations resort to self-censorship, but even this does not guarantee them security and survival.

The state actively assisted the formation and development of state-controlled public associations. State-controlled NGOs receive considerable administrative, moral, and financial support from the state authorities. Presidential Edict #335 dated July 30, 2003 "On Republican State-Public Associations" provides legal grounds for the creation of more favorable conditions for the activity of some non-commercial

organizations whose purpose is to "implement the tasks important for the state."

There are organizations and independent consultants who render qualified legal support to NGOs, although their number is insufficient for providing legal support to all NGOs that need it. Such support includes systematic monitoring and analysis of legislation, rendering of a wide array of legal consultations and information support, as well as representing NGOs in court. However, such organizations became targets of persecution by the authorities themselves, along with all human rights NGOs. In addition to this, Presidential Edict No.13 dated April 15, 2003 "On some aspects of civil legal procedures" deprived human rights NGOs of the right to represent interests of members of other organizations in court. Attempts by NGOs to defend their interests in court often yielded little result, and the authorities do not change their decisions.

Local grants and donations are not treated as income and are thus exempt from income tax. However, the tax exemption procedure for foreign gratuitous aid remains complex, centralized, and closed for the public. Presidential Edict No.460 "On international technical assistance provided to the Republic of Belarus" dated October 22, 2003 is supposed to improve this situation, but its effectiveness can be overshadowed by other administrative impediments. Moreover, many provisions in the Edict are worded in an ambiguous manner and allow for multiple interpretations.

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. Considering NGOs' poor business management skills and unfavorable business

climate, in most cases NGOs have neither the stimuli nor the skills to carry out for-profit activity. Procurement procedures in

the country are designed only for goods and services produced by commercial entities.

ORGANIZATIONAL CAPACITY: 4.8

An increasing number of NGOs understand the importance of constituency building. However, this task is complicated by heterogenic and sporadic character of

ORGANIZATIONAL CAPACITY	
2003	4.8
2002	4.7
2001	4.8
2000	5.0

their projects which are often aimed at different target groups and have relatively short life cycle. The survival tactic forces NGOs to look for “support groups” also outside of their constituency. Strategic planning is becoming an active tool for an increasing number of organizations, in part due to the existing training programs, exchange of experience, and accumulated practical experience. However, a large number of organizations, especially smaller ones, are not taking full advantage of this tool because of lack of experience and a general deterioration of the sector, which makes them concentrate on immediate survival tactics rather than strategic issues. In addition to that, strategic planning is also hampered by frequent changes in external environment (for example, legislation).

The structure of management is defined in NGOs’ statutory documents. Many NGOs have transparent and well-functioning internal procedures. Donors’ requirements and existing training programs also contribute to the formation and transparency of such structures. At the same time, NGOs avoid unnecessarily revealing internal information to the state authorities, clients, and the public at large. NGOs statutory documents also provide for the clear delineation of responsibilities between staff and board members; however this delineation is often violated in practice. Volunteerism is not yet a well-developed concept or practice. There is still a tendency towards one-person leadership.

Several NGOs have a sound technical base, adequate to their goals, and acquired mostly through donor funding. The existing resource centers provide NGOs additional possibilities for access to communications. The technical base is more developed in regional centers and larger towns, while in smaller towns and villages NGOs’ lack equipment and access to communications and qualified personnel. The liquidation of resource centers also limits technical possibilities of their clients.

FINANCIAL VIABILITY: 6.2

Financial viability remains one of the main issues for NGOs. Foreign funds continue to be the main source of NGO funding. With a reduction in foreign support, experts note insufficient coordination of donor activities. Possibilities of financing through domestic sources are rather limited. The low level of public income does not allow seriously consideration of membership dues as a source of financing. Occasional cases of financial and in-kind support of local initiatives from the local business community exist; however, the existing economic and legislative environment does not stimulate such initiatives and even impedes them. Cases of local budget financing of independent NGOs

FINANCIAL VIABILITY	
2003	6.2
2002	5.7
2001	6.0
2000	6.0

are an exception rather than a rule. At the same time, pro-governmental public associations, such as the Belarusian Republican Union of Youth, have access to considerable state financial sources and mighty administrative resource. With a “carrot-and-stick” policy this organizations has already recruited thousands of members all over the country. In its work style, goals and multiple interests, including commercial, as well as powers delegated to it, this organization is very similar to its communist predecessor, *Komsomol*.

While a limited number of independent NGOs used to contract with the government to provide social services, these contracts are now extended mainly to the state-controlled pro-governmental organizations. The same can be said about in-kind support of NGOs by local authorities (for example, providing free-of-charge premises or discount rates for office space). In this situation even experienced NGOs find it difficult preserving the existing connections with supporting partners, not to mention attempting diversification of their base of financial and non-monetary sources.

Cases of social entrepreneurship among independent NGOs are few. The capacity for social entrepreneurship is restrained by the existing legislative base, administrative impediments, and lack of necessary managerial skills among the organizations' personnel.

The legislation and its application require NGOs to have a high-quality system of financial reporting. Because of this and because of a rather complex system of accounts and taxes, NGOs are forced to use ad hoc or regular services of experienced accountants. However, such services are expensive, and many organizations cannot afford them. As a result of the anti-civil society campaign in Belarus, NGOs have limited possibilities for using donor assistance, which considerably raises risk and has a negative impact on NGOs' viability.

ADVOCACY: 5.7

The number of direct communication channels between NGOs and decision-makers has reduced. Such possibilities still exist mostly on the local level where there are instances of rather successful cooperation between NGOs and local

powers on a number of social issues. For example, within the framework of the USAID-sponsored Counterpart Alliance for Partnership program, local communities are establishing dialogue with local authorities and are jointly solving acute social

problems. At the same time, local authorities are very cautious about cooperation with independent NGOs, one of the reasons being the pressure coming from structures above.

ADVOCACY

2003	5.7
2002	5.4
2001	5.5
2000	6.0

There are isolated instances of cooperation between NGOs' representatives and national level authorities (for example, NGOs' participation in HIV/AIDS prevention projects, anti-trafficking projects, etc.). The result of these activities is often of conceptual, theoretic, and advisory character rather than tangible and leading to concrete decisions and actions on the part of the authorities. In most cases, direct cooperation of NGOs and authorities on the national level is possible within the framework of projects administered by international organizations. In many cases this cooperation is limited to roundtable events and seminars often conducted under the patronage of a third party. NGOs are well aware of the importance of establishing dialogue with the official structures, but they are realistic in assessing possible results of such a dialogue, as the authorities

are mostly avoiding any dialogue of this kind.

NGOs improved the understanding of the importance of advocacy campaigns for defending common interests. There are acting coalitions of NGOs united by common interests in certain sectors (environment, anti-trafficking, etc.), as well as broader coalitions on defending interests of civil society at large. Mechanisms of supporting advocacy are practically lacking, and coalitions are trying to defend the interests of their members with the help of "corridor" talks with members of Parliament and by conducting different campaigns (for example, the campaign "Our Solidarity" on attracting the attention of broad community to the problem of civil society persecution). Such initiatives united NGOs and increased the awareness of the international community and citizens of Belarus, but hardly affect the positions of power structures. Attempts by NGOs and their coalitions to advocate and promote legal reforms are either ignored by the authorities or aggravate growing tensions.

SERVICE PROVISION: 5.1

Numerous NGOs have accumulated considerable practical experience and clientele over the past

SERVICE PROVISION

2003	5.1
2002	4.9
2001	5.0
2000	5.0

couple of years, as well as earned the recognition of the local and national state structures. Most active NGOs continue to provide a broad spectrum of basic social services, predominantly in the areas of education, culture, humanitarian aid, and health protection. In

a number of cases the state recognizes the importance of NGOs' products, but very rarely does the state extend grants to independent NGOs. In most cases NGOs are experiencing increasing difficulties of all sorts and are being forced out by the state-founded and state-controlled public associations.

At the same time, many NGOs lack specific focus; their skills, experience and resources are insufficient for a better assessment of their target group and professional consistent work in respective sec-

tors. In addition to that, trying to survive in the existing conditions, many NGOs base their activity on priorities of financing institutions, and not on needs assessment of local target groups. Competition over the sources of financing is increasing. Still, in many NGOs their members remain their major clients, and a broader audience is neither aware nor involved in their activity. The problem of rendering services to target groups is complicated by the difficulty in obtaining the needed licensing and other administrative and legal impediments. However, in a number of cases NGOs have started to actively exchange

experience and render information, legal, and resource services to each other.

NGOs are practically unable to achieve cost-recovery by rendering services because of a limited clientele, low paying ability of clients, the prevalent conviction that NGO services must be free of charge, as well as a limited spectrum of services as such and existing objective obstacle for the economic activity of NGOs. As a result, NGOs are forced to rely on donor assistance or government-extended subsidies.

INFRASTRUCTURE: 4.8

NGOs established a nation-wide network over the last couple of years; it covers

INFRASTRUCTURE	
2003	4.8
2002	4.5
2001	4.5
2000	5.0

over 60 residential towns and has accumulated considerable influence and experience. Since 1999, regional resource

centers have been united in a network of Belarusian Association of Resource Centers (BARC). Resource centers used to serve as a forum for NGOs' discussions and mutual projects, provide access to equipment, communications, information, and provide trainings and consultations. Later, leading centers started to more actively consolidate the efforts of the civil society institutions and try to improve the work with mass media and state structures. However, in spring 2003 the authorities started an unprecedented attack on NGOs, and some of the most notable resource centers were attacked and *de jure* liquidated among the first ones. These centers are currently looking for ways to continue their activity in the present conditions.

There are different types of NGO coalitions in the country. Some of them are formed to solve some short-term problems, others are long-term unions where parties share common values and are united by common strategic priorities. Acting in a number of cases as resource centers, administrative subdivisions of coalitions render different sorts of information, legal, and technical support to its members. Affected by the environment, many of the previously existing and new alliances started to more actively defend interests of their members and informed the public about the topical issues. The goals of coalitions are different, and no one organization or committee would advocate the interests of the whole third sector. However, there are rather influential and notable alliances, such as the Assembly of Pro-democratic NGOs, the largest umbrella organization created in 1997 and uniting a large number of Belarusian organizations and initiatives. Resource centers and NGO coalitions are actively stimulating information exchange among its clients and target groups; however many NGOs at the local level still feel an acute lack of topical information and are largely

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excluded from the process of NGOs interaction, also for purely technical reasons. The number of high-quality information and analytical materials prepared by NGOs and their coalitions is rather small, and the number of suppliers of such information is rather modest.

Donor organizations remain the main source of funding for resource centers and for NGOs supported by these centers. The possibility to charge for services is very limited because of financial instability of most NGOs. The possibilities of local grants from resource centers and associations are also limited, and the number of local grants is diminishing.

Over the last couple of years a broad spectrum of NGOs and training specialists emerged in Belarus. The number of elaborated and existing methodologies and text books could largely satisfy the existing demand in training. There are licensed educational and diploma programs, and local specialists found a good balance between foreign experience and the specific

local conditions and acquired rich practical experience. However, the training capacity is more readily available to NGOs in large cities, and many of the educational services rendered by NGOs still lack a systematic approach. Often the effectiveness of such services is considerably lowered because of the lack of post-training consultations and information support.

There are positive examples of interaction and partnership between NGOs and mass media, business, and local bodies of power. However, such examples are still isolated, short-term, often informal, and based on personal contacts. The society still has a long way to go until businesses and authorities will react to NGOs with understanding and respect, and not suspicion and distrust. At present, many NGOs consider it a "success" if the authorities do not interfere in their activity, not to mention assistance and support.

PUBLIC IMAGE: 5.6

Public image of NGOs is a reflection of the results of their activities and mass media coverage of their activities. Due to a number of reasons, values of the civil society and democratic institutions are not well established and accepted by all Belarussians.

Therefore, NGOs have to prove their public use and worth to the population and to officials. In some cases NGOs manage to do it at the local level, in fewer cases at the national level, and then cooperation of NGOs with the population and power structures becomes

PUBLIC IMAGE	
2003	5.6
2002	5.2
2001	5.5
2000	6.0

possible and mutually beneficial, and public perception becomes positive.

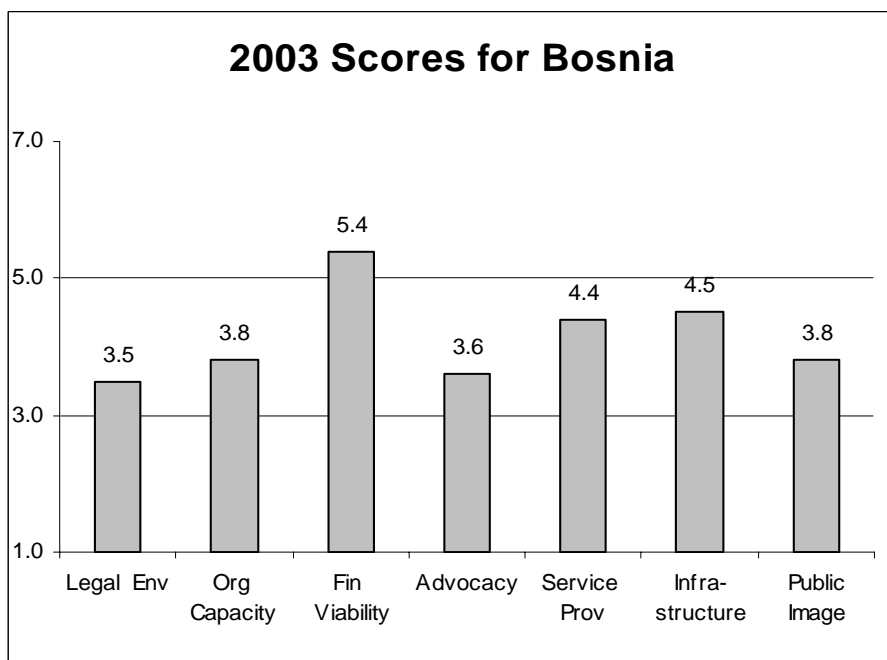
The spectrum of communication channels among NGOs varies from organization of public meetings to distribution of printed and electronic materials, publications in mass media, participation in radio and TV talk shows. Some NGOs have PR-managers. However, the general population knows little about the activity of the third sector.

The existing regime provides less and less space for civil initiatives, and independent NGOs are increasingly perceived by the central authorities as a threat. Con-

Considering that the mass media is under the tight control of the authorities, NGOs are restricted from communicating freely with the public and the media often reflects the government's negative attitude to NGOs, harshly criticizing independent organizations and presenting in a positive

light only government-controlled public associations. Where independent outlets do exist, NGOs often do not take full advantage of this opportunity because of their lack of experience and resources.

BOSNIA AND HERZEGOVINA



Capital:
Sarajevo

Polity:
International protectorate

Population:
3,400,000

GDP per capita (PPP): \$1,056

NGO SUSTAINABILITY: 4.1

The NGO sector in Bosnia and Herzegovina continues to make positive contributions to the process of building democracy and civil society, relying on the rich experiences gained during the post-war period. The sector is a significant factor in the development of a

NGO SUSTAINABILITY	
2003	4.1
2002	4.2
2001	4.5
2000	4.9
1999	5.2
1998	5.6

modern society searching for its own identity and trying to respond successfully to all the challenges it is faced with. Results are far more modest in the institutional development of non-governmental organizations in rural areas, as well as the institutional development of the NGO sector as a whole. Many NGOs in the region remain on the margins of the sector, without ap-

propriate access to information, literature, and educational or consulting services.

There are currently 7,874 non-governmental organizations and 55 foundations registered in Bosnia and Herzegovina under the old and new NGO registration laws. However, the number of active NGOs is quite small. Due to reduced donor support, NGOs in BiH are faced with the problem of financial sustainability. To remedy this, it is important to introduce "new" alternative financial sources, including self-financing, membership fees, and the local donor community. The degree to which NGOs are networking is still not optimal, although there are some positive examples of networks that represent the exception and not the rule. A few current initiatives promise that some of the sector's problems in the area of institutional

development will be solved in the near future. The adoption of a new legal framework for NGO registration was a major step forward in 2003, as well as ongoing initiatives for the further development of taxation and fiscal policy for NGOs.

The NGO sector showed that it was capable of conducting large public campaigns that advocated for change on issues vital to Bosnian society, including youth, gender equality, environment, minority rights protection, etc. Great numbers of NGOs continue to offer services in the fields of health care and social welfare, reconstruction, human rights protection, environmental protection, and minority protection. It is encouraging that municipal governments are now more interested in establishing partnerships with NGOs to satisfy

the basic needs of their constituents. There is a great need for the development of basic standards of cooperation for these two sectors in society. Current initiatives directed towards establishing a Code of Conduct for NGOs, as well as service quality standards between the government and the NGO sector will significantly contribute to this.

Generally, citizens still do not have a clear perception of the actual role of NGOs. This is a result of the fact that NGOs are not integrated into communities. They are not as transparent as they should be; and they have failed to adequately use the media to promote their activities.

LEGAL ENVIRONMENT: 3.5

State of B&H - From the very beginning, registration process for associations at the state level have been inconsistent. Although there is still a critical shortage of local lawyers specialized in NGO legal and fiscal issues, the situation has improved. In addition to Lex International

LEGAL ENVIRONMENT	
2003	3.5
2002	3.5
2001	4.0
2000	4.5
1999	5.0
1998	5.0

from Banja Luka, the Civil Society Promotion Centre from Sarajevo has a staff lawyer that provides legal and fiscal advice to NGOs. There is no tax law at the state level, as taxation

falls within the jurisdiction of the respective entities. An NGO may generate income from the provisions of goods and services. Due to the lack of a state level tax regime, the tax treatment of the income generated from the provisions of goods and services remains unclear.

NGOs may engage directly in related economic activities. However, the Law limits income generated from a separate corporation established by an NGO to 10,000 KM or 1/3 of the NGO's budget, whichever amount is higher. NGOs may compete for government contracts/procurements.

Federation of BiH - The registration process has been inconsistent from the very inception of the 2002 Law on Associations and Foundations. Donations for humanitarian, cultural, educational, scientific and amateur sport purposes are deductible up to 0.5 percent of the business's gross income. There is also a separate provision relating to the deduction of representative costs up to a limit of 0.5 percent of the gross income, which appears to be broad enough to cover sponsorship payments to NGOs. In March 2003, the Office of the High Representative (OHR) adopted laws restricting dona-

tions by publicly owned or controlled enterprises in both the Federation and Republika Srpska (RS). Gifts by such enterprises may only be made for sports, cultural, social welfare, and humanitarian purposes, and are subject to a number of procedural restrictions designed to ensure the appropriate use of public funds. No tax relief is provided for donations made by private individuals. Income from foreign and domestic grants appears in practice to be exempt from taxation. Membership fees and contributions to professional associations and political parties are deductible up to 0.1 percent of the business's gross income. An NGO may engage in economic activities only through a separately established corporation. NGOs may generate income from the provisions of goods and services.

Republika Srpska - The 2001 Law on Associations and Foundations has created a more enabling legal environment for NGOs than the prior legal regime. However, government supervision re-

mains inconsistent, especially with regard to the tax authority's supervision. Donations for humanitarian, cultural, educational and sport purposes are deductible up to 1 percent of the business's gross income. Membership fees and contributions to professional associations are deductible up to 1 percent of the business's gross income. Representative costs, which are deductible up to a limit of 3 percent of the gross income, appear to cover sponsorship payments to NGOs also. Membership fees and contributions to political parties are not deductible. No tax relief is provided for donations made by private citizens. Income from grants appears in practice to be exempted from taxation. An NGO may directly engage in related economic activities. NGOs may generate income from the provisions of good of good and services.

ORGANIZATIONAL CAPACITY: 3.8

NGOs' organizational capacity improved slightly in 2003. Strategic planning, management and technical equipment are still critical issues for the majority of organizations. More and more NGOs differ from one another mainly on the basis of their

ORGANIZATIONAL CAPACITY	
2003	3.8
2002	3.9
2001	4.0
2000	4.5
1999	4.5
1998	5.0

organizational capacities. Among the 7,874 organizations registered in Bosnia and Herzegovina, only a small group are properly organized, with highly skilled personnel

that are employed full time, properly equipped and with secured financial

means to cover their operational expenses, as well as for payment of their staff and premises. These organizations have a clear declaration of their mission and have access to international donor funds. Most NGOs lack staff and a thorough understanding of organizational development. They have not fully developed their internal structures or strategic plans and they compete for funds with other NGOs. They typically invest a great deal of work and good will with a small amount of donor support. Those that are focused on domestic issues tend to not have professional staff and lack the resources to adequately engage their local community. The NGOs that were a part of the former system offer services to only certain groups of

citizens and believe that the government has an obligation to finance their activities. Very often these NGOs use resources

from local funds, including funds from political parties, and have never applied for funding from international donors.

FINANCIAL VIABILITY: 5.4

The financial capacities of the NGO sector still depend on the international donor community. Many organizations survive on a voluntary basis with very limited amounts of money. They have not developed their own self-financing strategies

FINANCIAL VIABILITY	
2003	5.4
2002	5.5
2001	5.7
2000	6.0
1999	6.5
1998	6.0

and are still not able to successfully attract new volunteers or to receive funds from local sources.

There are some examples of "in-kind" support that local authorities, especially at

the local level, are ready to offer to NGOs. The business sector, faced with the problem of low growth, is still not ready to support NGOs and does not see them as potential partners. There is no developed le-

gal framework for such partnerships and there are no tax incentives for the business sector to invest in NGO programs.

The reduction in donor support has had some positive effects. The shortage of available donor funds means that those NGOs which are integrated into their communities are able to survive and have demonstrated their ability to meet citizens' needs. Many have developed their internal capacities for finding alternative and diversified sources of funding, including self-financing. This group of NGOs is focused on the further improvement of institutional capacities, especially in the fields of financial management, fundraising, and service provision.

ADVOCACY: 3.6

Advocacy improved in Bosnia and Herzegovina in 2003 with the adoption of several laws that had been introduced by NGOs (for example, the law on gender equality and the law on national

ADVOCACY	
2003	3.6
2002	3.9
2001	4.2
2000	4.5
1999	5.5
1998	6.0

minorities.) New legal solutions in the field of restitution are under consideration thanks to the leadership of the League for the Protection of Private

Property and the Human Rights NGO from Trebinje. These activities have been led by several networks of NGOs. There have also been other campaigns supporting the direct election of majors in the Federation, which has been supported by the Centre of Civic Initiatives, as well as the Poverty Reduction Strategy Paper Project that involved a network of local NGOs, the Bulldozer Project, the preparation of the CEDAW report, as well as activities initiated by student organizations.

SERVICE PROVISION: 4.4

Improvements in NGO service provision are noticeable, but NGOs have not yet reached their potential in this area. NGOs have been particularly effective in instances where the social welfare network is unable to care for Bosnia's poorest citizens. In these cases, NGOs have successfully developed social welfare programs for chil-

SERVICE PROVISION	
2003	4.4
2002	4.5
2001	4.2
2000	4.5
1999	5.0

dren, the disabled, and individuals with special needs. NGOs focused on the needs of children have created a strong NGO network and have established contact with the entity governments in an effort to create social welfare programs. They have also developed partnerships throughout the country. The results of cooperation and partnership are especially noticeable at the local level where a number of municipalities have sought out NGO services, especially in the field of training and consulting.

INFRASTRUCTURE: 4.5

Infrastructure remained largely unchanged in 2003. The NGO sector needs resource and information centres in order to enhance and expand the activities of NGOs. One of the priorities of the recently established NGO coalition is to establish a resource center to enhance the sustainable development of the non-governmental

INFRASTRUCTURE	
2003	4.5
2002	4.5
2001	4.8
2000	5.0
1999	5.0

sector in Bosnia and Herzegovina. Although there are a number of individuals who have received training in organizational development, the training has been largely theoretical and the new trainers lack hands-on experience developing an organization. There is still a need for continued training in the areas of human resource management, financial

management, organizational development, and strategic planning.

The lack of development within the sector has meant that NGOs have unequal access and are less able to coordinate. Most NGOs are still isolated in their activities and often fail to take a spontaneous initiative and develop it into a real campaign. A positive example, however, is an initiative for the development of a "Strategy for the Sustainable Development of the NGO Sector in Bosnia and Herzegovina" which gathered approximately 230 NGOs in order to foster cooperation with the government and the business sectors. The strategy identified key challenges faced by the NGO sector, as well as steps needed to overcome these obstacles. The document was drafted in 2003 and key activities are expected to be undertaken in 2004.

PUBLIC IMAGE: 3.8

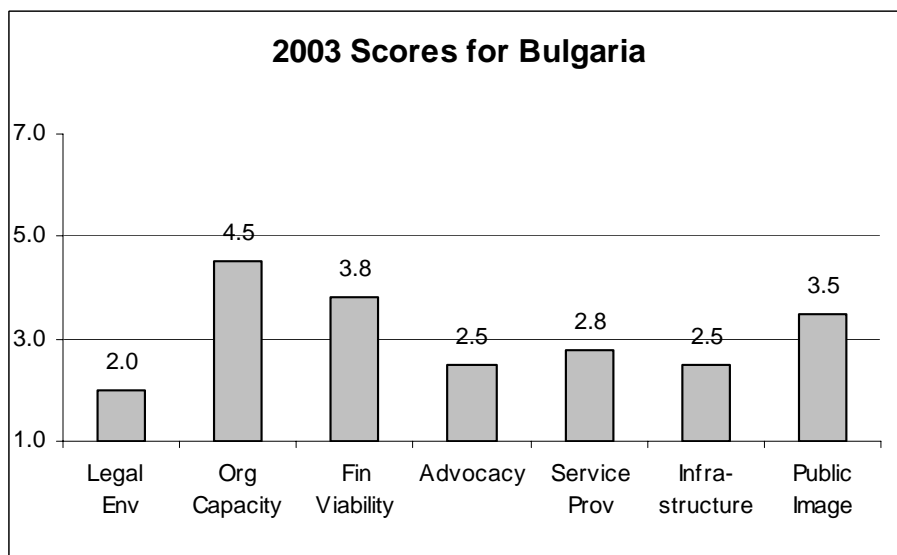
Little progress was made in the area of public relations in 2003. Although a number of NGOs have highlighted their work through the media, they have not succeeded in improving their public image in large part because they have not been able to attract adequate media coverage. Moreover, NGOs do not have experience

PUBLIC IMAGE	
2003	3.8
2002	3.8
2001	4.5
2000	5.0
1999	5.0
1998	6.0

communicating with the public, and on the other hand, journalists do not have a firm understanding of the NGO sector.

There is a need for increased cooperation between journalists and NGOs in order to adequately promote NGOs' achievements. The unfavourable public image of NGOs stems from their failure to adequately convey their mission, which creates the impression that NGOs are driven by their own self interest and not for the greater good.

BULGARIA



Capital:
Sofia

Polity:
Parliamentary
democracy

Population:
7,000,000

**GDP per capita
(PPP):** \$5,710

NGO SUSTAINABILITY: 3.1

There are currently over 8,000 NGOs in Bulgaria, of which approximately 1,900

NGO SUSTAINABILITY	
2003	3.1
2002	3.1
2001	3.6
2000	3.7
1999	4.0

are considered active. The NGO sector continues to increase its sustainability and expand its influence in Bulgarian society. NGOs are now accepted as a permanent force in the country, actively representing citizen interests and providing needed services. Great progress was made in improving the legal environment for NGOs and ensuring that

NGOs have access to needed capacity-building services, such as training, networking, and information sharing. However, much work remains to be done to institutionalize some of this progress, and the majority of NGOs remain organizationally weak and financially vulnerable. NGO influence often depends more on personal connections than formal mechanisms for cooperation. The public image of the NGO sector remains fragile, easily tarnished by scandals involving a few unscrupulous organizations. As Bulgaria prepares to enter the European Union, Bulgarian NGOs must work to consolidate their position in society.

LEGAL ENVIRONMENT: 2.0

The legal environment regulating NGO activity in Bulgaria remains among the best in the region. The NGO Law, passed in

LEGAL ENVIRONMENT	
2003	2.0
2002	2.0
2001	3.5
2000	3.5
1999	4.5
1998	4.5

2001 after eight years of hard work, clearly defines the registration and operation of NGOs and limits state power over the sector. In 2002, the law was further improved through the introduction of the concept of Public Benefit Organizations (PBOs), which provides NGOs working to further the public benefit with additional privileges as well as responsibilities. While the legal framework is generally well-defined, state capacity to implement the laws is often insufficient. For example, the government does not have the capacity to regulate the activities of PBOs as provided in the law. As a result, PBOs that fail to submit required information to the public registry are not penalized in any way.

As legal entities, both NGOs and commercial entities face high levels of administrative burdens and requirements. For example, they must register with a myriad of government agencies, including the courts, tax authorities, statistics bureau, and social insurance agency, and are subject to the requirements and inspections of

each of these agencies. There are no known examples of these being applied in a political manner.

NGOs benefit from fairly favourable financial regulations, although further improvements are still needed. Individuals can claim tax deductions for donations to NGOs up to 10 percent of their income, and companies can receive deductions up to 10 percent of their total profit. NGOs are legally allowed to engage in economic activities, although they receive no preferential treatment in terms of taxation. Furthermore, NGOs have to pay a 15 percent tax on dividends in order to transfer money from their economic activities to their non-profit activities. Regulations were passed in May allowing municipalities to contract out the provision of social services, including to NGOs, although implementing mechanisms have not yet been created to take advantage of this new provision.

NGO law remains a niche area with few specialists. The Bulgarian Center for Not-for-Profit Law (BCNL) remains the leading organization focused on NGO legal issues in Bulgaria. BCNL is working to improve capacity on NGO legal issues by training lawyers and NGO professionals, as well as working with universities in several major cities to develop NGO law courses and legal clinics.

ORGANIZATIONAL CAPACITY: 4.5

Despite the existence of a few strong organizations, the NGO sector in Bulgaria is still organizationally weak as a whole. A low percentage of registered organizations are active in even a basic sense, and even

among the majority of these organizations, good organizational practices are only utilized to the extent demanded by donors or legislation. For example, while most active NGOs have clearly defined mission state-

ments in order to comply with the legal requirements, many pursue activities beyond the boundaries of their missions in order to

ORGANIZATIONAL CAPACITY	
2003	4.4
2002	4.5
2001	4.5
2000	4.5
1999	3.5
1998	3.0

access donor funding. Internal management structures fit into similar patterns. On paper, most organizations have clearly delineated the responsibilities of

the board vis-à-vis the staff in order to meet legal provisions, but how decisions are made in practice often differs significantly.

Similarly, NGOs develop strategic plans when donors require this, but these plans are rarely followed in practice. Strategic planning is further complicated by the lack of stability in the country. As a result, even leading NGOs that take strategic planning seriously do not plan more than a few years in advance.

The importance of developing a loyal and satisfied constituency is still poorly understood by the majority of NGOs. Rather than looking at their local communities as their constituents, most NGOs treat foreign donors as their primary constituency,

changing their programs regularly to meet current donor priorities. Ironically, although one might expect the decrease in foreign funding to force NGOs to focus more on developing local constituencies, it has had the opposite effect as NGOs become even more willing to change their programs to meet donor whims as competition for funding intensifies.

Only a limited number of NGOs have permanent paid staff, and even in these cases, staff size is usually limited to two or three. Volunteerism is utilized to varying degrees by NGOs, but tends to be based more on personal connections and favors than formal arrangements. Employees in many organizations also volunteer their time between funded projects.

While Bulgarian NGOs tend to be fairly well equipped from a technical point of view, donors are becoming less and less willing to fund equipment purchases. As a result, equipment is often outdated. Internet access has become increasingly affordable over recent years, resulting in fairly wide-spread Internet and email access among NGOs, often through the use of Internet cafes and personal equipment. In fact, NGO professionals tend to have higher Internet and email usage rates than professionals in many other sectors.

FINANCIAL VIABILITY: 3.8

NGOs were more unstable in terms of their financial viability in 2003 as a result of decreasing foreign donor funding and slower-than-expected growth in local sources of support. However, while feelings of pessimism about the sector's financial stability are growing, there are no known examples of well established NGOs ceasing operations due to lack of funding.

Local financial and in-kind support for NGOs remains relatively low, although it is continuously increasing. NGOs' efforts to cultivate local donors are complicated by the overall weak economic situation in the country and a few visible scandals that have had a negative impact on the public's perception of NGOs in general. NGOs focused exclusively on advocacy work face a particularly difficult situation in raising funds from local sources, as local donors

are more likely to contribute to a program that provides a concrete and tangible service.

In addition to being generally dependent on foreign funding, many NGOs are reliant on a single foreign donor, with little diversification to protect their sustainability should their donor's priorities change. Related to this, NGOs rarely have a fundraising plan. Rather, fundraising is pursued only when there is an immediate need. This situation is partly due to an unrealistic

FINANCIAL VIABILITY	
2003	3.7
2002	3.8
2001	4.5
2000	5.2
1999	5.5
1998	5.0

belief that donors will support an NGO indefinitely, but can also be attributed to the difficulty for NGOs to develop new projects and seek new sources of funding with their limited staff. Nevertheless, there are examples of NGOs seeking

to implement creative fundraising campaigns, including concerts, exhibits, art auctions, and media-based campaigns, but these are often not done professionally, and therefore have limited financial results, although they may successfully increase awareness of an organization's activities.

Various NGOs began to move away from the norm of the past 13 years in which services were provided free-of-charge.

However, these entrepreneurial organizations are often stymied in their efforts to collect fees for their services as other groups may still be offering the same services for free. NGO target groups have also come to expect NGO services to be free. Membership-based organizations generally have a system of dues, although these are generally symbolic and are not necessarily collected on a regular basis. Business associations are the exception to this rule, and are generally able to collect a significant amount of revenue through membership dues on a regular basis. Many NGOs are also in the process of developing social enterprises with the support of a USAID-funded program. It is hoped that these social enterprises will ultimately provide funding for the NGOs' main services, while also reinforcing the NGOs' mission, for example, by providing employment for their clients.

NGOs receive some support from national and local government bodies, but this is also an exception rather than the rule, and local governments in particular are more likely to provide in-kind support, such as free office space, than financial support.

Financial management systems within NGOs are fairly well-developed, particularly among PBOs, who must file annual reports with the public registry.

ADVOCACY: 2.5

The NGO sector continues to play an active role in shaping the public agenda and influencing legislation in the country, although institutionalized mechanisms to ensure NGO input in these processes remain undeveloped. While NGOs must work to institutionalize mechanisms to en-

sure their input in the policy process, they have clearly become a force that can not be ignored.

NGOs have good experience cooperating with both local and national governments, although cooperation is generally based on individual attitudes and personal con-

nections rather than established norms and procedures. Given the focus on local elections, local governments were particularly open to working with NGOs in 2003. As stated in previous editions of the NGO Index, the current national

government is also more open to input from civil society experts than previous governments. However, some NGOs feel that the government's public embrace of civil society, including their creation of a Civil Society Committee in Parliament, is primarily for public relations purposes.

Bulgarian NGOs have had good success over the past year in opposing and supporting legislative proposals in Parliament. For example, the Bulgarian Media Coalition coordinated a group of 55 NGOs in fighting proposed amendments to the penal code that would unreasonably expand

ADVOCACY	
2003	2.5
2002	2.5
2001	3.0
2000	3.0
1999	3.0
1998	2.8

the definition of classified information, making it virtually impossible for journalists to do their jobs. Lobbying efforts by the National Association of Municipalities in the Republic of Bulgaria resulted in the adoption of the first legislative step in fiscal decentralization, providing municipalities with the discretion to decide how to spend a small portion of their municipal budgets.

NGOs played an active role in the local elections that took place in October 2003. Over 50 NGOs participated in a USAID-supported get-out-the-vote campaign, over half of which participated without USAID funding. Furthermore, many business-based civic groups participated directly in the elections, nominating lists of candidates for municipal councils. Altogether, these groups won the fourth largest number of votes in the elections.

SERVICE PROVISION: 2.8

NGOs provide services in a wide range of fields, although they are legally restricted from working in certain areas, including

SERVICE PROVISION	
2003	2.9
2002	2.8
2001	3.0
2000	3.0
1999	4.0

health and education. While the number of NGOs working in the area of social services is significant, it pales in comparison with the overwhelming demand for these services. In part, this is due to the fact that even though the government has not provided adequate social services in many years, it is hesitant to let NGOs or others get involved in these areas.

In general, NGOs are responsive to community needs when designing their products and services. Needs are occasionally determined through formal needs assessments, though this process is more frequently done based on NGO representatives' observations as members of the communities in which they work.

While local governments generally recognize the value of NGO-provided social services, financial support is rarely provided. This situation may change soon, though, as regulations were passed in May 2003 allowing local governments to contract out the provision of social services, including to NGOs. These regula-

tions were adopted after budgets were set for the year, so no municipalities had developed mechanisms yet to take advantage of this new opportunity. NGOs are

also rarely asked to provide services to businesses, in part due to the perception among businesses that NGOs are unprofessional.

INFRASTRUCTURE: 2.5

A strong network of NGOs providing support services and training to other NGOs was created through the USAID-supported DemNet Program, which ended in October

INFRASTRUCTURE	
2003	2.5
2002	2.5
2001	3.0
2000	3.0
1999	3.0

2002. While the thirteen Intermediary Support Organizations strengthened through this program still exist and continue to provide leadership

in their given sectors, they are increasingly fragile as there is little donor interest in supporting such infrastructure services.

NGOs have successfully formed coalitions around specific topics or issues, such as

the environment, youth issues, or the amendments to the penal code or local elections, as mentioned above. There is, however, no organization that represents the interests of the whole sector, nor do NGOs see the need for such a body.

A USAID-supported program is working to develop community foundations throughout Bulgaria, with the first three located in Blagoevgrad, Gabrovo and Chepelare. While these organizations have been fairly successful in raising local funds for locally identified needs, they have not yet made the transition to serving as grant-makers in their communities.

PUBLIC IMAGE: 3.5

PUBLIC IMAGE	
2003	3.4
2002	3.5
2001	4.0
2000	4.0
1999	4.5

NGOs have gradually improved their image and stature with the general public, as well as the government and business sectors, through the implementation of successful programs and work

with the media. NGOs have increased their public relations skills, although rarely

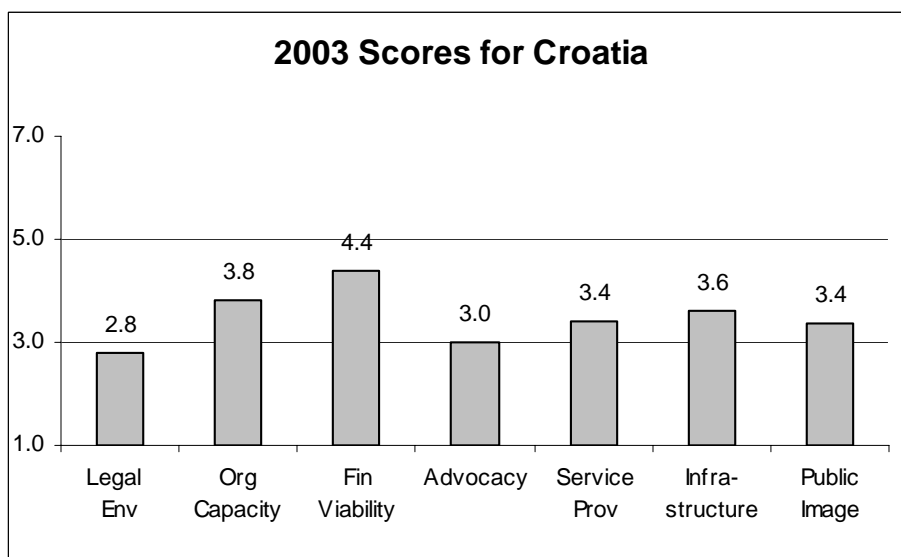
have sufficient resources been dedicated to public relations. Nevertheless, whereas previously the media was only interested in NGO scandals, success stories have received increasing coverage over the past few years. Local NGOs, especially, get significant coverage in local media outlets. National NGOs, on the other hand, have a harder time attracting media attention.

2003 NGO Sustainability Index

Progress in improving the sector's public image has been hampered, however, by high-profile scandals involving NGOs. The latest came just two weeks before the October local elections, when the Democracy Foundation, a foundation associated with the United Democratic Forces, one of the major political parties in Bulgaria, was ac-

cused of accepting a \$200,000 donation from a controversial businessman with criminal connections. While it is too early to gauge the effect of this scandal on other NGOs, precedent has shown that such incidents tarnish the reputation of the entire sector, and foundations nationally are expected to suffer.

CROATIA



Capital:
Zagreb

Polity:
Parliamentary
democracy

Population:
4,300,000

**GDP per capita
(PPP):** \$8,091

NGO SUSTAINABILITY: 3.5

The Croatian NGO sector continued to expand and improve in 2003.

NGO SUSTAINABILITY

2003	3.5
2002	3.7
2001	3.8
2000	4.3
1999	4.7
1998	4.4

The number of NGOs increased to approximately 23,800 registered organizations and associations.

NGO activities are more visible and better recognized in society; although there is still a need for additional improvements. Traditionally the largest number of associations still operates in the area of sport, culture, economy, and veteran issues. Many associations continue to operate in the capital and three regional centers; although some new initiatives have been started in smaller municipalities throughout the country. Such developments are primarily the result of donors' efforts.

During the past year additional improvements were achieved in NGO/government relations, This is primarily a result of the exceptional and very effective role which the Government Office for Cooperation with NGOs (GOCN) played in improving NGO/government relations. Together with the National Council for Civil Society they effectively recommended various legal and policy changes to the Government of Croatia (GOC). The Council for Civil Society continued to operate as an advisory body to the government and as a mediator between NGOs and the Government.

Despite the positive developments, numerous NGOs continued to face problems related to their financial and organizational sustainability. This area remains the main obstacle for future development of NGOs in Croatia. This weakness is also caused by weak philanthropic practices and the economic difficulties of the last ten years.

2003 NGO Sustainability Index

The legal environment continued to improve slowly, especially with enactment of the new Law on the National Foundation for Civil Society Development and the government's decision to allocate 50 percent or approximately \$20 million of lottery funds for NGO activities. The civil society budget from lottery funds will be approximately \$2 million and will be managed by the new Foundation for Development of Civil Society. The Foundation will be focused on implementing programs that stimulate the sustainability of the non-profit sector, support cross-sectoral cooperation, development of civic initiatives, philanthropy, and volunteerism, and promote democratic institutions. Its main areas of work will be education, research, advocacy, evaluation, IT, international cooperation, public-private partnerships and publishing. The Foundation was already registered in November of 2003.

NGOs still face some problems related to tax incentives and VAT, especially when funding comes from Croatian sources. In spite of such issues the scoring for legal environment is still the highest, compared to the area of financial sustainability, organizational capacity and NGO infrastructure which still remain the weakest areas. In addition to the legal

environment Croatia's NGO sector continues to be relatively strong in the area of advocacy and service provision.

Thanks to the efforts of the Government Office for Cooperation with NGOs. There is greater openness and cooperation from local and national government. However, there are still many government officials who do not recognize potential benefits and impact of NGO/government cooperation. Even in many urban centers departments for social services tend to be the most open and interested in such cooperation than representatives of other departments.

Some positive trends were also evident regarding NGO-business sector cooperation and promotion of corporate social responsibility and philanthropy. NGO efforts to promote volunteerism have increased, although a number of active volunteers in many NGOs continue to be relatively modest. Networking among broader number of NGOs is still not sufficiently practiced, although networking is more common among bigger NGOs. Many smaller NGOs continue to operate in isolation, although many of them recognize the importance of partnering with other sectors.

LEGAL ENVIRONMENT: 2.8

The 2001 Law on Associations provides for a fairly reasonable procedure for associations to register. In addition, access to information about registered associations was further facilitated after the introduction of an online registry of associations. Training programs for registration officials also had an impact on improvement of the NGO registration process. On the other hand, the 1995 Law on Foundations and Funds still provides restrictive conditions for the registration of organizations. For

example, it provides that organizations cannot be entered into the registry if their statutory goals are deemed trivial or if their property is not deemed sufficient to carry out their statutory activities.

The Law on Associations is reasonably clear and transparent on the issues of internal management, scope of permissible activities and financial reporting. However, the provisions on prohibition give rise to concerns, and even

minor departures from statutory goals may lead toward prohibition of an association.

LEGAL ENVIRONMENT	
2003	2.8
2002	2.8
2001	3.0
2000	4.0
1999	6.0
1998	6.0

On the other hand, 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. Generally NGOs are free to take a stand on public issues and express criticism towards government.

A positive development in 2003 was the enactment of a new Law on Humanitarian Assistance, which supercedes the 1992 Law. The new legislation provides a more comprehensive definition of humanitarian assistance and permits all recognized forms of NGOs in to deliver humanitarian assistance.

There was improvement in local legal capacity over recent years in this regard. There is indeed a body of lawyers that have been trained and are familiar with NGO law. There are also resource centers providing legal advice to NGOs in regional centers, including Rijeka and Osijek. However, in spite of that there is a perceived need to strengthen this kind of service in the capital and other centers as many NGOs are still not aware of legal services which NGO support centers can provide.

Although many NGO leaders tend to disagree, the tax regime for NGOs is relatively favorable. Grants and donations to NGOs are not taxable as long as they are used to finance an NGO's non-profit activities. Membership dues that are not directly related to the purchase of goods and services are also not taxable, provided that the organization's statute includes members' fees. The Red Cross and other humanitarian organizations, associations,

and foundations are exempt from gift and real estate taxes. As for VAT, normally, an organization is included in the VAT system if it applies for such status or if the value of its taxable deliveries exceeds approximately \$14,000 a year. The Red Cross, trade unions, religious communities, and other institutions established under separate laws are exempt from VAT, the rate of which is 22 percent on the total value of the organization's deliveries. Domestic humanitarian organizations have the status of a final consumer and are thus also not included in the VAT system. Goods necessary to accomplish statutory goals purchased by domestic organizations with donations from foreign organizations are exempt.

Donations made by corporations or individuals to organizations pursuing cultural, scientific, educational, health, humanitarian, sport, religious and other activities are deductible up to 2 percent of the donor's income generated in the prior calendar year.

The Law on Associations does not clearly define the extent to which associations can engage in economic activities, and the registration practice has not been consistent on that issue either. In contrast, the Law on Funds and Foundations is more explicit in defining permissible income-generating activities. The tax code does provide certain exemptions for the income generated from the economic activities of NGOs. An organization's income from economic activities is taxed if its exemption would result in the organization obtaining an "unjustified privileged position in the market." The Tax Administration, on its own initiative or upon the request of a taxpayer or other interested person, may determine on a case by case basis whether to tax income generated from an NGO's economic activities. No distinction is drawn between associations, funds and foundations, or between related and unrelated business activities.

NGOs are allowed to legally compete for government contracts and procurement at the central and local level. The 2003 enactment of the law establishing the National Foundation for the Development of Civil Society promises to lead to greater financial support for NGOs and informal

civic initiatives. The National Foundation will play an integral part in a new model of public financing, which envisages an increased role for government ministries, thus ensuring a more equitable distribution of responsibility among government stakeholders.

ORGANIZATIONAL CAPACITY: 3.8

NGOs are becoming more aware and ready to improve communication with their constituencies, especially on a local level. The Consumer Association was active in establishing a direct relationship with their constituency. There is also progress with youth groups. NGOs were more active organizing various humanitarian campaigns to increase public awareness and provide assistance to people in need.

ORGANIZATIONAL CAPACITY	
2003	3.8
2002	4.0
2001	4.0
2000	4.8
1999	4.0
1998	3.0

Despite such developments there is a need for further improvements in NGO-constituency relationship.

Generally larger NGOs have both a well-defined organizational structure and a well-defined mission, with clear distinction between governing and management structure. Often many of them respect that structure in decision-making process. They also incorporate strategic planning in a decision-making process. On the other

hand, NGO boards in numerous NGOs are still not sufficiently open to contributors and supporters to verify appropriate use of funds.

There are several important differences among Croatian NGOs, with some having relatively large paid staff and few volunteers while others have a large number of volunteers and just one, or maximum two, paid staff members. It is less common that NGOs have good balance between several paid staff members and bigger number of volunteers. Often several NGOs provide training for volunteers and assisting NGOs to better integrate them in an organization. On the other hand an interesting trend is that Croatia has more soldiers who are more interested in civil service in NGOs instead of traditional military service. According to the recent research almost 60 percent of soldiers prefer civil service with various NGOs instead of military service.

Many NGOs have basic office equipment with internet access although that equipment is often not the most recent.

FINANCIAL VIABILITY: 4.4

Many local governments provide support to a broader number of NGOs, especially to groups active in local communities. This is especially related to small NGOs active in the area of social services. Some local governments provide office space to NGOs in bigger urban centers. However,

FINANCIAL VIABILITY	
2003	4.4
2002	5.1
2001	5.0
2000	6.6
1999	6.0
1998	5.0

this practice often does not apply to human rights and peace groups. An increased number of small businesses and volunteers supported community building initiatives. It is evident that it is easier for NGOs to mobilize

community members and raise funds locally when NGO programs are designed to satisfy community needs.

Mature NGOs made progress in diversifying their funding base which helps them to remain viable during a short-term period. On the other hand, many local NGOs are heavily dependent on relatively small support from local and municipal authorities. However, most NGOs have problems ensuring their longer-term sustainability. With decreased foreign support, NGOs are more dependent on local donor support. Recent adoption of the Law on Lottery Proceeds will enable a large spectrum of NGOs to receive funding through the new National Foundation for Development of Civil Society.

Many NGOs understand the importance of sound financial management systems and frequently use services of independent accountants and auditors. NGO efforts to improve financial management are the result of pressure that comes from foreign and Croatian donors, including Croatian government. Improvements are mostly the outcome of better monitoring and evaluation practices by the Government Office for Cooperation with NGOs and several ministries. In addition, larger NGOs continue to publish their annual reports with financial statements, although that practice is still not common for a large number of them.

Some NGOs have a loyal core of financial supporters, either local governments, foreign or corporate donors. For the first time some concrete initiatives were undertaken by several NGOs to build a community partnership and establish approximately four community foundations in different municipalities. These few NGOs are aware that only through commitment and creation of broader coalition; community foundations can become effective and sustainable. Still many NGOs continue to have a weak membership base. The government has continued to have social contracts for provision of services with 131 NGOs in the area of social services, health, education, culture and youth.

ADVOCACY: 3.0

Communication between NGOs and the government continued to improve, especially thanks to the leadership of the

ADVOCACY	
2003	3.0
2002	3.0
2001	3.0
2000	2.5
1999	4.0
1998	4.0

Government Office for Cooperation with NGOs. Additional improvements are especially evident on the national level regarding direct NGO communication with various ministries and the Parliament. Several NGO leaders serve as NGO representatives in parliamentary committees. The work of the Council for Civil Society was critical for improvements in NGO/government relationship. The Council recommended various policies and decisions critical for NGO-government relationship and civil society development projects, including civil society strategy, criteria for government funding and other policy issues. Progress in NGO-government relations is especially evident in the area of civil society, gender, youth, social services, education and culture. While the progress is evident on the national level there are still some obstacles on a local level. In spite of significant improvements in several regional centers and smaller municipalities, there are still evident obstacles in some communities like in Vukovar.

NGOs have been effective organizing various peace, environmental, educational and other advocacy initiatives, as “Stop Wars”, Papuk Nature Park – organized public protest against illegal dumping and

Kvarner Eco-Initiative against Druzba Adria Project. Advocacy initiatives organized on the local level were especially successful.

There is a group of NGOs that successfully ran lobbying and advocacy campaigns. During the last year, successful campaigns included consumer associations, women, human rights, youth and other NGOs. They were critical in lobbying new legislation, as for example the law on gender equality, law on consumer rights, the Law on Access to Information, Law on Conflict of Interest and other.

The Government Office for Cooperation with NGOs continued to be the key organization in promoting legal and regulatory framework that can better promote civil society and the NGO sector interests, including voluntarism, philanthropy and corporate social responsibility. Several NGO support centers also participated in this initiative, providing logistical support for regional events.

From time to time some NGOs tend to be harassed by different political lobby groups. Often the government tends to be weak responding to this kind of political pressure. On the other hand NGO advocacy and lobby efforts are not steady but rather irregular, NGO lobbying and advocacy activities are missing regarding some sensitive but critical issues, as corruption, rights of minorities and victims of war, and privatization.

SERVICE PROVISION: 3.4

NGOs continue to provide various types of services, including basic social services. These services are becoming more diversified and focused on filling gaps which government is unable to cover. NGOs are trying to assess and

SERVICE PROVISION	
2003	3.4
2002	3.7
2001	4.0
2000	4.4
1999	5.0

respond to the needs of communities in which they work. A lesser number of NGOs conduct needs assessments before starting new programs. Most NGOs provide services and assist broader constituency than just their own membership. NGOs have become more active in publishing books targeted towards the NGO community although there are several NGO reports and publications targeted towards broader public and other sectors, including government and business sector. Such example is a booklet "Guide through Inter-sectoral Cooperation" published by the NGO "Slap." Another book "Importance of Gender in Views and Sexual Behavior of Female and Male Adolescents" published by women NGOs CESI is also an interesting publication not just for NGOs but also for teachers, psychologists, sociologist and other medical professionals. Another NGO GONG published a guide for first time voters and an election lexicon for youth. RI Center published a book on accounting for NGOs. Association SMART published two books on fund-rising and project proposal writing as well as on capacity building of women human rights groups. Most NGO

publications are distributed for free, although several NGOs have been trying to sell them, arguing that NGO activists value more publications which they buy than those which they get for free. Most NGO publications have reasonable prices, often approximately around seven dollars. Despite such publishing successes NGOs still do not put more effort into informing broader NGO community and public about their publications, but keep such information among their traditional NGO circle.

In 2003 Croatian NGOs have continued with social contracts they signed with several ministries and government offices, mostly in the area of social services, health and education. The government is ready for social contracting with NGOs, although that is mostly distinctive for traditional NGO areas as social services, education and health. In 2003 NGOs had a total of 131 social contracts with various ministries and government offices. Out of 131 government social contracts almost 60 are in the area of social services, 24 in the area of health and drug addiction, 22 in the area of education, and the remaining 25 in other areas. Practice of social contracting is also common for some regional centers.

However, there are still some ministries and local government departments which are not yet ready to cooperate with NGOs more. This will require additional improvements on both NGO and government side and improved knowledge and trust among both sides.

INFRASTRUCTURE: 3.6

Croatia continues to have several intermediary support organizations (ISOs) including training organizations, regional

INFRASTRUCTURE	
2003	3.6
2002	3.9
2001	4.0
2000	4.0
1999	4.0

NGO support centers and new grant making organizations, which are mainly based in the capital and three regional centers.

During the past year with donor's support three grant-making organizations have made significant progress in improving their outreach and assisting community building groups and civic initiatives throughout their specific regions. Thanks to that assistance new initiatives have been successful in organizing community activities and bringing community members and volunteers together, partnering with municipal authorities, small businesses and other community partners. Despite ISOs valuable efforts to assist a broader number of NGOs, many of them still are not able to respond fully to the needs of a larger number of grassroots and less developed NGOs throughout their specific regions. Almost all intermediary organizations are mostly supported by foreign donors. These organizations have continued to support regional networking among NGOs, organizing regional NGO forums, various training programs and providing technical assistance and other types of support. Additionally the Croatian Office of the Regional Environmental Center also continues to provide support services to environmental NGOs, through training, provision of grants, information sharing, i.e., e-mail lists, bulletin, and web-site.

Croatian NGO sector continues to be fragmented across various sub-sectors and still does not have a strong NGO focused on promoting and protecting interest of the whole sector. Until now that

role was played mostly by the Government Office for Cooperation with NGOs. In future the new National Foundation for Development of Civil Society registered in November of 2003 will serve that role in addition to re-granting funds from lottery funds and other activities. Expectations are that the new foundation because of its respectful leadership will be even more effective in filling numerous gaps as they will be established as public-private foundation.

However in spite of present weaknesses of Croatian NGO sector there is still a lot of networking and cooperation among different NGOs. The strongest networks remain connected with women, environmental, youth and human rights and peace NGOs groups.

Croatia has a group of relevant basic NGO management trainers in the capital and three regional centers. On the other hand the number of advanced and qualified trainers specializing in areas critical for NGO management is relatively small, for example in the area of NGO monitoring and evaluation. On the other hand a number of trainers specializing in areas such as conflict resolution, psycho-social support, gender issues is significantly bigger. Improvements are evident regarding availability of basic training materials in Croatian language, which is also covered in the section on service provision. Such materials are especially valuable for smaller grassroots NGOs. It is excellent that some of these publications are also available electronically, as SMART fund-rising guide, GONG's publications on election, and publications on legal framework for NGOs etc. However there are still needs for translation of more advanced materials and textbooks.

Cross-sectoral partnerships with other sectors to achieve common objectives, especially with local businesses and local governments are practiced more frequently. Such partnerships are the

result of efforts to help both partners to learn more about and consequently understand that working together they can achieve more, especially in promoting development in local communities.

PUBLIC IMAGE: 3.4

Media increasingly covers NGO activities, especially regarding children, disabled, gender, and the environment. The most effective in promoting NGO issues continues to be the national TV program called "Good Morning Croatia." Other print and electronic media are open and interested in civil society, including two

PUBLIC IMAGE	
2003	3.4
2002	3.5
2001	3.8
2000	4.0
1999	4.0
1998	4.0

national weeklies, although many NGOs still have difficulties successfully presenting their activities to media and public. On the other hand, there are still instances when media portrays NGO activities in a

sensational way. Thanks to NGOs efforts and media's interest in such topics, the public is more aware and sensitive towards family violence, trafficking in persons, abuse of children, and rights of disabled persons.

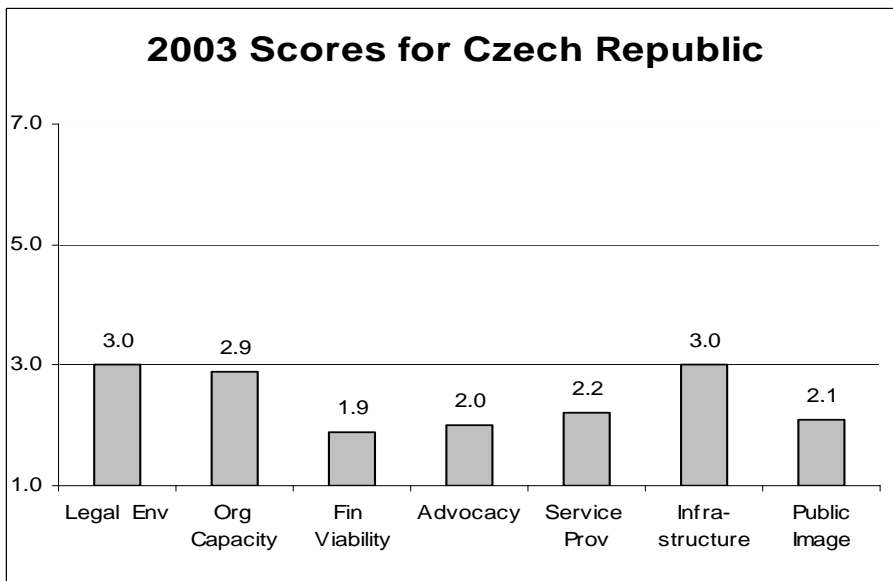
NGOs are aware of media's role in promoting their public image and actively try to improve their media communication, organizing press conferences, presentations, and other public events to

which they regularly invite media representatives. Therefore NGOs tend to receive more public support than before, in spite of limited public awareness and understanding about civil society issues.

Perception of NGOs by businesses and government representatives has slightly improved, mainly as a result of progress in their communication and better understanding of corporate social responsibility practices in the business sector, especially among several large companies. Although NGOs still have to make significant improvements in their cooperation with the corporate sector and encourage development of joint partnership instead of restricting that cooperation to financial support only.

Several well-established and professional NGOs have a code of ethics. During the last year a group of NGO trainers worked together on development of trainer's code of ethics, which is an important step forward for Croatian NGO trainers. Also well-developed associations actively demonstrated openness and transparency in their operations through their web sites, annual reports, and annual NGO forums.

CZECH REPUBLIC



Capital: Prague

Polity:
Parliamentary
democracy

Population:
10,300,000

**GDP per capita
(PPP):** \$13,991

NGO SUSTAINABILITY: 2.4

NGO SUSTAINABILITY	
2003	2.4
2002	2.5
2001	2.3
2000	2.4

According to the Statistics Office, there are almost 58,000 registered NGOs in the Czech Republic.

Of which 88 percent are civic associations. Public benefit organizations, foundations, and church-related organizations account for the remainder. The 2003 trend saw NGO sustainability make steady gains as the Czech Republic's score improved to a 2.4.

LEGAL ENVIRONMENT: 3.0

LEGAL ENVIRONMENT	
2003	3.0
2002	3.0
2001	2.0
2000	2.0

Czech NGOs are regulated by a myriad of different legislative acts, including separate laws for each of the different forms of NGOs in the country. Civic associa-

tions are covered by the 1990 Law on Association of Citizens; public benefit organizations fall under the 1995 Law on Public Benefit Organizations (amended in 2002); and foundations and foundation funds are governed by the 1997 Law on Foundations and Foundation Funds (also amended in 2002). Registration procedures, organizational structure, financial

management, and the dissolution of organizations are all addressed by these acts. The 2002 Law on Volunteerism, which introduces the notion of volunteerism into Czech law, comes into force in 2003. Furthermore, a new Civic Law is being prepared in 2004 which will fundamentally influence NGOs' activities.

The registration process varies depending on the type of NGO. Civic associations register relatively easily with the Interior Ministry. Foundations, foundation funds and public benefit organizations, on the other hand, register with the Trade Register authorities. For these organizations, the process is often tedious, requiring long legal procedures, and can be complicated by individual judges' different legal interpretations.

Requirements related to NGO operations and finances are also determined by the legal form chosen. Laws regulating civic associations do not oblige them to publicize their operations or finances; as a result, some organizations which are public benefit organizations by the character of their activity register themselves as civic associations to minimize the burdens placed upon them.

The dissolution of NGOs is covered by the Commercial Code and is extremely complicated and financially demanding. As there is no legal obligation for civic as-

sociations to be removed from the registry, there are still many groups registered which no longer operate, thereby distorting statistics on the sector.

There are very few qualified non-profit legal specialists in the Czech Republic, although legal services are readily available in Prague and Brno. Their availability in regional cities is more troublesome, and in some regions, such services are lacking entirely. A similar situation exists in the area of tax consultancy. Despite lower fees for these services in the non-profit sector in comparison to commercial rates, they are often unattainable as NGOs frequently lack the financial means to pay for them. Non-profit courses are now offered at the university, which may provide a source of new experts in the future.

Tax legislation affecting the sector is mixed. NGOs are not taxed on grants, appropriations and gifts, and endowment earnings of foundations are also tax-exempt. However, incentives for potential donors to NGOs are minimal. Because of the relatively low level of deductions (5 percent for firms and 10 percent for individuals), donors often make barter agreements concerning advertising, for example, which are not advantageous for NGOs as they are treated as taxable business transactions.

ORGANIZATIONAL CAPACITY: 2.9

NGOs' basic management structure is defined by law and also differs according to the form of registration. While management structures are clearly defined in the case of foundations, foundation funds and public benefit corporations, they are quite vague in the case of civic associations.

Several Czech foundations administering foreign funds are encouraging NGOs to think more strategically by offering grants to strengthen NGOs' sustainability through strategic planning, public relations, fundraising and marketing. As a result of these

2003 NGO Sustainability Index

grants, hundreds of NGOs have started to focus on these issues. There is doubt, however, as to whether NGOs will continue such activities after these grants expire. While progress is being made in this field, many organizations still have poorly

ORGANIZATIONAL CAPACITY

2003	2.9
2002	2.9
2001	3.0
2000	3.0

defined missions and do not appreciate the importance of strategic planning.

NGO personnel are often employed on a contract basis limited to the duration of a project for which finance has been secured. Unfortunately, this also includes positions essential for the operation of the organization as a whole, such as management. The lack of professional staff development is due to the fact that most donors do not provide financial support for an organization's general opera-

tions. As a result of this situation, there is much turnover in the non-profit sector.

By law, all statutory members of NGOs are volunteers. There is a network of specialized volunteer centers in the Czech Republic that provide services to NGOs and the public. However, NGOs generally do not have sufficient time, energy or experience to effectively utilize volunteers.

The level of technical equipment available to an NGO is usually a direct reflection of their fundraising skills. While technology is not generally a priority for donors, in some cases, it is possible to obtain technical equipment within the scope of individual projects. It is also common to for such equipment to be presented as gifts.

FINANCIAL VIABILITY: 1.9

A significant majority of NGOs, approximately 85 percent, is financed only or mostly from domestic sources. This is primarily a result of external realities than a conscious decision by NGOs. Foreign

FINANCIAL VIABILITY

2003	1.9
2002	2.0
2001	2.0
2000	2.0

funding is significantly limited: at present only projects that were begun with foreign funds are still receiving such support. It is possible that in the near future the loss of these funds will be replaced by European financial resources, especially from the European Social Fund and Fund of Consistency. The strategy for accessing European funds in 2004 is being prepared now at the relevant government minis-

tries. NGOs had input at the outset of the process.

Public budgets are the main source of NGO financing, accounting for over a third of the total income of Czech NGOs. Generally speaking, the larger the organization, the greater the level of dependency on public financing. Support from Czech foundations, on the other hand, only makes up approximately 10 percent of all NGOs' income. Private donors are unable or unwilling to respond to NGOs' needs, as the return on investments in NGOs is deemed to be too low and corporate philanthropy itself is a relatively new concept in the country. Corporate financing currently accounts for approximately 11 percent of NGO support, while individual contributions make up about 7

percent. Self-generated income accounts for another 20 percent.

It is not yet common for Czech NGOs to consider diversification of their financial resources as a factor in their long-term sustainability. There is progress in this

area, however, thanks to programs that provide grants for strategic and financial planning, which has benefited both large, influential organizations and smaller regional NGOs.

ADVOCACY: 2.0

Recently there has been a growing willingness of public authorities to communicate and cooperate with NGOs. Many barriers to partnership still exist on both sides, however, including insufficient information, non-transparent behavior, weak communication skills, and public officials' distrust in the mandate of NGOs. Public authorities

ADVOCACY	
2003	2.0
2002	1.8
2001	1.8
2000	2.0

try repeatedly to limit the participation of the public, including NGOs, in government proceedings.

The environment for political lobbying exists but there is a lack of developed and proven skills to capitalize on it. At the same time, it is often diffi-

cult for NGOs to agree on common goals, as sometimes they are unwilling to suppress their own specific interests.

Czech NGOs usually have the opportunity to comment on new legislation as it is being drafted. However, there is not a standard channel for information to flow between the legislation's sponsors in parliament and the NGO sector. Therefore some pieces of legislations are commented on late or not at all, and others are commented on by inappropriate individuals or organizations. NGOs themselves also occasionally initiate legislation.

SERVICE PROVISION: 2.2

NGOs offer products and services in virtually all areas, in effect supplementing and rounding out the limited offerings of the government and business sectors. While NGOs cover most service areas, they often have insufficient knowledge of the needs of the pub-

SERVICE PROVISION	
2003	2.2
2002	2.2
2001	2.0
2000	2.0

lic and/or target groups, and the products and services provided are sometimes of a low quality. NGOs and government officials also pay insufficient attention to the quality of services in relation to cost. Despite their range of offerings, NGOs find that they are unable to meet total demand for their products and services, for example, in areas of social service and health care. NGOs are generally regarded posi-

tively by government officials and politicians.

Czech NGOs have been seeking ways to increase their ability to generate revenue in order to compensate for the decline in foreign financial sources. Too many organizations still set the prices for their

services intuitively, as opposed to basing them on real costs, further complicating attempts to evaluate and demonstrate NGOs' effectiveness. To achieve change it will be necessary to increase the quality of financial management, pricing policy and public relations.

INFRASTRUCTURE: 3.0

There are a sufficient number of information and service organizations in the Czech Republic. Many of these are located in Prague and provide services throughout the country. In other areas, regional service organizations have emerged to fulfill the needs of local NGOs. Over the

INFRASTRUCTURE

2003	3.0
2002	3.0
2001	3.0
2000	3.0

past year, some of these organizations began networking. The biggest problem service organizations face is their lack of financial sustainability, exacerbated by the low purchasing power of other NGOs and the decreasing number of donors in this area.

The basic range of training courses offered in NGO management, fundraising and public relations is adequate, but there is a lack of specialized education for experienced employees. Furthermore, the quality of lecturers and consultants is not always sufficiently high. Training efforts are also hurt by the lack of domestic literature on relevant topics. Most materials are translations of foreign works which do not reflect the Czech cultural and social environments. In 2003, an electronic database of NGO consultants was launched.

There are several types of local grant-making organizations, including foundations and foundation funds, state bodies and local authorities. In general, grant announcements are not well balanced – while certain geographic areas or types of activities may be covered by several programs, others are not supported at all. Better communication between grant-makers would ameliorate this problem.

There are more than 80 associations in the Czech Republic, including both national and regional, and general and thematic associations. In general, associations covering a specific region or topic operate most effectively, while national and all-encompassing associations may suffer from communication problems and find it difficult to effectively represent NGOs when negotiating with a third partner due to their small membership base. The NGO association ANNO was created in 2003 with the goal of supporting the development of the Czech non-profit sector, primarily through representing NGOs in negotiations with the government and European Union institutions. This association, however, has not received the support of the sector.

Effective intersectoral partnerships are often hampered by a lack of skills and financial resources within the NGO sector, although NGOs are becoming more aware

of the necessity of such partnerships for their future development. One good example of intersectoral cooperation is the Government Council for NGOs, an advisory

body of the Czech government that brings together representatives of NGOs, employees of Czech ministries and regional authorities.

PUBLIC IMAGE: 2.1

NGOs have managed to attract steady attention from both national and regional media. Especially for local media, broadcasting information about NGOs has become a permanent feature of their news coverage. The number of negative news pieces about NGOs is now negligible and in most cases the information is accurate. Media coverage of the sector tends to focus on specific events and activities, paying little attention to explaining the general role of NGOs in society to the public.

PUBLIC IMAGE	
2003	2.1
2002	2.3
2001	2.5
2000	3.0

Recent polls indicate that 63 percent of respondents believe NGOs fulfill an irreplaceable function in society and 76 percent believe that they deserve more attention. Approximately the same percentage of people, however, thinks that financial resources provided to the non-profit sector are not used effectively. Roughly half of respondents were not able to name a single NGO. Most respondents lack information regarding the activities of NGOs and 85 percent complain of low transparency of NGO activities. The public is aware of some specific achievements of NGOs but does not always understand that the work has been done by a non-profit organization. Even the terms “non-profit organization” and “non-profit activity” are often not understood by the public.

NGOs have been trying to change this situation for some time. For example, there have been several promotional and fundraising campaigns organized over the past several years, for example, 30 Days for the Non-profit Sector, The Three Kings’ Collection, and Help the Children. Other efforts to improve the public image of the sector are also being undertaken and are slowly having the desired impact.

Despite criticisms about NGOs’ lack of transparency, almost half of respondents (46 percent) claim that they contribute to NGOs’ activities - most of them through public collections. At present, 416 public collections are registered at the Ministry of the Interior with both national and regional coverage.

Foreign companies view NGOs positively and cooperate with them regularly. This is also true of domestic regional businesses that are more familiar with NGOs’ contributions to community development. This positive perception of NGOs’ work, however, does not always translate into financial support, although corporate social responsibility is being increasingly discussed and promoted. In the case of government entities, NGOs are generally perceived positively in their role as important providers of public services, partners for cooperation and also partners for future European projects.

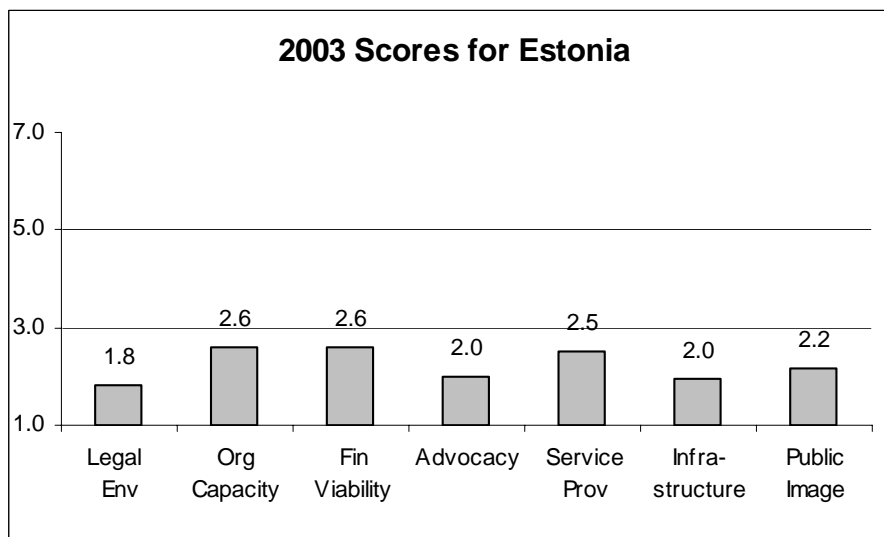
NGOs with a longer-term horizon are aware of the need to present information to the public truthfully and clearly. For instance, a number of civic associations publish their annual reports even though

2003 NGO Sustainability Index

the law does not require them to do so. Nevertheless, there are still significant limits to self-regulation in the sector. For example, NGOs hesitate to publicly criti-

cize unethical behavior within the sector for fear that this would harm the reputation of the sector as a whole.

ESTONIA



Capital: Tallinn

Polity:
Parliamentary
democracy

Population:
1,400,000

**GDP per capita
(PPP):** \$10,066

NGO SUSTAINABILITY: 2.2

NGO SUSTAINABILITY

2003	2.2
2002	2.2
2001	2.1
2000	2.4

Estonian NGOs gained more popularity and support from the public and private sectors. There is a large number of registered organizations with 19,090 asso-

ciations and 563 foundations which totals 19,653. It should also be noted that the large number of housing associations doubled the size of the third sector. Only about 1,200 are public benefit organizations. It is estimated that about 16,000 people or 4-5 percent of the workforce is employed in the NGO sector.

LEGAL ENVIRONMENT: 1.8

LEGAL ENVIRONMENT

2003	1.8
2002	2.0
2001	2.0
2000	2.0

In general, the legislative environment for nonprofit organizations in Estonia is favorable. The fact that in recent years the number of NGOs has increased enormously is proof

that the legislation allows for easy registration of associations, and foundations. NGOs are registered according to three laws: the Act on Associations, the Act on Foundations and Law on Obligations (for non-registered organizations). Specific governance duties and obligations are detailed in laws like Law of Parties, Law on

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Apartment Associations, Law on Trade Unions, etc. Like any legal entity, the non-profits must also act in accordance with the Income Tax Law, Accounting Law, etc.

The laws guarantee independence from the state, freedom of speech and the right to profit. One downside is that the law treats all NGOs equally without taking into account certain important variations. For example, the law does not distinguish whether an NGO is founded by individuals, local authorities or other organizations.

Since the management and governance structures, scope of permissible activities, financial reporting, accounting and dissolution are all covered in the legislation, founding members of an NGO often copy the legislative text directly into their statutes. Paperwork related to accounting and taxation has proven to be difficult for smaller NGOs who are required to do almost the same amount of work as larger organizations. Advisors and auditors have their hands full creating balance sheets suitable for NGOs.

The NGO fiscal law is progressive yet superficial. Tax deductions for businesses and individuals who are engaged in charity are not used to maximum limit because the procedure and deductions are not motivating. Individuals may deduct income tax on documented gifts and charitable contributions to organizations on the Ministry of Finance list. Deduction is limited to 5 percent of taxable income. Regarding corporate donations, there are two alternatives: either to deduct up to 3 percent of the total remuneration paid to employees in the previous calendar month or to deduct up to 10 percent of profit from the previous year as charitable contributions to associations and foundations on the

Ministry of Finance list. The process of getting on the list has been made complicated as the criteria for being applicable is ambiguous. On January 1st, 2003, there were about 1,400 NGOs on the list. These are NGOs operating in the public benefit.

Fiscal laws hinder the use of volunteers since transportation and food expenses for volunteers are considered gifts from a legal perspective. Additional taxes mean that the amount paid for food and transportation exceed the actual cost of the service itself. Volunteer work is critically important for NGOs but they do not receive tax-exemption for costs incurred by using volunteers. Local authorities are typically less criticized since they are usually the main sponsors of NGOs. Smaller NGOs rely heavily on personal contacts with local authorities. No one can influence NGOs through legislative means as long as all obligations to the state have been fulfilled. From time to time it seems that state control should be stronger, especially in the case of state-controlled foundations.

Most lawyers have basic knowledge of NGO law – they are usually familiar with the legal text related to registering an NGO. All other topics are covered by specific laws such as Income Tax Law, Accounting Law, etc. It is always possible to hire a lawyer or specialist but it is expensive and most organizations cannot afford this option.

Estonian legislation allows NGOs to gain profit from their actions and participate in government procurement both locally and nationally. Technically, permits a range of opportunities, but it could be amended because it does not meet the needs of NGOs.

ORGANIZATIONAL CAPACITY: 2.6

Most NGOs in Estonia operate on a clear set of mission statements. They have defined their target groups and actively seek to build local constituencies for their initiatives. Latest examples can be drawn from the field of environment, child support and trade unions. They are becoming more and more successful.

NGOs work on their strategic planning and marketing training and skills. There is a clear shift to more professional management techniques that NGOs want to incorporate. The activities of organizations are usually planned not more than a couple of years in advance. A well-defined management structure and permanent jobs exist mostly in older and larger organizations

ORGANIZATIONAL CAPACITY	
2003	2.6
2002	2.2
2001	2.3
2000	2.5

such as umbrella organizations. The law requires the division between boards, councils and the staff. Organizations, their structure

and labor division, are quite clearly defined in the legislation. Boards and/or councils are required by law. Most Boards/councils work in open and transparent manner, information is public and elections/nominations regulated. Since Estonia is a small country, organizations try very hard to avoid potential conflicts of interest and follow either general or organizational codes of ethics.

In most NGOs one or two leading members do the lion's share of the work. That is why there is a general notion that NGOs

are usually run by a single individual. Temporary jobs are created within the context of a project but this does not solve the problem regarding permanent jobs. Projects usually allocate payments for the project leader but not to the accountant.

NGO activities are based on volunteer work; however, NGOs pay additional taxes related to volunteers.

Organizations do not have proper funds for acquiring office equipment. A complete office setup is not always necessary and members use computers at home, at their main jobs, at libraries or public Internet access points, or at the offices of local authorities. The lack of Internet access in rural areas has made some organizations use the telephone instead of e-mail as a default tool for distributing vital information. This is problematic because at present many application forms for various projects must be typed up and sent in via e-mail.

The controlling documents of an NGO are the following: statute, reports (financial report, activity report), accounting documentation, budgets, project drafts, meeting protocols, event calendar, plan of action, house rules (in the case of bigger organizations) and strategy. The general notion is that documenting is performed actively only by the larger and older organizations. Some projects require the presentation of an annual budget and plan of action, which fortunately motivates formal documenting in some NGOs.

FINANCIAL VIABILITY: 2.6

NGOs have mastered different skills in order to survive. The skill to adapt to new conditions, which can also mean project-

FINANCIAL VIABILITY	
2003	2.6
2002	2.6
2001	2.6
2000	2.8

based funding or providing services, is a determining factor. Organizations have a diverse range of income sources: direct support from the state and local govern-

ments, grants from foundations, programs for the EU, membership fees, fees for services, volunteer work. A majority of NGOs are project-hunters and their funding comes from outside their region – either from state-controlled or international foundations. If, however, we consider the regional centers of the *Cultural Endowment of Estonia*, local self-initiative programs and funds from local authorities as local sources then some organizations can receive two thirds of their funding locally. Although NGOs usually have many sources of income, available resources are not sufficient to let NGOs feel secure about the future.

Local philanthropy is developing but local donors usually support events and not the daily activities of NGOs. Support is offered in various forms. The primary means of

support seems to be non-financial: offering free goods, transportation, housing, etc. The importance of non-financial support is often underrated by NGOs. It would be a great help to include the rough value of non-financial support in reports. This would give an overview for the organization of its true financial capabilities and would formally increase the importance of a particular donor.

Although associations are organizations with members, they usually do not live off membership fees alone. The fee is generally symbolic.

The income gained by providing services or renting assets is rather small, depending on in which field the NGO is operating. NGOs typically lack the marketing know-how, not to mention resources. Organizations usually do not expect 'income' as such from these sources. Only a few NGOs have real estate that they rent. Only older and more persistent NGOs create annual budgets. The average NGO relies heavily on the local authorities who are the main consumers of the organization's services. The interest range of these authorities, however, is rather narrow with supported fields normally being sport, culture, social care and youth work.

ADVOCACY: 2.0

There have been times when organizations have had a profound impact on the politics and general development of Estonia. In almost all counties there are ties between organizations and politicians on both the local-government level and the council level. These ties are mostly personal and not institutional (e.g. ties be-

tween an organization and civil service). They are mainly used to develop a single organization or field. In more than half of the counties, the general opinion was that organizations could do very little in the government sector. In others, however, the opposite opinion was reported.

Advocacy depends on volition and the skill to create rapport. Rapport does not always happen at the level organizations would desire. Findings show that organizations are not sufficiently familiar with lobbying and influence methods nor are they aware of the legal subtleties that exist. When commenting on draft legislation, NGOs do not always have enough information about existing possibilities under the law. Themis, the web-based legal forum founded by the Estonian Law Centre, lets organizations and individuals post supplements and comments on draft laws. This concept is new and unique on a global scale and is still gaining trust and popularity on a nationwide basis in Estonia.

Organizations are not that keen on forming coalitions in order to influence politics in a congruent manner. But organizations with

ADVOCACY	
2003	2.0
2002	2.1
2001	1.8
2000	2.0

a common objective, regional location or field do reach agreements. Successful, large-scale advocacy campaigns were implemented by the Estonian Students Union (loans for student families), Movement for the Estonian Child, and preserving trees in Jämejala National Park.

Since local organizations tend to work in isolation, they hope that change will be brought by national political acts. Known nationwide organizations are the Estonian NGO Roundtable, its General Assembly, and NENO. At the end of last year there came another nationwide legislative pillar to lean on – the Estonian Civil Society Development Concept, also known as EKAK. EKAK is a document that was founded by

NENO and other organizations in close collaboration with the public sector. The document defines the reciprocal roles between the nonprofit and public sector, their rules of interaction, the set of spheres that are to be supervised by both parties and the mechanisms constructed to regulate these spheres for the purpose of developing and practicing open politics in order to build a civil society. In order to achieve this local counties and townships have to be kept more informed. The Joint Committee for the implementation of EKAK, consisting of public servants and nonprofits, headed by the Minister of Internal Affairs, began working in October.

Despite the general notion that organizations are incapable of finding success, there are a few exceptions. Namely NENO, the Estonian Fund For Nature, Kodukant and others have done well in helping to develop legislation and in the creation of the National Development Plan in the framework of the European Union's funds structure, as well as participation in educational and environmental politics.

Currently, NENO together with Law firm Raidla & Partners and several nonprofits are working with the Ministry of Finance to change the content of the public benefit status and the Income Tax Law accordingly. Assistance was provided by the ICNL. Government offices are now obliged to discuss their proposed actions with specific organizations, consider the organizations' proposals and also give feedback before any decisive action is taken. Ministries should not only consider involving appropriate organizations a formality but they should also maintain an open dialog with them.

SERVICE PROVISION: 2.5

SERVICE PROVISION	
2003	2.5
2002	2.5
2001	2.3
2000	2.5

In recent years discussion has centered around service provision by NGOs as their contribution to the well-being of the society. Organizations offer a wide range of

services in such popular spheres as health care, education, accommodation, schooling, counseling and environmental protection, but also in lesser known fields such as economic development, administrative and supporting services. There could be more but the lack of financial opportunities creates limitations. Organizations are also not professional in business planning and service distribution. The possibility to create consistent, full-time jobs in the nonprofit sector is minimal and therefore organizations have to rely on volunteer work. With these resources it is difficult to develop a line of quality goods and services.

Most of the goods, services, and events are based on the needs of a target group and the community in general. They usually cover a group besides an organization's own members NGOs rarely make a profit from an event. Goods and services are offered free of charge or relatively cheaply and organizations are typically unable to cover their expenses, although there are a few exceptions (tourism, schooling, entertainment, sports clubs, etc.).

Marketing of services in the nonprofit sector is still taking shape. Organizations mainly focus on satisfying their clients' needs, searching for channels of distribution and locating partners. At present the

nonprofit sector lacks the resources necessary to study needs and demands. Also, most organizations lack basic know-how. Older and more experienced NGOs, however, are fully able to provide and develop services that compete with the public and private sector both in quality and price.

Since most services are offered voluntarily or within the context of a funded project, it is difficult for inexperienced organizations to set a fixed cost for their services, not to mention a retail price. To find a buyer for a service where the retail price has been calculated based on related expenses is uncommon.

Organizations agree that the public sector does not recognize the value NGOs can add to various social services. This recognition may take place on a formal level. The number of ordered service contracts offered by the public sector is small and the initiative usually comes from the NGO itself. The state is handing over less significant services. If an organization shows the capability to provide a service effectively, the state hands over the service and withdraws from the process.

The state has not yet mapped the capabilities and possibilities of NGOs. Some services are offered by many organizations, thereby creating competition (for example schooling, social services, events for children and cultural services). Some spheres, such as accommodation and care for the homeless, are covered by very few organizations. Organizations provide services mainly via projects which limits their continuation.

INFRASTRUCTURE: 2.0

Previous studies have shown that compared to other countries in Central and Eastern Europe, Estonia's nonprofit sector has a rather well-developed infrastructure.

INFRASTRUCTURE

2003	2.0
2002	1.9
2001	2.0
2000	2.5

This means that the functional environment is well structured in terms of fields and regions.

The state continuously developed a base structure favoring entrepreneurship, but not for NGOs. Organizations have managed by themselves. By finding alternative means and foreign investments, many organizations have created their own nonprofit sub-networks. Some examples are the intermediary support organizations of the Estonian Chamber of Disabled People, Open Education Association, Estonian Popular Education League, Estonian Women's Union, Estonian Consumers Union, Association of Pensioners in Estonia, Estonian Association of Families, etc. The organization that offers the strongest support network related to country life is Kodukant (Movement of Estonian Villages and Small Towns). In order to assist in solving all the problems organizations and individuals may have regarding nonprofit activities, NENO created a support network of NGO resource centers in most counties (2000 – 2003). The initiative was funded primarily by the Baltic-American Partnership Program (BAPP). NENO has been requesting funds for this network from the state budget but with no results.

Besides distributing information, these centers coordinate information networks, counsel local NGOs, organize seminars, cooperate with other support centers and act as a motor for action in their region. Another problem is the project-based protocols of support centers: the funding from BAPP and other sources is constantly decreasing and the missing funds have to be

acquired by the centers themselves. Support centers spend a lot of time and energy justifying their own existence and writing projects instead of working with their target group.

Starting from 2003, NENO will work with the state owned Enterprise Estonia to train and coordinate the NGO module in the regional development centers, replacing and uniting former business advisory and NGO resource centers.

The services of organizations that operate as centers are usually free or charge a nominal fee. Information about these organizations is public and easily accessible. As many of the smaller NGOs do not have Internet access, and access time in Internet cafes is limited, the primary methods of communication remain the telephone, press and word of mouth. Unfortunately, township administrations often form a bottleneck – the information flow stops at these administrations due to the lack of information officers (i.e. people who would cover local organizations). The lack of information and basic financial resources is the main reason villages are underrepresented in seminars and conferences.

The basic training of NGO directors is possible everywhere where there is a corresponding interest group. Special training such as strategic planning, fundraising, volunteers' management and marketing is available in Tallinn and Tartu. If special training were requested in more peripheral regions appropriate instructors would have to be transferred there. NENO is known for its professional training courses and most NGO leaders attend these courses. Umbrella organizations attempt to subsidize these trainings with the help of projects and other resources. Training materials are available, and Estonian books about management, marketing and human resources are being printed. NENO has

2003 NGO Sustainability Index

agreements with publishing houses that allow NENO's members receive these books for a reduced price.

The intra-sector cooperation differs from region to region. The decisive factor is cooperation with local authorities. As mentioned before, NGOs themselves play the active role. Cooperation with the business sector varies, but is strongest when businesses sponsor NGOs or their events.

Foundations, through which organizations receive support and resources, are also a part of the infrastructure. The first commu-

nity foundation was established in 2002 in Viljandi County. A similar foundation is currently being formed in Järva County. It is as yet too early to evaluate these foundations. On a regional scale there are local foundations of the Cultural Endowment of Estonia, the Local Self-initiative Program by Enterprise Estonia, local foundations for people with special needs, etc. There are also local organizations that redistribute funds gained from international foundations. In certain areas (for example clerical and youth organizations) the existing structure functions efficiently.

PUBLIC IMAGE: 2.2

Media coverage of NGOs was positive in 2003. It was much easier for organizations to get coverage in local newspapers and radio. Putting aside a couple of incidents involving scandalous newspapers (there have been negative experiences with *Põhjarannik* from Ida-Virumaa, and *Pärnu Postimees* from Pärnumaa County) organizations seem to be rather inter-

PUBLIC IMAGE	
2003	2.2
2002	2.0
2001	2.0
2000	2.5

ested in promoting their activities. In most newspapers and other media there is a price difference between commercial and social advertisements. The opportunity to advertise without charge exists but it usually means print space of microscopic proportions.

An analysis of the role of organizations was published by Foorum, a monthly addendum to the main newspaper *Postimees* (published until May 2003). Many NGO leaders are published in media, attend TV shows and radio broadcasts on regular level.

The Estonian TV telecast *Third sector (Kolmas sektor)*, which was discontinued

in December 2002, was broadcast at an inconvenient time when potential viewers had little chance to see it. The show covered all major NGO-related happenings and proved to be helpful in explaining the notion of the third sector to the public. In winter – spring 2003, the radio show “*Vabaühendused*” (Voluntary organizations) was on the air.

There has been much talk recently about forming associations and the necessity of getting the nonprofit sector into mainstream media. The real question is: do all associations need media coverage? This is not true for the business and public sector. It is more important for an organization to have their sphere of interest covered by the media. In some places, organizations have developed ties with journalists in order to guarantee positive coverage of their organizations but not all journalists will guarantee this.

People and society generally perceive organizations as positive entities but with some exceptions. Most people who have a positive attitude are involved somehow with the third sector, its organizations or spheres of interest. The general public, however, does not understand the con-

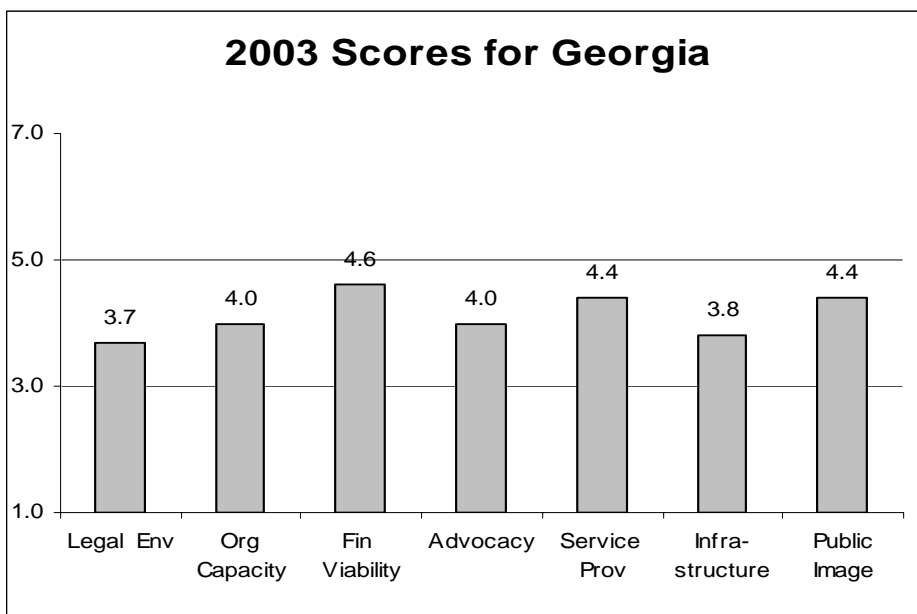
cept and goal of the nonprofit sector and is therefore apathetic.

Some businesses put forth a superior attitude treating organizations as unequal partners but it is changing. Local authorities generally have a better attitude but these attitudes are shaped by personal contacts and how well the involved parties get along. It is difficult to generalize the perception of state officials. Those who happen to be 'enlightened', either because their job demands it or because of personal interest, delegate services to NGOs and consult with them. But people do not always consider NGOs to be resourceful and trustworthy. It is also the case that organizations sometimes express superior attitudes regarding the public sector and state officials, while seeing the business sector as completely alienating. The long hard road to success-

ful inter-sector cooperation and understanding still lies ahead although the last two years have seen lots of improvement.

NGOs are often crippled by the demands of the public sector wherein the latter requires all NGOs to be represented by an umbrella organization, and also that all NGOs should share a common and congruent view on the issues. State officials and politicians often do not understand the diversity and dynamics of the nonprofit sector and NGOs themselves are not helpful either. They also may not understand that the structure of the third sector is not hierarchical. An organization's reputation is based on knowledge and skills (especially the skills to gather and redistribute information) and not by choosing a conspicuous name or proclaiming oneself as an umbrella organization.

GEORGIA



Capital:
Tbilisi

Polity:
Presidential-parliamentary democracy

Population:
4,400,000

GDP per capita (PPP): \$2,664

NGO SUSTAINABILITY: 4.1

NGO SUSTAINABILITY	
2003	4.1
2002	4.2
2001	4.0
2000	4.0
1999	3.8
1998	3.4

Daunting challenges continue to face Georgia's NGOs in their efforts to play a decisive role in reviving the country's faltering transition to a democracy and market economy.

NGOs seek to represent an unfamiliar and skeptical public, and they lobby an indifferent Parliament for legislation that would allow them to raise funds locally. NGOs fought off government attacks in the media and the legislature.

NGO leaders are cautiously optimistic about the future of the sector, however, as evidenced by the first up-turn in scoring

since the NGO Sustainability Index began tracking its progress. This reversal of the downward trend does not represent changes in the conditions affecting the sector so much as it reflects NGOs' enhanced ability to address them. This year NGOs demonstrated growing capacity to rapidly disseminate information, form coalitions, and take public positions. They began to discover their strength as they successfully united to protect freedom of expression, to promote decentralization, or to demand government transparency and access to public information.

Regional variations in the level of development of the NGO sector are significant. As Georgia's second city with a large concentration of IDPs, Kutaisi's NGOs are particularly well-developed, due in part to the significant donor funding they have re-

ceived over the past decade. As a result, they have developed a strong network of support and information sharing amongst themselves; regional and city government leaders vie for NGOs' attention; and the

public is familiar with NGOs as a result of the visible activities of several organizations.

LEGAL ENVIRONMENT: 3.7

NGOs' awareness of and ability to influence the legal environment significantly improved during this past year. NGO legislation is quite progressive, allowing them

LEGAL ENVIRONMENT	
2003	3.7
2002	3.9
2001	4.0
2000	3.0
1999	3.5
1998	3.0

to form, express themselves and seek funding fairly freely. It is perhaps because of this freedom under the law that numerous initiatives sought to re-impose State control over NGOs.

Nevertheless, NGOs' successes in mobilizing on numerous occasions to thwart or neutralize regressive draft laws and regulations explain the improved score this year.

NGO registration procedures have improved over the past year as Amendments to the Georgian Civil Code were adopted to simplify registration of branch offices of both foreign and local NGOs. Several NGOs were able to participate in the re-drafting, and their suggestions were incorporated into the final Amendments.

Enhanced legal capacity has enabled NGOs to successfully respond to numerous regressive legislative initiatives this year. The new Advocacy listserv disseminates timely information on legislative issues to NGOs both in the capital and in the regions, while the Civil Society Institute (CSI) offers on-line consultations to NGOs who have questions on registration or legal compliance issues. In May 2003 the CSI initiated a Not-for-Profit Legislation

Monitoring Group composed of six leading NGO legal experts, who now track and react to NGO-related draft legislation before it becomes law. NGOs thus quickly mobilized to protest a draconian draft law "On Prohibition of Extremist Organizations", which would have rendered NGOs potentially liable to prosecution for contacts with any foreign entity. Through constructive engagement with the Ministry of Security, the current draft is far improved. NGOs also successfully lobbied to preserve their social tax exemptions in the Law on Mandatory Social Insurance, and their challenge to the Ministry of Finance's decree to register all grants with the State Treasury led to a court decision to suspend its implementation.

Nevertheless, many NGOs claim that the legal environment remains ambiguous, with numerous critical issues unresolved. Despite NGOs' lobbying efforts, the Tax Code allows neither deductions for charitable contributions made by businesses nor exemptions from the profit tax for income generated by NGOs. Such a tax regime has effectively stymied NGO efforts to develop a local funding base, and prolongs their dependence on foreign grants. Framework legislation remains vague on the ownership of foundations' property as well, and implementation of the regulatory regime by government agencies remains selective or haphazard. A recent study conducted by CSI found that most NGOs are unable to claim their VAT exemption or to report charitable contributions, and taxes unpaid by individuals contracted by NGOs are charged to those NGOs.

ORGANIZATIONAL CAPACITY: 4.0

No significant changes occurred over the past year in terms of NGOs' organizational capacity. The primary impetus for organ-

ORGANIZATIONAL CAPACITY	
2003	4.0
2002	4.0
2001	4.0
2000	4.0
1999	3.5
1998	4.0

izational development still comes from donors and international organizations rather than from within the sector. Due to an unfavorable tax regime, NGOs' utter dependence on foreign funding contributes to their sense of impotence whereby the nature and direction of capacity development are determined by donors. By this perspective project funding, as opposed to organizational funding, is seen to be a critical constraint to capacity development.

To date few NGOs have developed long-term strategies. Most have not determined specific strategic objectives, but rather are content with vague statements of purpose. Funding uncertainties are usually cited as a reason for NGOs' lack of strategies.

On the whole, NGOs do not mobilize volunteers. Developed NGOs tend to see themselves as professional organizations with motivated staffs rather than as volunteer groups. Where they have recognized

constituencies, these are often project-based rather than organization-based. Notable exceptions are various trade-based organizations, such as teachers' or journalists' associations, which maintain strong constituency orientations, and community-based organizations who mobilize volunteers for community activities.

Some NGOs report progress on staffing and personnel policies. These are usually developed either at the instigation of donors or by NGOs seeking to meet donor standards. Nevertheless, more NGOs designate specific functions to their staff members, though few NGOs are yet willing to subject themselves to oversight by independent volunteer boards.

A recent nationwide survey of NGOs confirmed that developed NGOs constitute only a fraction of the total number registered, and that capacity is concentrated in the capital city Tbilisi. Encouragingly, however, the study found that examples of developed NGOs can be found in most regions, and that capital-based NGOs are increasingly establishing links with NGOs in the regions or establishing branch offices. These findings suggest that there is a slow but steady dissemination of capacity from the center outwards, and that gradually the NGO sector will assume responsibility for its own development.

FINANCIAL VIABILITY: 4.6

Although the environment for financial viability has changed little, NGOs are becoming more aware of the strategies and tools they need to ensure their financial survival. Local resource mobilization is an accepted component of community development, and CBOs are becoming more adept at tapping community and local

government sources. And NGOs are taking financial and grant management more seriously.

Examples do exist of NGOs that have been able to develop local funding bases. A national study of active NGOs identified four with relatively large budgets (over

\$50,000) of which more than 50 percent was self-generated. Some international NGOs provide support to their local partner NGOs to establish fee-based services, such as Internet cafes or publications. CBOs routinely leverage 30 percent of the value of their community projects through in-kind contributions under the USAID-funded Georgia Community Mobilization Initiative. Regional NGOs are increasingly finding that local government bodies can be willing development partners, though they are limited in the resources they can contribute because legislation does not allow them to own property.

FINANCIAL VIABILITY	
2003	4.6
2002	4.9
2001	5.0
2000	6.0
1999	4.5
1998	4.0

increasingly finding that local government bodies can be willing development partners, though they are limited in the resources they can contribute because legislation does not allow them to own property.

Local funding is still the exception, however, and there is still no evidence of a trend. Most NGOs continue to see income generation and local resource mobilization as viable strategies only for CBOs and

NGOs with very small budgets. They cite crippling profit taxes as a disincentive for income generation, and they remain cynical and distrustful of local philanthropy. Foundations created by businessmen are suspected of being fronts for money laundering. NGOs are equally suspicious of State funds allocated for contracted services; NGOs in Kutaisi state that none of the health care institutions or NGOs had ever received any of the GEL one million allocated for health care support.

Due to their continued dependence on donor funding, therefore, more NGOs are taking financial management and transparency seriously. The national study cited above found that half of the sampled NGOs prepared annual budgets and had commissioned independent financial audits, albeit largely at donors' request and expense.

ADVOCACY: 4.0

NGO advocacy has become more effective over the past year as their capacities for forming coalitions and lobbying have matured. NGOs have become forces to contend with due to their familiarity with the Parliamentary and legal systems. Advocacy NGOs tend, however, to act on citizens' behalf rather than to involve them directly in their campaigns.

ADVOCACY	
2003	4.0
2002	4.3
2001	4.0
2000	2.0
1999	3.5
1998	4.0

NGO lobbying skills and relations continue to develop. NGOs are increasingly using the legislative tools at their disposal to moni-

tor government, such as Young Economists' budget monitoring of Zugdidi and Kutaisi municipal budgets, and Georgian Young Lawyers Association's (GYLA) use of litigation to block unconstitutional legislation. NGO leaders are increasingly seen as public figures, such as NGO representatives who chair several electoral commissions. Information dissemination, via Advocacy.Ge and the Caucasus Environmental NGO Network, has greatly facilitated coalition formation, a notable development this year. These electronic news services break down the information divide between Tbilisi and regional NGOs and enable rapid national responses to events.

2003 NGO Sustainability Index

NGOs played a pivotal and highly visible role in the Parliamentary elections. NGOs across the country participated in voter education through training, media campaigns and distribution of educational materials. An NGO, the United Nations Association of Georgia, managed an Elections Media Center which was a primary source of information for the media on election projects and monitoring missions. An influential voice during the election campaigns came from "Kmara!" (Enough!), a student movement led by a number of NGO activists. Kmara! held demonstrations across the country, and caught the attention of the press from its initiation in February 2003. Two NGOs, the International Society for Fair Elections and Democracy (ISFED) and Georgian Young Lawyers Association (GYLA) mounted nationwide election monitoring missions, and it was ISFED's appeal to the Constitutional Court that annulled the proportional election results.

Advocacy in the regions is reportedly more challenging. Regional NGOs cited their participation in discussions on amendments to the Law on Postal Services regarding telecommunication tariff rates.

They noted, however, that few NGOs have the skills or relations to effectively lobby. And where regional NGOs have succeeded in using the legal system, such as Kutaisi-based Sachino's fight against corruption, court decisions often remain unimplemented due to lack of cooperation from law enforcement agencies.

Georgian NGOs' attempts at mobilizing the public have met with limited success. NGOs did lead a petition effort that collected the 200,000 signatures needed to precipitate a constitutional referendum on the number of Parliament members. But despite wide media coverage and significant ecological and equity concerns environmental NGOs were unable to galvanize public opinion against the Baku-Tbilisi-Ceyhan oil pipeline. NGOs therefore still tend to legitimize their involvement in public decision-making based on their expertise and connections rather than on their representation of the public interest.

SERVICE PROVISION: 4.4

This is the one dimension of NGO sustainability where deterioration has been noted over the past year. The combination

SERVICE PROVISION	
2003	4.4
2002	4.2
2001	4.0
2000	5.0
1999	4.0

of the NGO sector.

of unfavorable legislation, clients' limited effective demand and donors' prioritization of rights over services all conspire to make service provision one of the less notable contributions

Georgian tax law treats all NGO income as profit, thereby hindering cost-recovery. Most NGOs that offer services therefore generally do so for free. NGOs' inability to recover costs discourages them from improving the quality, efficiency, and scale of their services.

Examples of successful services do exist. Many NGOs maintain community-based services for the most vulnerable groups, such as vocational training for the dis-

abled, home care for the elderly, or integrated centers for disadvantaged children, which constitute an important part of the social safety net that mitigates these people's harsh circumstances. Such services continue to require external assistance to address issues of quality, sustainability, and broader public support. Many NGOs

actively if haphazardly seek client feedback in order to improve or adjust their services, and some are making conscious efforts to reach out to isolated groups; the Georgian Young Lawyers Association, for example, has added postal services to its legal hotline to reach people in villages.

INFRASTRUCTURE: 3.8

Increased networking and information sharing amongst NGOs, and between NGOs, the media and local government, account for this year's improved score on Infrastructure.

Improvements have also been noted in information technology (IT). Both the Open Society Georgia Foundation and UNDP have programs to support NGOs' adoption of information technologies and website development. The national NGO survey found developed NGOs to be generally well endowed with communication equipment. Internet access, however, is far from universal; an NGO recently established the first public Internet access in Akhalkalaki, while the entire region of Racha has yet to gain access.

managed by Save the Children. Already noted are the new web-based information services for advocacy and environmental NGOs. Many NGOs, however, still lack access to training and information, particularly those without IT facilities.

The range and sophistication of services offered to NGOs also increased during the past year. New courses are being offered in advocacy, media relations, cooperation skills, government budget monitoring, legal compliance, and minority rights protection. One training agency, CTC, offers consultancy services in quality management systems based on ISO 9000 standards, and offers financial and accounting software to NGOs.

Some gains were made in inter-sectoral relations as well. Two new representative media associations, the Broadcasters Association and the Newspaper Publishers Association, were established this year, and many regional media outlets cooperated with NGOs to cover the Parliamentary election campaigns. Local government bodies are also seeing NGOs as natural allies; the Tbilisi Municipal Council for example has commissioned an NGO, the Institute for Education Policy, Planning and Management, to develop a model for school funding. And Kutaisi NGOs continue to report that local government bod-

INFRASTRUCTURE	
2003	3.8
2002	4.0
2001	3.0
2000	3.0
1999	3.5

Due to a number of major studies conducted this past year there is more information available for and about the NGO sector. These include studies on NGOs' organizational capacities, public opinion about NGOs, and legal constraints faced by NGOs. The studies were undertaken by Georgian NGOs under the USAID-funded Citizens Advocate! Program, funded by USAID and

ies share information and consult them frequently. Relations with central government remain problematic; officials are reluctant to share public information, for example, citing State secrets. Such es-

trangement between central government and the NGO sector hampers cross-sectoral efforts needed to address deep-rooted problems such as corruption.

PUBLIC IMAGE: 4.4

There has been no significant change in the public image of NGOs this year. The government continues to influence public opinion through its generally hostile attitude towards NGOs, particularly watchdog NGOs, which is reflected in the press. A national opinion poll showed that the public trusts NGOs more than the government; however, their view of both the governmental and non-governmental sectors is pervaded by cynicism. NGOs are slowly realizing that they must take steps to change the apathy and ignorance shown by the public towards them.

PUBLIC IMAGE	
2003	4.4
2002	4.4
2001	4.0
2000	5.0
1999	4.0
1998	2.0

While hostile statements by State bodies about NGOs in the press are not new, this year NGO image became the target. In particular, several leading watchdog NGOs were characterized as elitist. The media, particularly government-run stations and newspapers, has been eager to air such provocative statements, while they tend to be ambivalent about NGO coverage. NGOs continue to feel, therefore, that they face a public relations dilemma, and admit that they need to develop more effective approaches to working with the media.

A recent public opinion poll undertaken by the Center for Strategic Research and Development quantified the credibility gap facing NGOs. Two-thirds of respondents felt they were poorly informed about NGO activities, and only 13 percent had actually received services from NGOs. Half the population expressed no interest in volunteering with NGOs. Roughly 40 percent trusted NGOs, compared with 15 percent trusting government or Parliament, and 80 percent trusting the Orthodox Church. On the positive side, roughly half the population believes that NGOs successfully protect minority rights, and half expect NGOs to fight corruption.

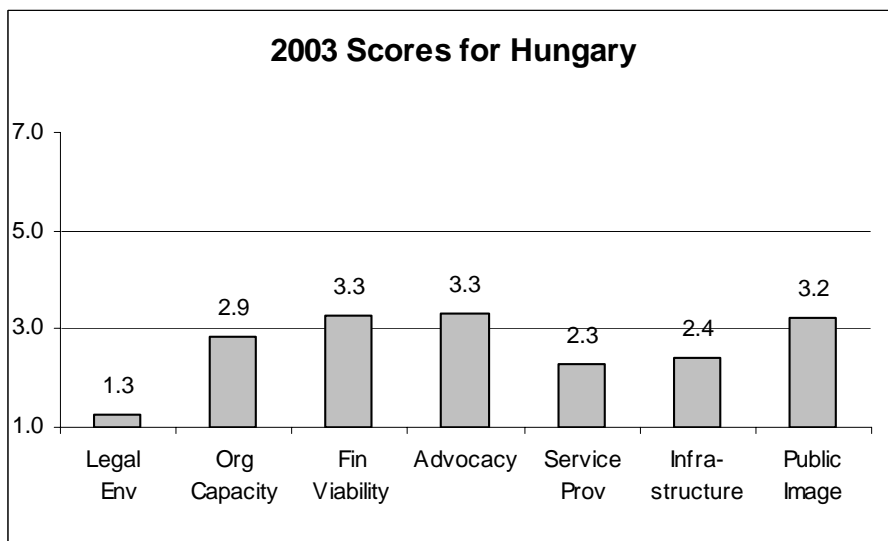
Of note this year is that NGOs acknowledge the need for self-regulation. A growing number of NGOs recognize that it is primarily their own responsibility to regain the trust of the public through increased transparency on their use of funds or their relations with political parties, and have begun drafting a Code of Ethics for the NGO sector. Regional NGOs also note that project implementation brings a surprising increase in public trust. This recognition suggests a positive if gradual shift towards outreach and accountability to the public.

It is significant to note that following Georgia's "Rose Revolution" NGO analysts are convinced that the prominent role played by NGOs in voter education and election monitoring has had a very positive role on

their public image. In particular ISFED's Parallel Vote Tabulation results, which were markedly different from the results released by the Central Election Commis-

sion, legitimized the public anger that eventually led to President Shevardnadze's resignation.

HUNGARY



Capital:
Budapest

Polity:
Parliamentary
democracy

Population:
10,100,000

**GDP per capita
(PPP):** \$12,416

NGO SUSTAINABILITY: 2.7

2003 witnessed the NGO sector's gravest crisis since its inception. Shrinking budgets, liquidity problems, even bankruptcies across the sector were a clear indication of both lack of resources and lack of financial viability among the more active segment of NGOs. While there were undoubtedly a few success stories, the vast majority of NGOs, and especially the smallest, community-based ones barely survived the year.

NGO SUSTAINABILITY	
2003	2.7
2002	2.6
2001	2.6
2000	2.3
1999	2.0
1998	1.6

In the last full pre-accession year to the EU, voter turnout in Hungary was lowest among candidate countries. This showed deficiencies in the country as it prepares to join the EU. In the last year of targeted

NGO support from the EU, much of the pre-accession funds were not used.

The most enthusiastic player of the year in the field of NGO development was the Hungarian Government. A governmental strategy on the NGO sector was adopted; a Law on the National Civil Fund (NCF) was passed and is being implemented. Stimulated by the government, a sector-wide discussion on national representation of NGOs has started and grew into an evolving process. These initiatives revealed that political influence and dividedness is still an issue to be addressed in Hungary.

Besides the governmental NCF, a major private initiative, the Trust for Civil Society in Central and Eastern Europe (Trust for CEE), was also launched in Hungary. However, neither of these programs became operational in 2003.

Sustainability and independence at the organizational and sectoral level, mobiliza-

tion of local resources, and keeping up with the changed environment in the EU remain the greatest challenges.

LEGAL ENVIRONMENT: 1.3

The legal environment of NGOs in Hungary is considered to be supportive in general. As of June 2003 a new law on the National Civil Fund Program came into effect. The law establishes the National Civil Fund, an instrument designed to help provide institutional support to

LEGAL ENVIRONMENT	
2003	1.3
2002	1.4
2001	1.7
2000	1.0
1999	1.0
1998	1.0

Hungarian NGOs. To finance the Fund, the Hungarian government will provide matching funds based on the amount of actual taxpayer designations under the 1 percent tax designation law each year. The One Percent Law permits Hungarian taxpayer to designate 1 percent of his or her tax liability to a qualified NGO of their choice each year. Under the Civil Fund Law, the government will match the amount of actual tax designations each year, and will in no case contribute less than the 0.5 percent of personal income taxes collected. Thus, the more money that taxpayers designate, the more money will be contributed by the government to the Fund.

At least 60 percent of the Fund's resources each year will have to be dedicated to providing institutional support to NGOs in Hungary. The remaining funds may be directed towards the support of various programs related to the development of the NGO sector, including sector-wide events, research, education, or publications.

The highest governing body of the Fund will be a Council, consisting of 17 members, of which 12 are selected by NGOs. The law prescribes a mechanism of delegation called "the civil nomination mechanism". Implementation regulations detail the procedure for achieving a balanced representation among the Council members according to geographic and professional areas in which civil society organizations in Hungary operate. Actual grant decisions will be made by regionally delegated Colleges. Elections to the Council and Colleges will take place in the first months of 2004.¹

Although the initiative to create such a body as well as the size of the expected budget of the fund are to be commended, there are some issues regarding its positive impact on the long run. Here we would like to only summarize some of the of the pro- and con arguments:

- Is the strategy of the fund really effective? Wide spread financial support in a sector that is already highly dependent on government funding may strengthen NGOs or may lead to more dependence.
- Is state funded operational support an investment in social good or a waste of public money? Much will depend on the criteria and methods of providing it.
- Is majority governance by NGOs of a state fund a good thing? Be-

¹ Text on the National Civil Fund provided by ICNL.

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cause NGO representatives will be elected, it may mean, as intended, de-politicized decision-making. On the other hand, especially since conflict-of-interest regulations are not stringent enough, it may be seen as an accountability gap.

Another significant step in the NGO related legal framework in 2003 was the introduction of draft of the Volunteer Law. The law is expected to be approved in the first half of 2004. The impact of this law is clearly positive as it creates transparent and more supportive legal framework for volunteers and organizations working with volunteers. Issues that were not or not favorably regulated before such as taxation, health insurance, and benefits for volunteers. are clarified in the draft.

On the more problematic side, in 2003 the Hungarian Parliament adopted a new law on Party Foundations. This entitles foundations established by political parties to a certain percentage of budgetary support. As the new law was not discussed publicly, and the accountability regulations are quite weak, there is a general fear that this will negatively impact the public image of the sector.

In 2003 the Government of Hungary appointed a Minister of Equal Opportunities with the aim to harmonize strategies of different ministries dealing with disadvantaged groups. The governmental Department of Civil Relations will be housed by the office of this Minister as of 2004 which is seen as a loss of relevance of the department since it was earlier housed by the Prime Minister's Office.

ORGANIZATIONAL CAPACITY: 2.9

Divergence among the organizations at different levels of development within the NGO sector has increased. There are few well-resourced organizations, with a stable funding base. These are mostly the ones that are included in the state budget by name such as the Red Cross or the National Federation of Pensioners, or have been endowed by state property. On the other extreme, there are small NGOs of

ORGANIZATIONAL CAPACITY	
2003	2.9
2002	2.7
2001	2.8
2000	3.0
1999	2.0
1998	2.0

which many are essentially vanishing. According to data from 2001, 83 percent of NGOs with a budget under \$700 are in decay, short of resources, or stagnating. This is true also for 62

percent of NGOs above a budget of \$700, 32 percent of which are stagnating. This reflects a tragic situation whereby those grassroot NGOs that are closest to the needs in the communities are the ones not surviving the initial boom of NGO activity.

Most of the active mid-size NGOs are dependent on one type of source, usually state grants, but also other types, e.g. 84 percent of the income of human rights organizations comes from international private donors (unfortunately, many times also a single donor). The existence of these organizations is determined by the implementation of projects financed by their main donors. For most state supported NGOs this resulted in an increased exposure to political whims; for human rights groups it resulted in a disastrous

situation as their western donors closed their operations in Hungary.

In terms of geographical distribution NGOs in Budapest receive 75 percent of total state support, and regional differences also continued to grow.

Two initiatives aiming to increase resources for capacity building were started in 2003: the National Civil Fund – financial support for covering institutional costs; and the Trust for Civil Society in Central and Eastern Europe – the last major funding initiative of independent donors in the region. Both were in the phase of planning and preparation and didn't bring major changes on the sectoral level this year. Major activities within the Trust for CEE program are expected to be started early 2004, the NCF is expected to be operational the second quarter of 2004 at the earliest.

Also on the more positive side, in 2003 there was an increase of advanced level

training opportunities, e.g. EU project management trainings or governance and leadership trainings (including specialized ones for women, Roma or youth).

In terms of career opportunities within the sector the situation has become significantly more difficult. There was an increase in the wages of public servants, which used to be comparable to nonprofit wages. NGOs providing services in the same professions (teachers, nurses, caretakers) are now disadvantaged compared to the public sector in terms of salary level offered. In general the sector still does not offer a viable career opportunity to young people. There are some positive examples of ex-business people joining NGOs as they are seeking for jobs with bigger emphasis on societal or environmental impact but these are rather occasional.

FINANCIAL VIABILITY: 3.3

The trends from the recent years in terms of financial and income structure have continued. (The latest figures are from the

FINANCIAL VIABILITY	
2003	3.3
2002	3.0
2001	2.8
2000	3.0
1999	2.5
1998	2.0

last published report of the Central Statistical Office, collecting data from the year 2001). The continuation of trends is based on other non-representative surveys conducted in 2002-2003). The shift is towards increased

state support - the ratio of central state and local government support increased by 36 percent each in 2001. There was a 7

percent decrease in the level of private support for the sector, mainly from foreign private donors. NGO financial figures by type of NGO show that the foundations mainly operating foundations rather than grant making ones) ended the year 2001 with an overall deficit of 10 percent. They have started to consume their accumulated capital funds.

The trend of concentration of financing in a small number of NGOs also continues. Nearly 10 percent of the organizations realize more than 90 percent of the total income of the sector. Based on the last statistics there was 30 percent increase in the income of Public Benefit Companies (PBC) and over 40 percent increase in

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case of nonprofit institutions comparing to the last year. (These are usually quasi NGOs providing government services.) At the same time, as a result of further significant decrease of private foreign support and private support in general, there were some subgroups of NGOs that were close to bankruptcy and some have actually suspended operations.

The fact that in 2003 there were more organizations facing serious liquidity problems is a critical warning sign within the sector concerning financial viability. It shows how fragile these decade-old organizations really are. In addition, as both the central governmental and EU funds are based on a post-financing or partially post-financing mechanisms, financial management of projects will be one of the greatest challenges even for many otherwise highly professional NGOs.

Also contributing to the lack of resources for the sector in 2003 that there were major delays in launching the last rounds of pre-accession grants on the national level. There are EU programs (such as ACCESS) which were delayed by more than one year (in 2003 the budget for 2002 was distributed). True enough, other pre-

accession funds – directed not for the nonprofit sector - are often in a much worse delay.

On a more positive note, some new philanthropic initiatives took place in 2003. The capital of new private foundation endowed in the field of art rivals with the state public foundation supporting arts and culture. Media also picks up more charity collections (e.g. in reality shows). However, there is no concept or system behind raising and distributing these funds. Some foundations (e.g. the United Way) aim to professionalize philanthropic giving. In general, the lack of indigenous foundations is still an issue.

Finally, the increase of One Percent recipients continued in the last year as there were 21,700 organizations receiving this kind of support. The Hungarian Tax Authority also recorded a slight increase in the total amount designated for NGOs (total 27.7 million USD). On the other hand this income represents only 0.8 percent of the total financing of the sector.

ADVOCACY: 3.3

While the previous years didn't bring major changes in terms of advocacy, in 2003 there were unprecedented developments

ADVOCACY	
2003	3.3
2002	3.5
2001	3.5
2000	3.0
1999	1.5
1998	1.0

in this field. The public debate of the draft on the law on the National Civil Fund (NCF) early in the year triggered public discussion on NGO representation in the highest decision mak-

ing body. The governmental initiative to form an interest representation body which should act as "the" partner of the state on behalf of NGOs, was challenged and delayed by a big part of organizations actively engaged in the discussion. (The original idea of the government was that such an organization could become the body running the NCF.) The debate will continue further in 2004 but now there is less pressure from the side of the state and the sector has more time to identify

an optimal structure and way of operation. A National Civil Representation is actually being organized as a separate initiative but the green movement – with other NGOs - advocates for a consensual, slower approach.

In the meantime, NCF decision making bodies will be elected through a special electoral procedure already announced for late January 2004. This procedure is considered to be very democratic but is unfortunately potentially flawed. For example, the delegate who receives the most votes from those present will win, which means that there is a possibility of someone getting elected by, say 10 percent of those present, if there are several candidates and all others receive less than 10 percent of votes. Also, there is no professional requirement regarding those who could be elected (“delegated”), which means that someone who has until now been the manager of a local sports club and has no wider understanding of the sector may in theory be elected into the national governing Council.

Despite such problems, the process of adopting the NCF itself was a good learning experience for key NGOs who were involved in lobbying and developing the law. Other legislative initiatives (e.g. the law on equal opportunity, on anti-discrimination, on legal aid) also en-

hanced the ability of NGOs to participate in the decision-making process. Besides legislation, there were some advocacy topics initiated by civil organizations that were covered more broadly in the media, such as a movement against animal torture or a campaign against domestic violence.

The EU referendum past in Hungary but it produced a low turnout of only 46 percent. The lack of ability to mobilize citizens for such a significant decision was a failure for NGOs, government, and the opposition.

However, with the EU accession approaching, new aspects of advocacy work have also been introduced. These include, e.g. the preparation for advocacy within the EU structures (e.g. participation of Hungarian NGOs in the ECOSOC), or the formation of HAND (Hungarian Association of NGOs for Development) as a tool to influence the future foreign aid policy of the Hungarian government.

There has also been increased advocacy activity at the local level, with local governments and the so-called “smaller regions”. At this level, citizens are increasingly recognizing the need to join forces across sectors and advocate for funding and development opportunities.

SERVICE PROVISION: 2.3

Regarding service provision, one cross-cutting theme in Hungarian politics affected NGOs this past year, i.e. the war on corruption. Corruption is a major issue in Hungary across all sectors and the government made a strong commitment to transparency and accountability in the use of public funds. Therefore, they passed a law on the use of public funds that prescribes more stringent rules for any or-

ganization, including NGOs that receive state funding. This and the increased number of post-financing funds for various services are creating problems for service providing NGOs.

At the same time, normative support (per capita support for state services) and much of the ministry support is still politicized and provided based on personal

preferences of government officials. There are no legal or customary guidelines regarding contracting with NGOs and the liabilities contracts place on NGOs vary tremendously. Hopefully with the new regulations on accountable use of public funds this will slowly

SERVICE PROVISION	
2003	2.3
2002	2.3
2001	2.3
2000	2.0
1999	2.5

change.

change.

An interesting phenomena is the increase of state founded PBCs (as mentioned above) in the year when there was a 10-15

percent across-the-board layoff in the governmental sphere. It seems as though some ministries and government agencies tried to “rescue” their employees by ensuring them employment in these quasi-NGOs.

With the increased funds available for EU project implementation, many service providing NGOs are clearly positioning themselves in this segment. Indeed, the accession will open up new opportunities for investment, such as the introduction of quality assurance systems or technological development.

INFRASTRUCTURE: 2.4

There hasn't been much development in the infrastructure of civil society organizations in the past year. The general trend, however, seems to be a positive one.

Perhaps the most visible area of development has been the Internet. Websites providing various services for NGOs (besides the main portal, nonprofit.hu) proliferated and seem to be working well. Internet also

INFRASTRUCTURE	
2003	2.4
2002	2.5
2001	2.5
2000	2.0
1999	2.5

served as the main communication platform during the discussion of the NCF and civil representation.

Further, there was an increase in small companies catering to NGO needs mainly in the areas of communication (related to the 1percent campaigns), legal-fiscal advice and fundraising. Their level of professionalism varies but they indicate that there is a potential market there. Large PR companies are also more and more inter-

ested in collaborating with NGOs on 1 percent campaigns.

Government support for civil infrastructure continued. National Civil Houses grants were awarded by government again in 2003. Although the size of their budget received from the state has remained almost the same in the last three years, they reported increased pressure from the state side to expand their services from this budget.

Bad news for 2003 included the cutback of the nonprofit department at the Central Statistical Office. While the budget and therefore the scope of the statistical research of this sector has already been curtailed in 2001, as of this year they have almost eliminated all activity.

The Telocottage network has recently been financed through different state and foreign sources. In many cases Telecottages lost their status as a significant place for the local community. It seems that they were not able to give proper an-

swers to the major financial or strategic questions about the network. A few really good ones still operate and fulfill their community functions. As for the rest, other

initiatives such as Civil Houses and other local NGOs are picking up services formerly offered by Telecottages.

PUBLIC IMAGE: 3.2

Media presence of NGO related issues in 2003 was higher than before. This was due in part to the NCF and in part to controversial issues addressed by NGOs, such as drug use or prostitution. Discussions started in mainstream political news media (especially the press) on the role and importance of NGOs. At the same time there were scandals that made the foundation image worse again in this

PUBLIC IMAGE	
2003	3.2
2002	3.0
2001	2.8
2000	2.0
1999	2.0
1998	2.0

year. E.g. there were a series of foundation operated social homes for elderly that went bankrupt and the inhabitants were left alone without care for weeks until

in the end the local government resolved the situation (usually by selling the home and moving the old people out of the institution).

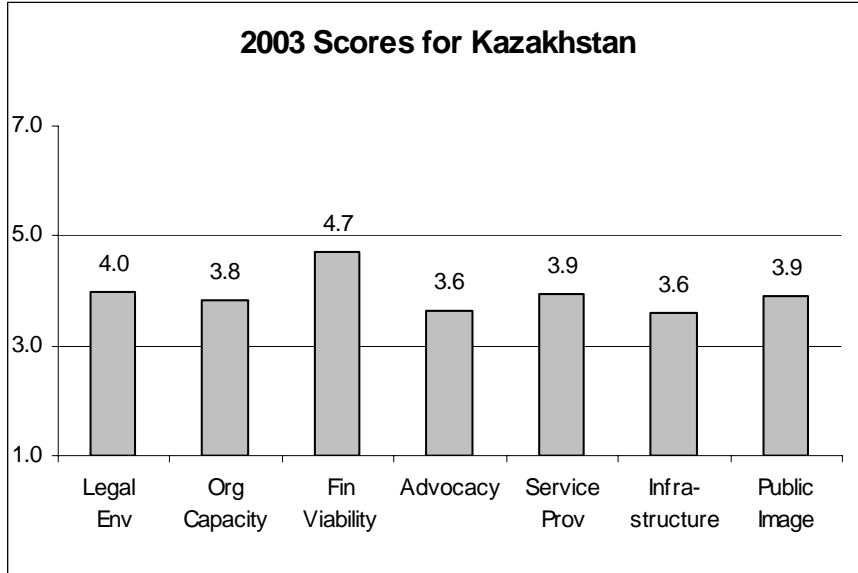
Some of the bankrupt NGOs, for example the only Roma radio (Radio C) made it to the cover of newspapers by making exaggerated pleas to the government for funding. The image of a bankrupt NGO

(however admirable and important their mission is) loudly demanding, and getting, government support may not be the best message from the point of view of an independent civil society.

The One Percent still has a positive influence in terms of acquainting the general public with activities of a range of NGOs. (It is only slightly worrisome to see the impact of the Child Cancer Foundation scandal on its 2003 results: publicity increased designations despite the fact that the conduct of the foundation had been problematic.) As of this year, all NGOs that received such support have to publish a report in the press, which is expected to cost more but increase accountability.

As to the number of state-established PBCs is continuing, there are again more voices and debates testifying the political influence on the sector. There is an increased number of scandals in the media regarding those organizations. Newly established party foundations described in the legal chapter also represent a potential problem.

KAZAKHSTAN



Capital: Astana

Polity:
Presidential
(dominant party)

Population:
14,800,000

**GDP per capita
(PPP):** \$5,871

NGO SUSTAINABILITY: 3.9

According to official statistics, about 4,000

NGO SUSTAINABILITY	
2003	3.9
2002	4.1
2001	4.3
2000	4.7
1999	4.8
1998	4.4

NGOs are registered in Kazakhstan, involving about 35,000 permanent employees; 50,000 temporary employees; and over 40,000 volunteers. However, only 1,000

NGOs are considered active. The vast majority of NGOs are temporary, dormant, or quasi-governmental. The latest trend is the creation of quasi-NGOs working in the same sectors as and in opposition to politically active and independent NGOs, especially those involved in youth and election advocacy.

The NGO sector matured in several aspects, especially advocacy. Beginning in

fall 2003, the Government pushed two major laws affecting NGOs – a new NGO law and a Law on Social Contracts. The Law on NGOs contained several negative provisions, e.g., a prohibition for NGOs to be involved in political matters, dividing NGOs into “socially useful and non-useful”, a requirement to publish all information about activities of NGOs, discriminatory treatment of international and foreign NGOs, and possible limitations on trade unions activities. The USAID-funded network of NGO resource centers, the Youth Information Service of Kazakhstan, and the Confederation of NGOs of Kazakhstan mobilized a coalition of over 200 NGOs to promote greater participation of NGOs and independent experts in drafting the new NGO law. The campaign included meetings with local and national level government officials, press conferences, formal appeals and petitions, a web site, and con-

ferences. As a result, the draft law was publicly criticized by the President and overturned. Other successful advocacy campaigns included lobbying against a draft law on importation of nuclear wastes, and a law on religion.

The Government continues to push the Law on Social Contracts. It is expected that the Government will have tenders with social NGOs to provide a wide range of services. However, some NGOs believed that this is done not just to develop social partnerships between the government and the third sector, but to ensure more control over NGOs, specifically advocacy-oriented NGOs. There were cases when local governments “encouraged” NGOs to stop working with international donors. At the Civic Forum, organized by the Government with the participation of President Nazarbayev in October 2003, the Government announced its objective to reduce the amount of international grants to NGOs.

NGOs continue to be strongly dependent on international donors. The business community does not have enough incentives to be engaged in philanthropy. There are cases, however, when local government works in cooperation with the business sector and NGOs on developing and maintaining grant funds for indigenous groups. Some big foreign companies are ready to donate funds, should there be more incentives. Kazakh NGOs are becoming more mature, focusing more on issues affecting their activities, as well as social issues in the country. The advocacy effort against the draft NGO Law has proved that NGOs can influence the decision-making processes in the country if they consolidate.

LEGAL ENVIRONMENT: 4.0

The Government’s attempt to adopt a new NGO law, which would have introduced several negative provisions that might

LEGAL ENVIRONMENT	
2003	4.0
2002	4.2
2001	4.5
2000	4.5
1999	5.0
1998	4.9

have affected the overall civil society situation, failed due to a tremendous advocacy campaign launched by a coalition of 200 local organizations supported by international organizations.

NGOs continue to operate based on the existing laws that sometimes contain discrepancies used by the government to influence NGOs’ work. There is no legislation allowing the government to shut down

NGOs; however the government usually targets NGO leaders and not NGOs as entities. According to the existing regulations, an NGO leader may be put in jail for illegal NGO activities (as opposed to administrative penalties, as it was before). This especially happens when NGOs are involved in politically-related activities (e.g., *the Network of Independent Monitors*). Many NGOs may be referred to as “politically active”, as the number of advocacy campaigns is on the rise.

Tax coding was introduced which aimed to simplify taxation of NGOs. However this does not work efficiently, and in reality some tax privileges are not afforded to NGOs. Whereas NGOs are exempted

from VAT and income tax, some NGOs were forced to pay taxes. If NGOs are involved in income-generating activity, then they are subject to all taxes. Availability of skillful NGO lawyers is sporadic. USAID is establishing a cadre of local lawyers

placed in Civil Society Support Centers to provide legal assistance to indigenous organizations. Most NGOs do not possess legal skills and information, and face difficulties in dealing with the government and tax police.

ORGANIZATIONAL CAPACITY: 3.8

Some NGOs have strong organizational capacities, and many of them have clearly-defined missions. However, many young organizations lack resources. Volunteerism is often used, especially for one-time actions. A culture of volunteerism, however, has still not been developed apart

ORGANIZATIONAL CAPACITY	
2003	3.8
2002	4.0
2001	4.2
2000	5.0
1999	4.5
1998	4.0

from involvement in mass actions. Many NGOs have paid personnel, but they usually lack funds to implement projects.

Boards of Directors continue to be undeveloped. There is no clear understanding among NGOs why they are needed. Some organizations have reached the point when they realize the necessity to differentiate functions

among different management structures. Usually, this applies to accredited members of international organizations where pressure comes from the international headquarters (e.g., *Special Olympics*). Some organizations use other management structures, like Boards of Trustees and others. However most NGOs are built around personalities rather than issues. Technical advancement is still weak, despite improving economic situation in the country, especially in the regions. Many NGOs possess outdated equipment received as grants from international donors. However, in big cities, like Almaty, many NGOs have an access to Internet and other information resources.

FINANCIAL VIABILITY: 4.7

FINANCIAL VIABILITY	
2003	4.7
2002	4.8
2001	5.0
2000	5.5
1999	5.5
1998	4.4

NGOs continue to be strongly dependent on international donors. There are still no legal mechanisms and incentives for the business community and govern-

ment to fund NGOs. The Government has been pushing the Law on Social Contracts, which may be adopted soon. Then NGOs will be able to participate in competition for state grants. In addition, pilot grant making has already taken place, and several organizations already received funding from the government. Nevertheless, it is hard to expect that political and

advocacy-oriented NGOs will ever be able to receive such grants, so the state fund is only limited to service providers and certain themes.

Several large companies are involved in grant making (e.g., Mobil, Phillip Morris, Coca-Cola, etc.). Local business is not very involved in philanthropy. This is partially explained by a lack of significant incentives for local business and partially by a fear of becoming involved in politically sensitive matters dealing with NGOs. It is also hard to expect that advocacy and

human rights groups may receive significant financial support from businesses.

Despite this, there are several examples of well-established social partnerships. The Kustanai Civil Society Support Center managed to develop a fund with the government and the business community to redistribute funds to indigenous organizations. This initiative was well supported by all sectors. Some organizations collect membership fees but they are not enough to make them fully sustainable.

ADVOCACY: 3.6

Advocacy skills of most NGOs increased as a result of several successful major nation-wide advocacy campaigns, including a campaign against importation of nuclear wastes to Kazakhstan (a coalition of Environmental NGOs together with the Ak Zhol

ADVOCACY	
2003	3.6
2002	4.0
2001	4.3
2000	4.5
1999	4.5
1998	4.5

Party), a campaign against a new NGO Law (the Platform – a coalition of 200 NGOs), as well as advocating for a more democratic election law (the Network of Independent Monitors), for better living conditions for students and an end to corruption in the university system (Youth Information Service of Kazakhstan), and others. Advocacy campaigns became wider and included more participation from NGOs than before. Ad-

vocacy is usually implemented against something and not in favor of something.

Advocacy is better developed at the national level and in major cities than in the regions. Despite this, some advocacy attempts were also successful in the regions, e.g., a campaign against logging in Eastern Kazakhstan. Usually NGOs lack professional advocacy leaders, as well as skills and knowledge of lobbying. This sometimes creates a negative attitude by the government towards NGOs, who are not taken seriously. Relationship with the local governments usually depends on the personalities of the governors and may vary from very negative to very cooperative. In light of the upcoming Parliamentary elections in 2004, some political parties began seeking cooperation and support from the strongest NGOs, and some NGOs may politicize their activities.

SERVICE PROVISION: 3.9

Kazakhstan NGOs provide quite a wide range of services, mostly in the social sphere, like health, education, rights pro-

tection of different targeted groups, environmental protection, housing, etc. However, NGOs can rarely reimburse their ex-

SERVICE PROVISION

2003	3.9
2002	4.0
2001	4.0
2000	4.7
1999	4.5

penses – most of the targeted groups come from the most vulnerable social strata unable to pay fees for the services that they receive. NGOs began providing market research, which helps

them address the actual needs of their constituents.

The country's tax code allows for socially-oriented NGOs to engage in revenue generation, provided that all profits are reinvested into the organization's core mission. In this case, it provides for good tax incentives. However because of the complexity of applying the law in practice, frequent interference of the tax police into NGOs' bookkeeping, and reluctance of

some of them to receive money from business entities, most social NGOs continue to be heavily dependent on international donors. The Government has established the National Grant Fund to provide funding for socially oriented NGOs, and a draft law on Social Contracts will be discussed in the Parliament soon. It is expected that socially oriented NGOs will be able to fully use this new resource. In light of this, pressure from the Government has increased on those NGOs who receive money from international donors, and there were cases when government officials told NGOs to stop working with international donors.

INFRASTRUCTURE: 3.6

INFRASTRUCTURE

2003	3.6
2002	3.9
2001	4.1
2000	4.5
1999	5.0

centers funded by organizations, such as Counterpart International with USAID's funding, Open Society Institute, and UNDP. Some

of them may provide paid services, however it usually does not constitute more than 10 percent of the centers' income. Many of them provide training courses for NGOs. Although trainings are available in the Kazakh language, the quality of materials and professionalism of trainers are usually lower than of those in Russian. Some courses have been adopted for the business communities and there are business representatives who are ready to pay for trainings. Several organizations established a League of Trainers with a cadre of professional trainers capable of providing

trainings on various important topics. There are funds established by NGOs (e.g., a Resource Center in Kustanai), who serve as an intermediary organization to re-distribute grants to local organizations. However, such examples are still very uncommon.

This year has seen several examples of successful coalition building in Kazakhstan. A coalition called "the Platform" united over 200 NGOs to advocate against a new NGO Law that would have negatively affected the NGO operation, if passed. Another coalition of environmental NGO successfully advocated against the Law on Importation of Nuclear Wastes. The success in creating coalitions becomes more visible as NGOs become more mature and as long as there are issues that unite them. Despite that, it frequently happens that NGOs are uncoordinated and too competitive. In an apparent

effort to increase its control over NGOs, the Government recently organized a Civic Forum, where over 300 representatives of NGOs were invited from all over the coun-

try. However, the government attempted to exclude many advocacy NGOs from participation, and nomination for the Forum was coordinated by the governors' offices.

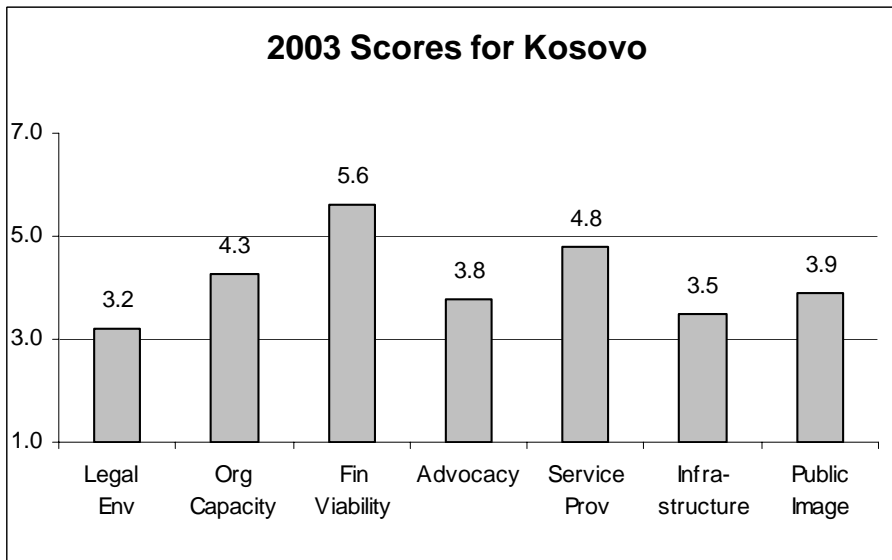
PUBLIC IMAGE: 3.9

Although public awareness of the role NGOs play in civil society improved (according to the 2002 USAID poll, 33.6 percent are aware of NGOs), there is still a very low percentage of citizens who are members of NGOs (2.3 percent) or who were positively affected by NGOs (2.7 percent). However, NGO public image in general is on the rise. Advocacy campaigns, like a campaign against nuclear wastes, improved the image of and made NGOs a serious force in affecting the decision-making process.

PUBLIC IMAGE	
2003	3.9
2002	3.9
2001	4.1
2000	4.5
1999	4.5
1998	4.0

Although most NGOs lack money for self-advertisement, NGOs' involvement in advocacy made mass media pay more attention to the third sector. There are TV programs and newspaper articles about NGOs and civil society. However, mass media is not always professional in conveying information about NGOs. The ongoing work of grass-roots organizations and community-based organizations serves to steadily increase the visibility of these groups in their local communities and among their constituents. Most NGOs do not have ethical norms developed unless they are members of international organizations (e.g., the League of Consumer Rights Protection).

KOSOVO



Capital:
Pristina

Polity:
International protectorate

Population:
1,850,000

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

NGO SUSTAINABILITY: 4.2

Kosovo continues to face many of the same challenges in the political and economic arena as it did a year ago. The transfer of powers from the United Nations Mission in Kosovo (UNMIK) to the Provisional Institutions of Self Governance (PISG) is very slow, unemployment figures remain above 40 percent, and there is a noticeable increase in social tension particularly amongst those employed in sectors financed by the Kosovo Consolidated Budget. The recent international pressure on the PISG to enter into dialogue with Belgrade authorities has also contributed to increased ethnic tension, a factor which undermines positive and progressive developments, especially at the local level.

NGO SUSTAINABILITY	
2003	4.2
2002	4.3
2001	4.6
2000	4.6
1999	4.4

The number of registered NGOs has doubled to 2,000 over the past year, but this number includes many defunct NGOs because there is no process for de-registering inactive NGOs. The number of active NGOs ranges from 100 to 150, not counting scores of informal citizens groups that are also active, mostly at the local level. The relationship between the PISG and NGOs continues to be good. In the past year there have been more examples of NGOs coalescing around issues of concern of their constituencies, both locally and Kosovo-wide. A number of laws and regulations have been adopted or changed as the result of successful advocacy campaigns. It has been noticeable however, that NGOs outside of the capital have been more successful in advocating for their constituencies. NGO activities have been receiving considerable media coverage at both local and central level. Nevertheless, their access

to UNMIK decision-makers in the area of reserved powers has been minimal. In addition, a majority of NGOs have been

struggling to keep their staff and offices functioning, as funding from international donors is thinning rapidly.

LEGAL ENVIRONMENT: 3.2

Kosovo's legal environment continues to be very favorable. NGOs had no problems registering and their operations have not been restricted by laws. There is no State

LEGAL ENVIRONMENT	
2003	3.2
2002	3.3
2001	4.0
2000	3.0
1999	3.0

control over the activities of NGOs, and generally, NGOs are well protected from being dissolved by the State for political or arbitrary reasons.

However, local legal capacity of NGOs is very weak. There is only one organization that is currently giving legal advice to the

NGO community, and legal advice for NGOs outside of the capital is scarce. Although NGOs have been given tax exemption status, the administrative procedures for receiving and maintaining the public benefit status are very complicated.

Although the law allowing NGOs to earn income and to compete for Government contracts at the local and central level is favorable to the NGO community, existing taxation laws that regulate tax exemptions for NGOs are ambiguous and ill-defined. These laws have not encouraged private sector donations to NGOs.

ORGANIZATIONAL CAPACITY: 4.3

Because most NGOs are engaged in activities based on priorities set by international donors, their links to constituencies remain weak. However, a few new NGOs are actively building their constituencies. These include business associations

ORGANIZATIONAL CAPACITY	
2003	4.3
2002	4.2
2001	5.0
2000	4.5
1999	4.5

promoting locally produced goods and human rights associations dealing with the issue of the missing persons. NGOs with the strongest links to

their constituencies are service delivery organizations, professional associations, and human rights NGOs. Many of these NGOs were active during the 10 years of

Kosovo's peaceful resistance to the Milosevic regime before 1999, a period known for wide-spread volunteerism. These NGOs are still benefiting from that past.

Few NGOs have clearly defined missions or incorporate strategic planning techniques into their decision making. A small number of NGOs have taken the initiative to build internal management structures, mainly responding to pressure from international donor organizations. However, the division of responsibilities between Boards of Directors and staff members is poorly defined.

Due to decreased funding, NGOs are losing key staff members to the private sector or to international organizations. Nev-

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ertheless, most NGOs, especially those outside the capital, are equipped with modern office equipment. In addition,

some NGOs are receiving used equipment from international NGOs that are rapidly closing their programs in Kosovo.

FINANCIAL VIABILITY: 5.6

International donors remain the primary source of funding for the majority of issue-oriented NGOs. However, a small number

FINANCIAL VIABILITY	
2003	5.6
2002	6.0
2001	6.0
2000	6.0
1999	6.0

of NGOs dealing with post-war related issues have successfully raised funds from local sources as well as the Kosovar Diaspora. These include the Association of the Missing and Abducted

Persons During the War, The Association of the War Invalids, and the foundation "Friends of Kosovo Protections Corps."

Most NGOs are facing severe cuts in the level of funding they receive from international donors. NGOs are used to functioning with large budgets and have difficulties

adjusting to smaller scale projects and smaller levels of funding.

Although the number of NGOs with sound financial management systems in place is small, it is larger than it was a year ago. Independent auditors conducted audits of a dozen NGOs, and the NGO Registration has made all annual financial reports of NGOs with public benefit status available to the public.

Despite the very favorable legal framework, there are almost no NGOs that have competed for Government contracts or that are seeking to earn revenues from Government services.

ADVOCACY: 3.8

As more NGOs start to engage in advocacy, the problem of a two layered government, involving the

ADVOCACY	
2003	3.8
2002	4.1
2001	5.0
2000	4.5
1999	5.0

PISG and UNMIK, and of the issue of undefined competencies between the two is becoming more evident and is proving to be an impediment

to several ongoing advocacy campaigns and is a discouraging factor for NGOs that plan to engage in advocacy. Unfortunately,

the so called "gray areas of responsibility" cover very large sectors of political and social life. These include rule of law, security, tax policy, elections, and macroeconomic policies. Since these are mostly central level government concerns, this provides an explanation as to why NGOs advocating on the local level have been much more successful than those in the capital.

Nevertheless, the relationship between NGOs and the PISG, at both the local and central level is described by many NGOs

as excellent. Local and central government see NGOs as resources from which expert opinions can be sought. For example, the NGO Internet Provider Kosovo (IPKO) was invited to the first ever public hearing of the Kosovo Assembly organized by the Committee on Telecommunications. IPKO was consulted on the benefits of a liberalized telecommunication market. However, some Parliamentary Committees have not been as receptive to NGO expertise. Such is the example of the

Gender Equality Committee, which rejected input from the women's rights NGOs and other organizations dealing with issues of gender equality.

There are an increasing number of examples of NGOs lobbying individual politicians, but it is unclear whether the response of these politicians is due to NGO lobbying or to the influence of powerful donors affiliated with these lobbying organizations.

SERVICE PROVISION: 4.8

NGOs continue to provide a range of services, but on a much smaller scale than

SERVICE PROVISION	
2003	4.8
2002	5.0
2001	4.0
2000	5.0
1999	4.0

before. These services are in the areas of health, education, humanitarian relief and housing. However, the goods and services that these NGOs provide do not necessarily reflect the

needs of their constituencies, but rather the priorities of their respective donor organization.

During the past year it has been noted that goods and services that go beyond basic social needs have started to be provided to constituencies broader than the NGO's

own membership. However, the notion of recovering any of their costs by charging fees for these goods and services remains unacceptable to the NGO sector.

The government generally respects the service delivery NGOs. However, there are cases where local government has felt threatened by the respect that these NGOs have gained within their communities. Some governments have subsequently tried to control and/or take credit for NGO achievements. There are no examples of government grants or contracts enabling NGOs to provide services.

INFRASTRUCTURE: 3.5

INFRASTRUCTURE	
2003	3.5
2002	3.7
2001	4.0
2000	5.0
1999	5.0

There are a number of NGO resource centers functioning throughout Kosovo. These centers provide various services

ranging from making physical infrastructure available to NGOs, to providing training and one-on-one technical assistance. For example, the NGO Resource Center in Pristina provides legislative briefings for NGOs and serves as a forum for the public discussion of laws that are pending in the Kosovo Assembly. All of these centers are

2003 NGO Sustainability Index

well equipped and are connected to the internet, however, many are facing serious funding problems as major international donors are withdrawing their assistance and very few centers are earning income for their services.

There are a total of 5 grant-making foundations. Most of these serve to re-grant international donor funds to NGOs. One exception is the Union of Funds for Reconstruction of Kosovo (UFORK) which is re-granting funding that has been collected locally and from the Diaspora during the 1990s.

During the past year, it was common for NGOs working in the same sector to coalesce, share information, and organize networks. For example, women's rights NGOs have established the Kosovo Women's Network, youth NGOs have established the Kosovo Youth Network, and political process NGOs established networks for monitoring elections. However,

the NGO sector as a whole does not currently have an organization or committee through which it can promote its interests.

The number of local trainers that provide courses in NGO management is increasing, and basic management training is available to NGOs, especially in the capital. In addition, more advanced training is becoming available to NGOs, and course materials are available in local languages.

There is also an increase of NGOs working in partnership with local businesses and media to achieve common objectives, but these activities are in initial phases of development. Nevertheless, different sectors are becoming aware of the advantages of cross-sectoral partnerships.

PUBLIC IMAGE: 3.9

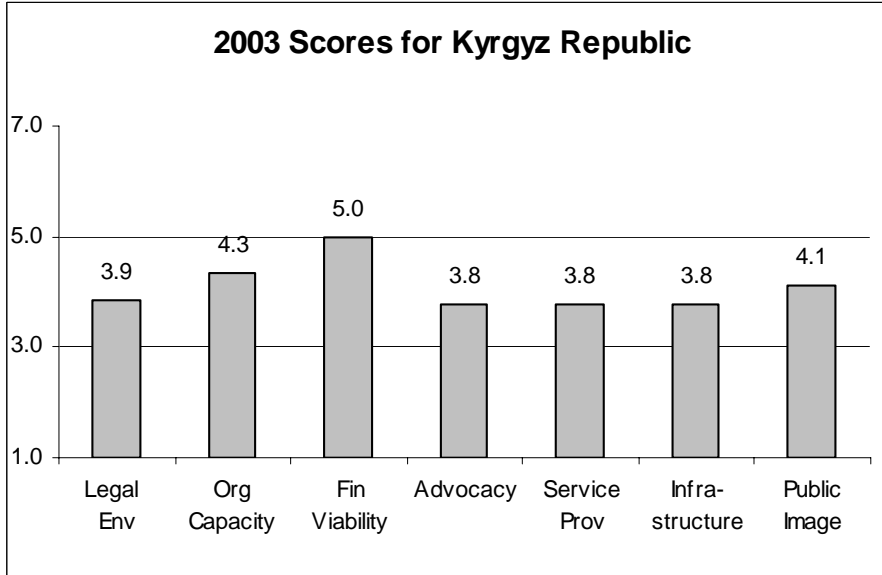
Print media, in particular broadcast media, followed the work of NGOs very closely in 2003. This is most likely due to the need of broadcast media to fill their program schedules with programs of local content. Nevertheless, the coverage provided positive analysis of the roles that NGOs play in civil society.

PUBLIC IMAGE	
2003	3.9
2002	3.9
2001	4.5
2000	4.0
1999	3.5

The perception of NGOs is generally favorable. However, the fact that some NGO leaders drive expensive cars and receive large salaries is damaging the public perception of the NGO sector.

Partnerships between NGOs, the private sector and government are beginning to emerge - an indication that NGOs are well perceived by other sectors. Nevertheless, the NGO sector has not adopted a code of ethics, which is generally damaging to the sector.

KYRGYZ REPUBLIC



Capital:
Bishkek

Polity:
Presidential

Population:
5,000,000

GDP per capita (PPP): \$2,711

NGO SUSTAINABILITY: 4.1

NGO SUSTAINABILITY	
2003	4.1
2002	4.0
2001	4.3
2000	4.3
1999	4.1
1998	3.9

The NGO sector in the Kyrgyz Republic is still probably the most active in Central Asia. There are about 1,050 NGOs according to the old Counterpart International database, which is currently being updated and includes 439 active NGOs. NGOs enjoy more or less favorable conditions for active participation in the development of civil society compared with other Central Asian republics. However, dependence on foreign funding sources for active NGOs, especially in the capital of Bishkek, has led to an increase of NGOs involved in service provision to generate revenue.

currently being updated and includes 439 active NGOs. NGOs enjoy more or less favorable conditions for active participation in the development of civil society compared with other Central Asian republics. However, dependence on foreign funding sources for active NGOs, especially in the capital of Bishkek, has led to an increase of NGOs involved in service provision to generate revenue.

This tendency may continue as pressure from the government on advocacy organizations increases. A successful nationwide referendum introduced major changes to the Constitution of the Kyrgyz Republic. The most active and independent NGOs in the country experienced high levels of pressure from the government before and after the referendum, through administrative structures and government-controlled media outlets. This was especially evident in the rural areas. This pressure forced some NGOs to pull out of the advocacy campaign against the referendum. Nevertheless, NGOs in Kyrgyzstan continue to be more involved in drafting better legislation related to nonprofit organization's activities and further pursuing the ultimate goal of becoming independent and significant players in the country's democratic development. The USAID-funded network

2003 NGO Sustainability Index

of NGO resource centers initiated a national advocacy campaign to promote a bill to amend the tax code in favor of NGOs was signed by the President. This new law provides clear descriptions of all nonprofit organizations and guidance to amendments in the tax code which makes humanitarian aid and grants tax exempt. This should provide a better basis for sustainability of NGOs in the country.

The general overview of the NGO sector in the Kyrgyz Republic can be described as primarily dependent on international assistance, though the active local NGOs have begun to implement public outreach programs and introducing transparent and accountable financial management.

Unless it is politically sensitive, local government officials, especially those who have been elected, acknowledge the importance of NGOs and try to cooperate with them, especially in service provision. There is however still need for further development within the NGO sector. Aside from problems of sustainability caused by the deteriorating economic situation, most NGOs still lack the professionalism and access needed to truly become partners with the government to push for reforms.

LEGAL ENVIRONMENT: 3.9

LEGAL ENVIRONMENT	
2003	3.9
2002	3.7
2001	5.2
2000	4.3
1999	3.5
1998	3.9

NGO registration is still relatively easy in the Kyrgyz Republic. The current legislation allows NGOs to start and operate within two weeks on average. The new law was adopted on March

8, 2003, which introduced additional amendments and changes to the Tax Code of the Kyrgyz Republic. This law clearly defines civil society organizations, including non-government, and exempts humanitarian aid and grant assistance from taxation. However, there is still a lack of information outside of major urban areas regarding current legislation and technical assistance made available to NGOs.

Depending on how they are implemented, several constitutional amendments introduced by the February constitutional ref-

erendum may undermine civil society development, including a vague provision on engagement by NGOs in political activities. The Ministry of Justice cited this provision in its initial denial of re-registration to the Coalition for Democracy and Civil Society in the summer of 2003. Registration was ultimately granted.

There are some incentives in the Tax Code for business communities. Companies may be tax exempt for up to 5 percent if they donate money to public organizations. There is a Law on State Purchase, but stimulating grants from the government are distributed on a centralized basis, usually to support only utility infrastructure. In most cases, NGO are not aware of this provision. Officials usually have little understanding of the NGO sector, and they use pressure whenever NGOs begin to be involved in politically sensitive matters. During the recent referendum to amend the Constitution, all NGOs involved in the advocacy campaign

against it, experienced tremendous pressure from the government including that from the tax authorities. There is a general

lack of lawyers specializing in NGO law, especially in the regions.

ORGANIZATIONAL CAPACITY: 4.3

ORGANIZATIONAL CAPACITY	
2003	4.3
2002	4.3
2001	4.0
2000	4.0
1999	4.0
1998	3.9

NGOs are slowly gaining more potential in organizational capacity. Bishkek and Osh, two major cities, are the main urban areas where a few most active and strongest

NGOs exist. Most registered NGOs outside of cities are still organizationally weak. However in general, there has been a small increase in the number of self-sustainable civil society organizations. Many NGOs still exist only based on the availability of grants and subsequent projects. Grants are often used for equipment and salaries, not towards provision of technical assistance for better organizational capacity. The total number of donors decreased over the year, and there is a general insufficiency of institutional grants.

The sector continues to struggle with growing pains as it converts from a dispersed group of “Non-Governmental Individuals” to actual “Non-Governmental Organizations.” Additional training is required to foster this process in the areas such as strategic planning, corporate and financial management, and leadership. Usually NGOs have limited paid permanent staff, since their income is not stable and, for the most part, depends on grants from international donors. More often, organizations utilize the services of local volunteers, whose number is growing. Volunteers are usually attracted for specific projects, and there is no established volunteerism culture in the country.

FINANCIAL VIABILITY: 5.0

FINANCIAL VIABILITY	
2003	5.0
2002	5.0
2001	5.5
2000	5.5
1999	5.5
1998	4.2

The Kyrgyz economy continues to experience a decline, which negatively affects local philanthropy and the sustainability of the third sector as a whole. There are very few NGOs that rely on self-financing

and the majority of active NGOs are supported from foreign sources of funding. Several business associations emerged

that attempted to raise funds. There are also some NGOs that never applied for grants and are not too much interested in them; however their number is very limited. If NGOs begin being involved in commercial activity, some of them may lose their mission and turn into commercial organizations. Many NGOs began engaging in auditing processes to ensure complete transparency and financial accountability. Some of them began publishing their financial reports. Although this is not required by law, this was initiated by

NGOs as they start realizing of the importance of transparency in their work.

Slowly, the government is acknowledging the role of non-government organizations as better equipped and faster to respond in service provision, especially at the local level. Advancements in the legislation re-

lated to local self-governments and community organizations resulted in possible allocation of government funds to support local civic organizations. However, this will be limited only to service provision organizations, and politically active NGOs will still be dependent on international grants.

ADVOCACY: 3.8

NGOs become more active in pushing reforms in the country. Several advocacy campaigns were conducted, some which were successful. One advocacy campaign

ADVOCACY	
2003	3.8
2002	3.3
2001	3.0
2000	3.5
1999	3.5
1998	3.5

focused on taxation, which is one of the most important issues for the sustainable development of NGOs. A task force, consisting of deputies of the Legislative Chamber of the Kyr-

gyz Parliament, representatives of local NGOs and the International Center for Not-for-Profit Law, developed a bill amending the tax code. The USAID-funded network of NGO resource centers initiated a national advocacy campaign to promote this bill and conducted 14 round tables in all provinces of Kyrgyzstan with participation of 350 people representing NGOs, mass media and state institutions. As a result, on March 8, 2003, the bill entitled "Amendments and Additions to the Tax Code of the Kyrgyz Republic" was signed by the President and on March 14 it was put into force. This new law provides clear descriptions of all nonprofit organizations and guidance to amendments in the tax code which makes humanitarian aid and grants tax exempt.

As NGOs' involvement in the decision-making process becomes more visible, pressure from the government on NGOs increases as well. NGOs experienced an unprecedented pressure from various levels of government during a campaign against the referendum to amend the Constitution in February 2003. The measures taken by the Government forced some NGOs to step back from advocacy activities. Despite this, leading NGOs set up roundtables and seminars with the government participation to shed more light on the main activities and changes related to the Constitutional referendum. Several new constitutional amendments with vague, potentially restrictive provisions on civil society organizations may negatively affect the advocacy environment.

Advances in the development of local self-governance in the Kyrgyz Republic presented more opportunities for NGOs to establish partnerships with elected heads of local self-governments. In particular, NGOs have become increasingly involved in advocating for a more independent financial authority of local governments. Communication between the government and the non-government sector has improved, although slightly.

SERVICE PROVISION: 3.8

Only a small number of well-developed

SERVICE PROVISION	
2003	3.8
2002	3.9
2001	4.3
2000	4.5
1999	4.0

NGOs have become effective in providing services in various areas. Most are involved in consulting, management, social rehabilitation, research, and local mobilization services.

As a result, there is a certain realization that NGOs have the capability to provide training and consultation services in highly specific sectors, like medical services, community mobilizations and local budgetary hearings.

However, NGOs can rarely reimburse their expenses – most of the targeted groups are unable to pay fees for the services that they receive. This leads NGOs to provide more specialized services for donors, such as research and public opinion surveys. Some NGOs provide training for local elected officials. The Government is usually unable to pay back for the services that they receive from NGOs. Therefore, NGOs are frequently reimbursed in-kind.

INFRASTRUCTURE: 3.8

Kyrgyzstan still enjoys a good infrastructure to support its nonprofit sector through

INFRASTRUCTURE	
2003	3.8
2002	3.7
2001	3.8
2000	4.0
1999	4.5

USAID-funded Counterpart International's eleven Civil Society Support Centers. These centers, located in various regions of the

country provide technical assistance to local non-government organizations and offer services related to distribution of information and access to computer equipment. However infrastructure in general deteriorated over the past year. The number of information sources, grant-making organizations, and training opportunities

decreased. There is more focus on the regions, which results in decreased attention towards the NGOs in the main cities.

Some Resource Centers provide paid services (e.g., for Xerox copying, computer use, some training courses, etc.). Trainings on the basic skills are available, and a few training materials are available in the native Kyrgyz language. Local government officials, especially elected ones, are more or less supportive of NGOs, since they recognize the benefit of NGO support during local elections. However, NGOs often do not have the necessary skills to apply to local government officials and obtain support.

PUBLIC IMAGE: 4.1

The media coverage of NGOs in Kyrgyzstan continues to increase, while government controlled media outlets have run critical reports about NGOs, their leaders,

and activities. Particularly, the case of the Kyrgyz Human Rights Committee was heavily utilized to draw generic stereotypes of NGOs in the eyes of the public.

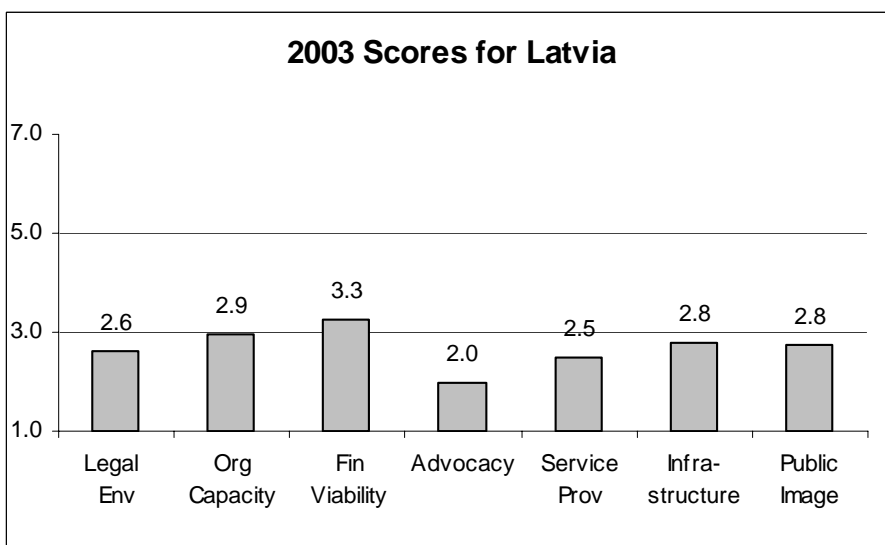
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There were several reports that the Chairperson of the Committee embezzling grant funds for his personal use. This coordinated campaign against public organizations targeted NGOs that were politically active. Neither the independent or government-controlled media promoted NGO

PUBLIC IMAGE	
2003	4.1
2002	4.1
2001	4.5
2000	4.5
1999	4.0
1998	3.8

NGO activities in a way that can effectively counteract such negative publicity. Nonetheless, Kyrgyz NGOs attracted media attention to their activities for both public image and advocacy purposes. Public awareness of NGOs remains to be one of the highest in Central Asia (48 percent according to a USAID-funded poll). In general, however, NGOs tend to lack the breadth and influence of government-controlled media in spreading their message.

LATVIA



Capital: Riga

Polity:
Parliamentary
democracy

Population:
2,300,000

**GDP per capita
(PPP):** \$7,045

NGO SUSTAINABILITY: 2.7

The NGO sector in Latvia continues to slowly improve with noticeable advances in the areas of public image and legal environment. Latvia's Parliament (*Saeima*) passed a new law that positively impacts the sector and was a direct result of the lobbying efforts of the NGO coalition formed by the NGO Centre in Riga. The public image of the sector also improved during the year as more organizations recognized the need to operate in a transparent and accountable manner.

NGO SUSTAINABILITY	
2003	2.7
2002	2.8
2001	2.9
2000	2.8
1998	4.2

The greatest difficulty facing the NGO sector remains the sector's financial viability and the sustainability of individual organi-

zations. Despite nascent attempts at local fundraising, including the success of the country's first Community Philanthropy Foundation, most organizations still rely exclusively on the few remaining international donors for support, which places the majority of organizations in the sector in an unsustainable position.

NGOs are diversified and established throughout the country. They represent almost all segments of society and target all demographic groups. The sector remains the strongest in the capital and the largest cities. According to data collected by the NGO Centre in Riga, fewer than 1,000 NGOs are active throughout the country. Of the almost 1,000 organizations registered as clients of the NGO Centre, however, many are weak and lack resources.

LEGAL ENVIRONMENT: 2.6

LEGAL ENVIRONMENT	
2003	2.6
2002	2.8
2001	3.0
2000	3.0
1998	4.0

The Constitution of the Republic of Latvia guarantees the fundamental rights of association and free speech and these fundamental rights have been reinforced by laws

governing the NGO sector. NGOs are free to operate without government interference, they are free to express criticism of both the central government and local authorities, and they cannot be dissolved for political reasons.

In 2003, the most significant event to impact the NGO Sector in Latvia was the passage by Latvia's Parliament of the Law on Associations and Foundations that comes into force in April 2004. Both existing legislation governing the NGO sector and the new law facilitate the NGO registration process and reduce the regis-

tration fee. The new fee will be based on the administrative cost incurred by the State for processing the application. The new law simplifies the NGO classification system by creating two major categories of NGOs: foundations and associations. It also clearly outlines how the assets of an NGO will be distributed once it ceases to exist. The law will permit NGOs to engage in economic activity as long as it is not their primary activity.

Although the new law was passed in 2003, the greatest obstacle to NGO registration was the limited availability of information on the registration process. In addition, the detailed financial reporting requirements resulted in a number of NGOs inadvertently breaking the law because they did not understand the reporting requirements. The legal capacity within the NGO sector is limited.

ORGANIZATIONAL CAPACITY: 2.9

ORGANIZATIONAL CAPACITY	
2003	2.9
2002	3.0
2001	3.3
2000	2.6
1998	4.0

Although there are NGOs throughout Latvia, most of the sector's resources are concentrated in the capital and largest cities. Strong NGOs do exist, but they often have trouble building their membership because it is not

clear to the general population how to join the organization.

NGOs identify their mission statement in their statutes because they are required to do so by law, but few actually engage in any form of long term strategic planning.

Most organizations develop annual work plans and often apply for grants outside of their mission and core competencies because they need funding in order to continue their operations.

NGOs are typically staffed by unpaid volunteers, while paid workers serve on a contract to contract basis pending funding. Few donors pay staff salaries, so the only permanent staff member tends to be a part-time bookkeeper who receives a small fee for completing the many financial documents required by law.

The concept of volunteerism has raised a number of issues within Latvia's NGO sector. Because most organizations do not

have permanent, paid staff, work is conducted by volunteers who are dedicated to the organization's mission. However, attracting volunteers can be an administrative burden because the State does not recognize the status of volunteers and allows only employees with a legal work contract to be reimbursed for expenses. If a volunteer has a legal work contract, then the volunteer must be paid no less than the minimum salary with all income and social taxes. Receiving a salary, of course, means that the individual is not a volunteer.

Most organizations are small and in the early stages of development and consequently do not have a Board of Directors. However, more NGOs are becoming

aware of the advantages of having a governing board and a new training program started by the NGO Center has provided training and consultations to leading NGOs on the role and responsibilities of the governing board.

Most NGOs lack basic office equipment, and those that do have equipment received it as part of a grant but do not have the resources to upgrade or replace it. Few international donors provide subsidies for purchasing equipment because they assume that NGOs have all the equipment they need to operate.

FINANCIAL VIABILITY: 3.3

International donors are ending their support to Latvian NGOs and domestic sources of funding are slowly filling the

FINANCIAL VIABILITY	
2003	3.3
2002	3.5
2001	3.5
2000	3.5
1998	5.0

gap. Local sources of funding are, however, still not widely developed. As a result, most organizations are not financially sustainable and funding available does not meet NGO needs.

The lack of organizational sustainability is rooted in a number of causes. NGOs rely heavily on foreign donors and have not fully realized that they need to develop local sources of funding to replace diminishing international support. Organizations have not diversified their funding sources beyond the limited number of existing sources. They are still project driven and exist only as long as project funds are

available. In addition, NGOs capacity to conduct fundraising activities is weak.

Despite the financial difficulties facing the sector as a whole, Latvia now has one major example of successful local fundraising. The first Community Philanthropy Foundation became fully operational after a lengthy pilot project phase, and more communities have expressed interest in developing their own community foundation.

Although NGOs may have difficulties fundraising, they are proficient at managing the funds they receive and operational transparency is increasing. Most are accustomed to donors' financial reporting requirements, but few NGOs can afford a complete financial audit. A handful of organizations publish an annual report, but they are all required to publish a summary of their financial transactions.

ADVOCACY: 2.0

Successful cooperation between the NGO sector and the government continues. NGOs are represented at the weekly

ADVOCACY	
2003	2.0
2002	2.0
2001	2.2
2000	3.0
1998	4.0

meetings of the State Secretaries (the highest administrative body in each government ministry), and the NGO Center is asked to provide comment on all legis-

lation that affects the sector.

The Ministry of Social Integration published two handbooks on the NGO sector. One is a handbook for government officials on how to bring civil society into consultative policy discussions, and the other handbook teaches NGOs how to communicate with national level policy makers.

One of the most visible examples of NGO public advocacy was a coalition formed to stop the Ministry of Finance from decreasing the tax deductions that businesses can receive for contributions to NGOs.

Although there are no rules addressing lobbying, NGO are allowed to participate in lobbying activities. However, few organizations are comfortable with their lobbying abilities. Two notable examples of successful lobbying are the passage of the new Law on Associations and Foundations and the Diabetes Association's successful campaign to repeal the Cabinet of Minister's decision prohibiting diabetics from driving.

SERVICE PROVISION: 2.5

SERVICE PROVISION	
2003	2.5
2002	2.5
2001	2.4
2000	2.5

NGOs recognize that their clients should pay for services; however, NGOs do not recover their costs through fee-for-service

because they assume that their clients cannot afford to pay. Although the government recognizes the value of some specific NGOs, it does not support them financially.

INFRASTRUCTURE: 2.8

INFRASTRUCTURE	
2003	2.8
2002	3.0
2001	3.0
2000	3.0

Latvia has a network of Regional NGO Support Centers located throughout the country to provide infor-

mation and services to NGOs. Because the centers do not have a cost recovery mechanism in place, it is completely dependent on foreign donors to survive.

The number of formal coalitions within the sector is limited because NGOs still view

other organizations as competition for limited resources. However, informal networks are formed when organizations share a need to accomplish common goals. The passage of the NGO law resulted from an informal coalition that was formed to promote the interests of the

sector. Training opportunities in the sector are adequate, although the same limited number of trainers conduct almost all trainings on a wide range of topics. The most notable exception is the new training program for boards of directors, which is taught by a specialist in governance.

PUBLIC IMAGE: 2.8

The amount of coverage NGOs receive in the press varies between the capital city and the rural regions. NGOs enjoy good

PUBLIC IMAGE	
2003	2.8
2002	3.0
2001	2.7
2000	2.0

coverage at the local level and the amount of coverage in the national press is improving. All of the main daily newspapers currently have a journalist who understands the NGO sector and the major wire services have a department that covers civil society.

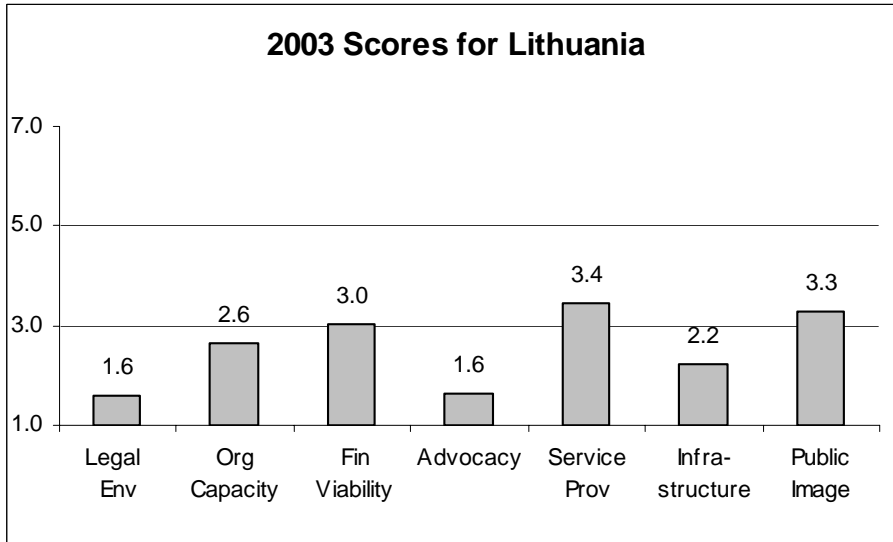
The sector does not have a large number of role models of successful, sustainable organizations, but the public perception of

coverage at the local level and the amount of coverage in the national press is improving. All of the main daily newspapers currently have a journalist who understands

NGOs is improving. According to one United Nations report, however, NGOs are still ranked below family, friends, local government, and commercial enterprises as a source of support for individuals in need. The public perception of the NGO sector is a backlash from the large, highly public scandals that hit the sector in previous years.

The NGO sector does not have a sector-wide code of ethics and no institutionalized mechanism exists for implementing such a code. Despite the lack of an official code of ethics, organizations are becoming aware of the need for transparency and accountability in their operations.

LITHUANIA



Capital: Vilnius

Polity:
Parliamentary
democracy

Population:
3,500,000

**GDP per capita
(PPP):** \$7,106

NGO SUSTAINABILITY: 2.5

Although the past year witnessed rapid growth of the NGO sector in rural areas of the country, traditionally strong and influential NGOs of larger towns have experienced a period of financial stagnation and even deterioration. With Lithuania joining the European

NGO SUSTAINABILITY	
2003	2.5
2002	2.7
2001	2.9
2000	3.1
1999	2.9
1998	3.0

Union next year, most foreign assistance funds are shrinking, while EU funds, around which the sector builds its hopes and expectations, are not yet available. NGO revenue sources inside the country have been growing slowly and are inadequate to cover the gap.

During the year, two trends developed within the NGO sector. On the one hand, an increased number of experienced NGOs, trusted by the public, became increasingly influential in advocacy and providing quality services and products, and found innovative ways to serve their clientele but experienced funding shortfalls. They continue to operate, drawing heavily on their inner resources, but at some point these need to be replenished. An increasing number of such NGOs were forced to cut programs and suspend activities until more funds are available.

On the other hand, the visibility of the achievement of the first group and growing civic awareness and activism in rural areas, together with the expectation of substantial incoming EU funding, have resulted in the emergence of a significant

group of new NGOs. These new NGOs expand the geographical distribution of the sector, but they are thus far unable to operate effectively. NGOs of this group most

often function on a zero budget, lack training and skills, and still need to clarify their mission and aims.

LEGAL ENVIRONMENT: 1.6

There were no significant developments in the legal environment for NGOs in 2003. Discussion regarding consolidation of NGO regulations continued at the Seimas (Lithuanian parliament), but only amendments to the Law on Associations were enacted.

LEGAL ENVIRONMENT	
2003	1.6
2002	1.6
2001	2.0
2000	4.0
1999	4.0
1998	4.0

Discussion regarding consolidation of NGO regulations continued at the Seimas (Lithuanian parliament), but only amendments to the Law on Associations

A measure passed by the Seimas last year, allowing individuals to designate two percent of their income taxes to a selected NGO, has not yet yielded any income for NGOs. Within a few months, citizens will have to declare their designation from taxes paid during 2003. Organizations started active solicitation campaigns, but it will be extremely difficult for NGOs to

compete with schools, hospitals and other facilities registered as public institutions, which are also entitled to the same funds. Experts predict that personal income taxes will not (at least in the near future) be a significant funding source for NGOs, and certain groups of NGOs, such as NGO resource centers and NGOs working in the field of democracy, will likely not benefit from this new law.

Also, simultaneously with the enactment of this new measure in the personal income tax law, the deduction for charitable contributions to NGOs was eliminated. A bill to reinstate the deduction has been submitted for consideration by the Seimas.

ORGANIZATIONAL CAPACITY: 2.9

ORGANIZATIONAL CAPACITY	
2002	2.9
2001	3.0
2000	2.5
1999	2.5
1998	3.0

constituencies, and NGO efforts to involve more people in their activities have increased and become more visible. The process of establishing community-based NGOs has intensified, especially in small

The possibility of receiving earmarked funds from personal income taxes has been a powerful incentive for NGOs to widen their local con-

towns and rural areas. Sometimes these are organizations created with the sole purpose of enabling local governments to obtain European Union funds (certain EU structural funds can be channelled only through local community organizations). Such organizations are not especially motivated to build local constituencies, yet the growing numbers of community-based organizations have visibly increased competition for members and supporters.

Volunteering with NGOs has become more established, especially among young

people. However, NGOs are not sufficiently staffed to recruit potential volunteers and manage them. Due to sparse financial resources, professional NGOs are forced to cut their staff and cannot modernize their outdated basic office equipment. The major computerization programs, such as "Window to the Future," funded by a group of Lithuanian businesses, target rural regions and smaller towns, and new NGOs in such areas are often better equipped technically than leading established NGOs. It is also easier for them to obtain office premises, which is

a big problem for organizations based in the capital and other large towns.

Fully functioning boards of directors have become more common, as has strategic planning. Increasing numbers of NGOs evaluate themselves, and this helps to shape and clearly define their mission. However, there are still numerous organizations that determine their activities based on available funding.

FINANCIAL VIABILITY: 2.9

FINANCIAL VIABILITY	
2002	2.9
2001	3.0
2000	4.0
1999	3.5
1998	3.0

Financial viability has become an even bigger concern as the traditional, easily accessible funding sources continue to shrink. NGOs place their hopes in the coming European Union funds, but there is

also a growing realization that these funds will be very hard to access, especially for smaller NGOs. As long as local governments are not able to fund small NGOs, they are in an especially vulnerable situation.

Increasing competition for funds and the complexity of application requirements have created a need for professional intermediaries who specialize in writing project proposals and putting together project documentation. NGOs increasingly buy such services.

An increase in funding from local philanthropy and membership fees has diversi-

fied funding sources but does not cover the basic needs of NGOs. The Lithuanian economy is growing rapidly and possibilities for getting funding from businesses could be better exploited, provided that NGOs improve fundraising capacities and adopt a project approach rather than general funding requests. The number of NGOs presenting financial reports to donors and constituencies increases, but only the rare organization can afford a formal financial audit, which would be very helpful in fundraising with businesses.

NGOs most often work for an impoverished clientele and they cannot generate significant revenues from their clients directly. It is generally recognized that NGOs provide quality products and services and work cost-effectively. Whenever contracting possibilities appear, NGOs successfully compete for contracts, especially through special programs of the central government. However, contracting opportunities are much smaller than needed.

ADVOCACY: 1.8

Civic activism is visible in rural and small-town communities, and the activities of new community-based NGOs have contributed to advocacy on the local government level. Municipal governments have come to view NGOs favorably - they increasingly invite NGOs to give advice and express opinions on different issues. NGOs are becoming more widely represented on municipal councils. Public commissions have been established by the boards of several municipalities, and the newly passed amendments to the law on local governance have envisioned citizens' advisory committees at the level of the smallest local administrative unit – seniunija (borough administration). On the central government level, NGOs are often invited to take part in the work of interministerial groups formed around certain issues such as children's rights.

ADVOCACY

2003	1.8
2002	1.8
2001	2.0
2000	2.0
1999	1.5
1998	2.0

The Law on Lobbying has been passed in Lithuania but does not function in practice. It is complicated and costly to register as a lobbyist; however, other lobbying mechanisms exist that are successfully used by NGOs. For example, the Seimas invites to public hearings all those who have commented on proposed legislation and NGOs increasingly use this opportunity. Large numbers of NGOs have recently participated in discussing the Law on Youth, the Law on Associations and the Law on Gambling.

The number of issue-based coalitions has been growing. The Coalition of National Minorities' NGOs and the Coalition of Educational Organizations have been established. The latter has signed a cooperation agreement with the Ministry of Education. NGOs have formed a broad environmental campaign against oil extraction planned by Russia off the shores of Kursiu Nerija, a protected seashore.

SERVICE PROVISION: 3.8**SERVICE PROVISION**

2002	3.8
2001	4.0
2000	3.5
1999	3.5

Diminishing funding from traditional sources forced NGOs to become service providers. Since consolidation of NGO regulations has not yet been completed, many NGOs, especially in the capital and bigger towns, have re-registered as public institutions in order to be able to engage in income-generating activities.

Growing competition for funds stimulated NGOs to diversify their services and orient

themselves towards long-term high-quality products. In fields like the environment, NGOs successfully compete with businesses and with most of the state contracts. The Ministry of Social Security and Labor has also significantly increased procurement from NGOs.

Municipal governments have not sufficiently encouraged service provision by NGOs. NGOs often complain that they are pushed away in municipal competitions for funds, and that municipal contracting lacks transparency.

2003 NGO Sustainability Index

A belief that NGOs should work on a voluntary basis persists. The clients that NGOs serve are used to receiving services free of charge and, as NGOs start asking for service fees, they suspect that

NGOs do not work professionally enough to mobilize resources and are unwilling to pay. Thus turning to paid services has been progressing but is still very difficult for non-profits.

INFRASTRUCTURE: 2.3

Lithuanian NGO resource centers face the same tense financial situation as Lithuanian NGOs in general. Gradually, NGO resource centers turn to paid service provision, but their clientele is still not ready to pay.

INFRASTRUCTURE	
2003	2.3
2002	2.3
2001	2.5
2000	3.0
1999	3.0

Traditional services, such as training, are very much needed by the newly established rural NGOs; however, lack of funds on both sides does not allow this need to be fulfilled. Lack of sustainable funding makes training unsystematic and scattered, and the infrastructure of NGOs becomes weaker.

NGO resource centers maintain their importance as they find new ways to serve their constituencies. They successfully undertake advocacy initiatives and facilitate

cross-sectoral cooperation. (For example, the Klaipeda NGO Information and Support Center has signed contracts with the local municipality and the Philip Morris Company, based in Klaipėda, to provide support for NGOs.)

The process of establishing community foundations is accelerating. Several new community foundations have appeared, and although they distribute small amounts of funds, their importance is increasing.

A special NGO web page, www.labdara-parama.lt, administered by the NGO Information and Support Center in Vilnius, has significantly contributed to information exchange among NGOs. The pool of information available on the Internet is large, but so far NGOs do not make sufficient use of information technologies.

PUBLIC IMAGE: 3.8

Competition for limited funds increased NGO accountability and public outreach efforts. Published NGO activity reports and websites are becoming more common. Regional media coverage of the sector is fairly extensive and most popular talk shows on national and commercial

TV programs frequently present the views of NGO representatives on important political, social, and economic issues.

The growing number of NGO alliances with businesses indicates that the public image of NGOs continues to improve. Citizens increasingly turn to NGOs to de-

fend their interests, additional evidence

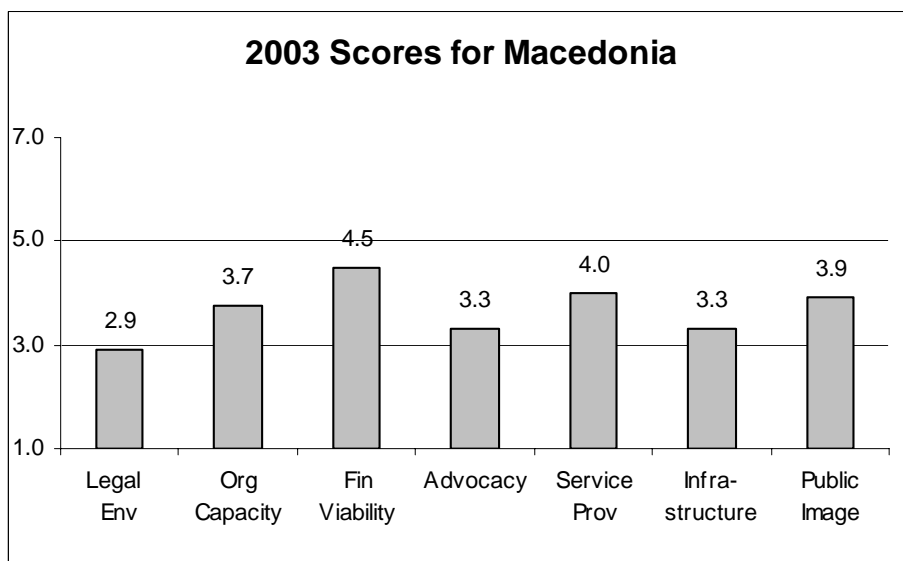
PUBLIC IMAGE	
2003	3.8
2002	3.8
2001	4.0
2000	3.0
1999	2.5
1998	2.0

that NGOs are becoming a powerful force, willing to take on both government and big business. In such cases, whether in the areas of environment, human rights or social protection, NGOs often work in alliance with the media. NGO communication with lawmakers has also improved, as politicians come to realize the growing expertise of NGOs in legislation.

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Nonetheless, NGOs have not yet mastered public relations techniques well enough. Their project terminology is not always understandable to their constituencies and they are not able to clearly dissociate themselves from ruling political forces (especially on the local level). Rural NGOs still pursue narrow organizational interests and put great effort in competing for the same constituency instead of making alliances and cooperating to better serve their clientele.

MACEDONIA



Capital:
Skopje

Polity:
Parliamentary
democracy

Population:
2,000,000

**GDP per capita
(PPP):** \$5,086

NGO SUSTAINABILITY: 3.7

There are approximately 5,100 associations and foundations registered in Macedonia, but only a fraction are considered active. In spite of the difficult circumstances, an active civil society is slowly emerging in Macedonia. Significant improvements are evident primarily in the areas of service provision, infrastructure, and advocacy. Increasingly, NGOs are creating platforms to express their views, while coordinating structures are being established to enable full participation of NGOs in the social and political processes of the country. The level of NGO development varies considerably from region to region within the country. Nearly half of the active NGOs are con-

NGO SUSTAINABILITY	
2003	3.7
2002	4.0
2001	4.1
2000	4.6
1999	4.6
1998	4.4

centrated in the capital, while the majority of the remaining active NGOs are clustered in the north and northwest part of the country. Only one out of ten organizations is based in the rural areas. NGOs have become engaged in an increasing number of sectors. However, most NGOs are poorly focused and try to deal with too many issues. As a result, they are not able to improve their proficiency or expertise in any one or two sectors. Organizations are still very donor driven and dependent on foreign funding. The legal framework also needs further adjustments to strengthen the financial sustainability and development of NGOs. Although ethnic and religious differences continue to divide the sector, communication among different groups has increased. Areas that need further improvement include an inadequate national and local donor base, an insufficient level of communication and networking among NGOs; poor public accountabil-

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ity and awareness; the ambivalent relationship between the NGO sector and the government; and poor management skills.

In spite of sporadic incidents, the security

situation in Macedonia is considered stable and in the process of normalization. However, the Macedonian economy remains weak and the unemployment rate has increased.

LEGAL ENVIRONMENT: 2.9

The NGO legal environment did not experience significant changes from last year. The registration process is fairly easy, routine, and without major difficulties. One observation is that while most judges treat the registration process as *pro forma*, some make the process more ar-

LEGAL ENVIRONMENT	
2003	2.9
2002	3.0
2001	3.0
2000	3.0
1999	3.0
1998	3.0

duous for the NGOs, requesting large amounts of supporting data before processing their registration. A central database on all registered NGOs is maintained by the Trial Court in Skopje. The Trial Court has a full-time clerk who deals with requests for information, and access to this information is readily available. Nevertheless, registration data from courts outside Skopje is not regularly fed into the central database, so the national level database is generally not up-to-date. Additionally, the central database is setup in such a way that it does not allow data comparison and cross-tabulations. Personnel changes at the court have resulted in trained registration judges being replaced by others with no experience or expertise in this area. Additional training for the judiciary on NGO registration is needed.

Organizations generally operate without impediments or undue involvement from the state. A positive aspect of the 1998 Law on Citizen Associations and Foundations is that it allows organizations to freely adjust their statutes according to their in-

terests and internal capacities. The most common mistake made by NGOs is that they do not pay enough attention to legally defining roles and responsibilities within their organizations during the early planning stages. The 2003 government action plan asserts that favorable changes will be made in the legal and fiscal framework governing the civil society sector. To implement these changes, amendments to the current Law on Associations and Foundations, coupled with changes to the Laws on Profit Tax and Personal Income Tax, are being prepared under the auspices of the Ministry of Justice and Ministry of Finance.

Currently, few local lawyers are trained and familiar with NGO law. However, legal education clinics on NGO law exist at the Faculty of Law in Skopje, which provides legal assistance on NGO registration and other legal formalities. Additionally, NGO law is now taught as part of the standard curriculum at the Law Faculty and a textbook on NGO law has been prepared. The involvement of lawyers is mostly limited to the registration process, and needed legal advice is more readily available to NGOs in the capital than elsewhere. Improvements to the tax regime remain a high priority for the NGO sector. Among the countries in the region, Macedonia currently has the fewest tax incentives. The existing legislation states that an NGO must establish and register as a separate limited liability company in order to earn income from the provision of goods and services. Such companies are taxed as all other businesses. Legislative

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initiatives that are underway may improve the situation considerably once passed. NGOs are permitted, but not encouraged or empowered, to legally compete for government contracts/procurements at the

local or central level. There are, however, a few NGOs that have participated in tenders and received government contracts.

ORGANIZATIONAL CAPACITY: 3.7

Although many NGOs are making an effort to be client oriented, the majority still lack

ORGANIZATIONAL CAPACITY	
2003	3.7
2002	4.0
2001	4.0
2000	4.0
1999	4.0
1998	4.0

skills in working with constituencies, increasing membership, and fundraising. The sector has not reached an adequate level of maturity, yet compared with

the previous period, there seems to be noticeable progress. There are a number of good examples of NGOs that have managed to activate larger parts of the population around issues, such as the civic initiative which formed to protest the price of telephones; NGOs from Veles fighting against the pollution in this town; as well as many other local organizations whose activities have made a difference. Trainings offered to NGOs in the last couple of years have shown results. It is estimated that about 100 NGOs in the country have developed strategic plans and more organizations are interested in receiving training to broaden their skills in this area. NGOs still need to improve their level of professionalism internally. The internal structure of NGOs tends to vary considerably. Although the basic requirements by law are that NGOs must have a steering committee (board) and members, many do not comply with this requirement. A good

number of NGOs do not have clearly defined missions to which they adhere. There is also a low level of understanding about the relevance of the concept of organizational strengthening and institutional development. Most NGOs follow the authoritarian model of operation, in which one (usually the leader) or two persons make all the decisions. The more developed and trained organizations, however, do have well-established structures with clearly defined roles and responsibilities for the board of directors and staff members. The so-called "one-man NGOs" appear to be the biggest problem given the lack of checks on their operation. Donors, by setting strict criteria for accountability and results, and demanding that project activities fit into a wider NGO or community strategy, have helped support improvement in this area.

About 80 percent of the NGOs in Macedonia do not have employed staff. There is a slight increase in the number of organizations that hire and pay individuals on a project basis, nevertheless, this is still only a temporary engagement and not full-time employment. There is a growing understanding of the concepts of volunteerism and civic activism. On average, NGOs seem to have adequate technical equipment, mostly due to international assistance.

FINANCIAL VIABILITY: 4.5

The withdrawal of a number of donors coupled with the bad economic situation, have additionally undermined the sector's financial viability. Currently there are only

FINANCIAL VIABILITY	
2003	4.5
2002	4.6
2001	4.0
2000	5.0
1999	5.0
1998	5.0

a few major donor agencies in the country providing support to NGOs. Domestic funding is still not a significant source of support for the NGO sector, although there are a few emerging domestic foundations dedicated to various causes. All donors are increasingly results-oriented and seek more transparency and accountability from the NGOs they support. Several established NGOs operate in a transparent manner and conduct independent financial audits and publish annual reports. However, most organizations are still reluctant to share their financial information with the wider public, and the only responsibility they feel is towards their donors. Local Intermediate Support Organizations (ISOs) have become active in building a reporting culture among NGOs through assistance in preparing annual reports, and conducting independent audits. Training

on fundraising skills remains a need. There are examples of small advancements, such as successful fundraising campaigns conducted this year for: people suffering from HIV/AIDS, support to maintain poor children, support to the homeless, and caring for the animals in the Skopje Zoo. Local donors or businesses are also providing small-scale, in-kind assistance. According to recent research data, NGO funds are still not very diversified. Approximately 75 percent come from donor support, 10 percent are provided by local and central government, 5 percent are from business sponsorships, and 10 percent are obtained from individual sources (membership fees, etc). A number of specialized membership-based organizations increasingly manage to collect dues. Very few NGOs have developed strong financial management systems. There are encouraging cases where central and local government and businesses are contracting NGOs for services, and the central government does provide a certain amount of funding to NGOs annually. However, there is no clear methodology about the process by which, or the purpose for which, the funds are granted, and the criteria for selection and distribution of funds are vague.

ADVOCACY: 3.3

NGO advocacy continues an upward trend. A new trend is the increased cooperation of the sector with local and national authorities based on predetermined responsibilities, objectives and implementation goals, which increase the sector's ability to have an impact on policy. There are several examples including the appointment of the head of Transparency Macedonia was appointed president of the

State Anticorruption Committee; an NGO activist was asked to lead the National Committee on HIV/AIDS; NGOs participated on the National Committee on HIV/AIDS which resulted in a successful application to the Global Fund for AIDS; NGOs participated in the decentralization process taking place throughout the country; a Committee formed between the unified part of the Ministry of Interior and a

group of NGOs that resulted in a “Code of Conduct” for the police towards civilians; the NGO Polioplus lobbied for laws related

ADVOCACY	
2003	3.3
2002	3.6
2001	4.0
2000	4.5
1999	4.5
1998	5.0

to the handicapped; and NGOs were directly involved in all committees supporting the disarmament initiative in Macedonia. The “2003 Government Action Plan” developed from the “Agreement for Sta-

bilization and Association with the EU” contains a section dedicated to government collaboration with the civil society sector. Moreover, the Government has announced plans to establish an office for cooperation with NGOs in 2004. During the last year there were a number of successful NGO policy initiatives such as: a campaign by the Regional Environmental Center which resulted in the introduction of the Law on Air; an advocacy effort by Po-

lioplus for changes in the Law on Health Protection; and the participation by the Council for Juvenile Delinquency in the creation of a national strategy on juvenile delinquency. In spite of these encouraging examples, NGOs still face considerable hurdles to cooperating with local or central authorities, who in general, need to be more receptive and understanding of how NGOs can be helpful to them in achieving their policy goals. Cooperation with line ministries is still very ad hoc and depends on the individuals at the respective ministry. NGOs are creating issue-based coalitions on single issues, as needed. These coalitions are not well structured and there is usually no follow-up. The advocacy skills of NGOs outside the capital are low compared to the Skopje-based NGOs.

SERVICE PROVISION: 4.0

There has been a noticeable increase in the provision of services by NGOs, particularly in the areas of health care

SERVICE PROVISION	
2003	4.0
2002	4.8
2001	5.0
2000	5.5
1999	5.5

(mostly for people with special needs), education, legal advice, poverty relief, housing, water or energy supply, economic development, environmental protection, governance, and empowerment. The

following examples are good illustrations of the types of services NGOs are providing: counseling and medical services to victims of HIV/AIDS and at-risk groups; provision of medical, psychological and educational services to marginalized individuals and victims of

human trafficking; training programs on a variety of socially important topics; consumer organizations offering information and legal advice; services for people with mental disorders; and shelters for victims of domestic violence or the homeless. More than before, local communities are working together with NGOs on a partnership basis to address community problems. More organizations are actively seeking training on self-financing skills in order to better provide a wider range of services. As a result of these efforts, there is an evident increase in community responsiveness to the work of NGOs, and NGOs are making a determined effort to identify and respond to community needs. An illustration is the environmental group Odek from Kavadarci

that contributed in detecting and resolving a problem with the water supply system. However, the number of organizations that have received state authorization to provide services to citizens themselves is still insignificant. The internal capacity of the government to act upon its intended commitments towards helping the NGO sector is inadequate, but overall the prospects for improved cooperation in the area of service provision are promising. There remains a need for the public to understand that the services provided by NGOs have a value. To this end, NGOs

are charging symbolic fees for services, usually about 10 percent of the market value of the service. By paying for services, clients are motivated to value the product and as a result to be more actively engaged and learn (in the instance of trainings). Unfortunately, the vast majority of NGOs are focused on receiving still easily available donor funds, and very few are devoted to building up their self-sustainability.

INFRASTRUCTURE 3.9

INFRASTRUCTURE

2003	3.3
2002	3.7
2001	4.5
2000	5.0
1999	5.0

At this time, there are only two Intermediate Support Organizations operating at the national level, these are:

the Foundation Open Society Institute–Macedonia (FOSIM), and the Macedonian Center for International Cooperation (MCIC). At present, FOSIM has established four NGO support centers throughout Macedonia for the purpose of improving NGO service delivery and building better working relations with other organizations and government authorities. These centers offer technical assistance, trainings, equipment, facilities, consultations and small grants. FOSIM has plans to open more support centers in eight additional locations. An alternative network of regional centers is controlled by the European Center for Minority Issues (ECMI), whose primary goal is to improve inter-ethnic cooperation and tolerance. In general, the long-term sustainability of these centers is questionable. There are cases when local authorities serve as

grant-making organizations, whereby funds received for certain purposes are sub-granted to NGOs. On the national level, there are several organizations that sub-grant funds mostly obtained from foreign sources. The following are encouraging examples of NGO coalitions: NGOs have joined together to have a greater role in commenting on legislation pending in the Parliament; the coalition movement "Macedonia Without Corruption"; NGOs have joined together to support the disarmament process; and an initiative has been established to create a joint citizens national platform. Compared to previous years, there has been a qualitative improvement in the functioning of coalitions, though the general impression is still that NGO coalitions are often forced creations due to donor pressure, rather than organic structures designed to pursue the common interests of local NGOs. Competition among NGOs often leads organizations to apply for projects without considering previous work done by other organizations of similar nature or seeking to work with other organizations doing simi-

lar work, thus creating a duplication of effort and a waste of resources.

Training offered to NGOs has progressed to a great extent, but there still are areas not adequately covered. There is an increased demand for more advanced trainings such as financial management, accounting, board development, volunteer management, and fundraising. Improved access to training and information for local NGOs in smaller towns has clearly resulted in an improvement in their activi-

ties. Trainers, in general, are highly qualified and experienced given the growing demand. NGOs more frequently present information to the public about their activities through the use of bulletins, web pages or brochures. Cooperation between NGOs and the business community is also on the increase. The campaign on the Shengen visa requirement is an excellent example of where the business sector paid for the first phase of the campaign, while the idea came from a civic initiative.

PUBLIC IMAGE: 3.9

The public image of NGOs is slightly improved compared to last year. The NGO

PUBLIC IMAGE	
2003	3.9
2002	4.0
2001	4.5
2000	5.0
1999	5.0
1998	5.0

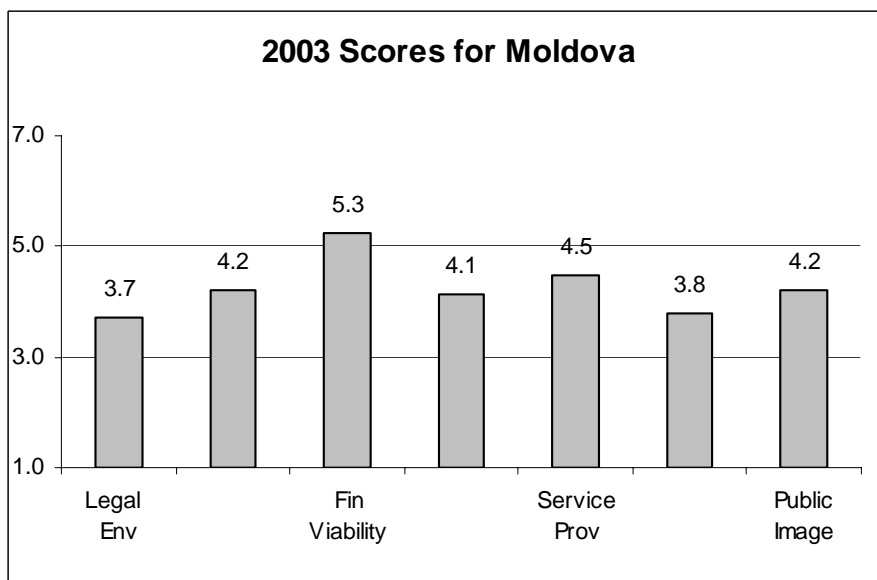
sector has enjoyed increased media coverage in print and broadcasts primarily in terms of information about activities. However, further analysis and reporting about the crucial problems related to

the sector is almost non-existent. NGOs are unfortunately usually treated as regular businesses and must pay a market price for airing of their public service announcements and advertisements, particularly in the national print and electronic media outlets. The media and advertising companies tend to not differentiate NGOs trying to promote civil society and regular private sector clients. Rather than receiving a price reduction which could be treated as an indirect donation by the media or advertising agencies, NGOs are charged standard prices for TV advertising, billboards, flyers, etc. This is often not the case with the local media, which

tends to better understand the public service aspect of NGO work. The level of accuracy when reporting on the NGO sector remains unsatisfactory. The main problem is the distorted picture the media often presents of NGOs as an easy means for money laundering or other financial purposes. NGOs carry part of the blame for this misguided perception because they are often not sufficiently transparent, accountable and open towards the public. Organizations tend to be open only with the donors or their members, ignoring the importance of building good relations with the general public. Some organizations publish annual reports or provide short descriptions of their activities to the daily newspapers, but this practice is not widespread. The public has a mixed perception of NGOs. While there is increased awareness among the public of what NGOs do, especially among those who are directly affected by their work, there is a continuing need for media and public relations training for NGOs, and continued efforts to educate the public about how the work of NGOs benefit society. Self-regulation among NGOs is slowly

advancing. There are a number of positive examples of organizations that have adopted codes of conduct: Macedonia without Corruption, the Association of Journalists of Macedonia, the Union of Organizations Engaged in the Protection of Children's Rights, and the groups involved in norms of behavior for the uniformed police force. A recently drafted civic platform that has recently been proposed for Macedonia includes the development of NGO self-regulation.

MOLDOVA



Capital:
Chisinau

Polity:
Parliamentary
democracy

Population:
4,300,000

**GDP per capita
(PPP):** \$2,109

NGO SUSTAINABILITY: 4.3

Moldova, the second smallest of the former Soviet Union states, with a GDP of only \$448 per capita, continues to be among the poorest countries in Europe. According to the Ministry of Justice, there were approximately 2880 national and international non-governmental organizations registered in Moldova, and only about 35 percent of which work at the

NGO SUSTAINABILITY	
2003	4.3
2002	4.2
2001	4.2
2000	4.6

local level. Approximately half of the registered NGOs are currently active. The majority of active NGOs are located in Chisinau, Balti, and other large towns, where they have access to information, training, consulting, and donor resources. The areas in which indigenous NGOs have proven to be most successful to date are: youth, media development, environmental protection, economic and social development, healthcare, and human rights.

LEGAL ENVIRONMENT: 3.7

The attempts of public authorities to introduce a law conferring exclusive power to control technical and financial assistance to the government of Moldova, the limited impact of the Law on Philanthropy and

Sponsorship, and the continued absence of a well-developed mechanism to provide incentives to NGOs to earn income from their goods and services contributed to the

decline in the score for the legal environment dimension from 3.3 to 3.7.

The basic legislation of the Republic of Moldova that regulates NGO activity remains the same: *The Law on Public As-*

LEGAL ENVIRONMENT	
2003	3.7
2002	3.3
2001	3.0
2000	3.0

sociations (1996), *The Law on Foundations* (1999), *The Law on Philanthropy and Sponsorship* (2002) and *the Civil Code* (2003). The

procedures for the creation and registration of NGOs are clear, and they are the same for both national and local NGOs.

In 2003 the Government of Moldova proposed a *Draft Law on Grants, Technical Assistance and Other Financial Aid Provided to the Republic of Moldova*. The goal of the draft law was to regulate relations associated with contracting, registration, distribution and record keeping of grants, technical assistance and other financial aid provided in the Republic of Moldova. According to the draft, all grants and technical assistance provided had to be coordinated and registered by the government. Under the proposed law, if a grant was not properly coordinated and registered, it would be deemed illegal and subject to sanctions.

The adoption of such a law would have seriously imperilled the flow of financial and

technical assistance to the Republic of Moldova, which, in turn, would have seriously impeded the implementation of reforms. As a result of strong opposition from Moldovan NGOs and the international donor community, the draft law was withdrawn by the Government.

The only tax benefit that NGOs in Moldova enjoy remains the exemption from income taxes. Other taxes are paid by NGOs at the same rate as private sector companies. Access to legal advice from attorneys familiar with NGO law is limited. Most such services are provided by the *Center for Non-Commercial Law*, a spin-off of *Contact*, the National Assistance and Information Center for NGOs in Moldova.

NGOs may carry out commercial and economic activities, according to the *Law on Public Associations*, though a well developed mechanism that would encourage NGOs to earn income from the provision of goods and services, does not exist. The Public Benefit Certificate, which is an official document proving the public benefit of the given organization and serving as grounds for total or partial exemption of certain taxes and state fees, is not deemed to be effective.

ORGANIZATIONAL CAPACITY: 4.2

ORGANIZATIONAL CAPACITY	
2003	4.2
2002	4.5
2001	4.5
2000	4.5

Most Moldovan NGOs are heavily reliant on international donors support. As a result, the activities of most NGOs are oriented more toward satisfying donor interests than bene-

ficiary needs. Most NGOs place little importance on building local constituencies for their initiatives. Few beneficiaries are involved in strategy development, priority setting, medium-term decision making, and participation in Board decisions. Most NGOs have a mission statement, but it is mostly regarded as something artificial and is seldom revised. Only a few major

NGOs practice strategic planning in their decision making processes. Most NGOs do not have the knowledge or capacity to undertake strategic plans.

In most NGOs, there is no clear difference between the Board of Directors and the day-to-day management of the NGO. There is rarely any specific division of responsibilities between them. Such decisions, according to the *Law on Public Associations*, are left to the discretion of individual NGOs.

Most NGOs work on voluntary basis and can only afford hiring employees in cases where a grant has been awarded. Over 40 percent of Moldovan NGOs rent office space; about 20 percent of NGOs do not have dedicated premises at all, and about 27 percent use the property of one of the members of the organization. All of the major national NGOs have their own offices, modern basic office equipment and permanent staff. The modernization of their office equipment depends primarily on the availability of grant money.

FINANCIAL VIABILITY: 5.3

The financial resources available NGOs include grants, membership dues, sponsorships,

FINANCIAL VIABILITY	
2003	5.3
2002	5.2
2001	5.3
2000	5.5

founders' contributions, fees from services provided, state allowances and income from entrepreneurial activity. Grants continue to account for the largest part of the

funding. Service fees, state allowances, and earnings from economic activity are still very limited. Local philanthropic giving capacity is limited due to poor economic growth, a lack of traditions of charitable giving and social responsibility in the business sector, and a lack of real tax incentives private companies. Local governments are weak and do not have sufficient discretionary resources to provide financial support to civil society initiatives.

About 10 percent of public associations publish annual reports that include financial statements. These are primarily the major national and regional NGOs in Moldova. The remainder of the sector has neither the funds nor the capacities to undertake that the publication of an annual

report. Very few NGOs have independent financial audits, primarily because of the high cost of such a procedure.

In Moldova, NGOs prepare their financial reports according to the requirements set for commercial organizations. Specific and specialized non-profit financial accounting and management standards are not in yet place, though some organizations, including the *Association of Professional Accountants and Auditors*, and independent accountants are working on the development of such standards.

Very few NGOs are able to diversify their funding. Raising funds at the community level requires substantial effort and provides little prospect for a comparable return. Most NGOs prefer to write project proposals and submit them for funding to different foreign donors.

Currently about 14 percent of NGOs have contracts with public authorities for services or activities. In this regard the Ministry of Ecology, Constructions and Territory Development of Moldova serve as a good example. It allocates approximately

\$15,380 in grants to NGOs every year for the implementation of projects related to environmental protection. However, there is generally no clear policy on behalf of the central or local governments regard-

ing contracting with NGOs for special services. Lack of funding, distrust and an underestimation of NGO capabilities seem to be the explanation to why partnerships are not a regular phenomenon.

ADVOCACY: 4.1

NGOs in Moldova are beginning to realize importance of building alliances and coalitions for the promotion of their initiatives, ideas, and image; and for influencing decision making processes in government.

ADVOCACY

2003	4.1
2002	4.2
2001	4.2
2000	5.0

Most of NGOs active in the social field have established alliances, for example the *Alliance for Child and Family Protection*, the *Alliance of NGOs for HIV/AIDS prevention*, *Forum of Women's NGOs in Moldova*, the *National Youth Council* etc.

There are examples of good cooperation between NGOs and the central or local government of Moldova. "*Youth for the right to live*", a well-known NGO in the field of HIV/AIDS prevention has been actively involved in partnership with the Ministry of Health of Moldova in the development and monitoring of the *National Strategy on HIV/AIDS Prevention*. The NGO "*European Youth Exchange – Moldova*" participated with the Youth and Sports Department and other stakeholders, in the development of the *National Strategy for Youth*. The World Bank selected The *Forum of Women's NGOs* as facilitator in the participative component in the development of the *Economic Growth and Poverty Reduction Strategy Paper* of the Government of Moldova. The ecological society "*Biotica*", a leading NGO in environmental protection, is cooperating with the Ministry of

Ecology, Constructions and Territory Development of Moldova in the project, *Biodiversity Conservation in the Lower Dniester Delta Ecosystem*, with additional support from the Global Environment Facility and the World Bank. The *National Center for Child Abuse Prevention*, together with the Chisinau Municipal Department for Child Rights protection and UNICEF, opened the *Center of Psycho-Social Assistance for Children and Families "Amicul"*.

The majority of the projects in which civil society and government work together are initiated, facilitated and funded by international donors. These efforts have proven most successful when public officials engage NGOs in solving societal problems and when there is the active participation of a foreign donor. It is more difficult to reach and influence public authorities when NGOs are acting without donor support.

NGOs have not been very successful in lobbying public interest legislation. The government and the Parliament are reluctant to listen to NGOs and their initiatives. For example when the Parliament of Moldova was examining the new *Draft Law on Charity and Sponsorship*, which in many ways was a re-writing of the old law, the civil society sector formed a strong coalition and suggested that the draft contain more freedoms and facility for those willing to participate in sponsorship or

2003 NGO Sustainability Index

philanthropic activities. Despite a well organized campaign to stop the adoption of the law in its originally proposed form, the effort was unsuccessful. The draft law was

passed as proposed, and its current provisions do not effectively motivate or encourage private sector entities to engage in philanthropic or sponsorship work.

SERVICE PROVISION: 4.5

Moldovan NGOs offer a wide variety of services in different fields, including environmental protection, education, human rights, healthcare, economic development etc. Overall the NGO “product line” can

SERVICE PROVISION	
2003	4.5
2002	4.4
2001	4.5
2000	5.0

be considered diverse, though more action is required in such areas as migration and unemployment, since the services provided are not very well developed and most are widely

dispersed. The product line of NGOs is still heavily influenced by donor/funders, and not by beneficiaries or constituents.

However, those NGOs that specialize in a specific field are still able to focus their work on a concrete group of beneficiaries. Examples of such NGOs include the *Independent Journalism Center*, the *Center for Non-Commercial Law*, *GenderDoc-M*, and *UniAgroProtect*. A small number of Moldovan NGOs, including the *Center for Non-Commercial Law*, the *Association of Independent Press*, and the *Association of Professional Accountants and Auditors* offer fee-based services. Most NGOs that offer services, however, offer them free of charge, because very few clients are capable of paying for services at their cost of delivery.

INFRASTRUCTURE: 3.8

NGOs in Moldova have access to a large network of NGO resource centers that offer a broad spectrum of training, information, consulting, and technical assistance

INFRASTRUCTURE	
2003	3.8
2002	3.8
2001	3.8
2000	4.0

services. The Association for Participatory Democracy “ADEPT” provides assistance to NGOs and initiative

groups in areas such as legal framework, acquiring public benefit status,

partnerships between NGOs and public administration, fundraising, human resource management, strategic planning, etc. *Contact Center* has a well-established network of NGO resource centers throughout Moldova that assist NGOs operating in different areas of civil society. The resource center *CREDO* provides training and consulting to strengthen institutional and organizational capacities of human rights NGOs in Moldova. The *Independent Journalism Center (IJC)* focuses its activity on elaborating special programs and developing training materials, informational and technical

resources, and specialized consulting targeted at independent media organizations, professional journalists, journalism lecturers, as well as students. There are also other resource centers that work with NGOs in environment, youth, and education.

There are no community foundations or local funding institutions in Moldova. However, a group of local NGOs have started to re-grant money from international donors and programs. Among these are *Contact* and its grant program for community development, the *National Center for Child Abuse Prevention* with a grant program encouraging the establishment of partnerships between the local government and NGOs, and the non-governmental organization for youth and children "*Mostenitorii*" with its grant program for the development of young people's entrepreneurial skills and vocational abilities.

In 2003 NGO representatives from across Moldova met at the 4th National Forum of NGOs to discuss issues of common impor-

tance. One of the major issues tackled at the forum was the absence of political will, on the part of the present central leadership, to cooperate with civil society, the distrust the current government has with respect to the NGO-sector, and the attempts of the government to create a substitute civil society (GONGs, or governmental NGOs), that enjoy facilities from the state, are often led by public officials, and whose role seems to be largely to convince the international community that the current government's policies have the support of civil society.

Most NGOs are willing and able to collaborate with local institutions including local public administration, mass media and the church. As for cooperation with the private sector, the main reasons for the its rarity are imperfect legislation, lack of cooperation traditions, insufficient knowledge as to how to cooperate with NGOs, absence of efficient communication, limited financial capabilities of private companies, and a lack of knowledge about NGO's activities.

PUBLIC IMAGE: 4.2

Generally NGOs enjoy positive media coverage, both at the local and national level. Usually, independent media provides positive analysis of the role of NGOs and civil society. However the distinction between public service announcements

PUBLIC IMAGE	
2003	4.2
2002	4.2
2001	4.3
2000	5.0

and commercial advertising is almost absent, and the prices charged by media are the same in both cases. Since

broadcast time is costly, NGOs find it very difficult to promote themselves and their work.

The public has a slightly better perception of NGOs nowadays, though many ordinary citizens still do not know exactly what an NGO does. Moldovan NGOs need to develop their ability to engage in public debate with citizens, and in organizing public awareness campaigns. Though NGOs generally cooperate with the media, only the elite NGOs can afford public relations. Even fewer NGOs have a clearly defined PR strategy. They lack both the resources and skills necessary for the establishment and promotion of public relations.

A major issue regarding transparency in the operation of NGOs, is the copyright

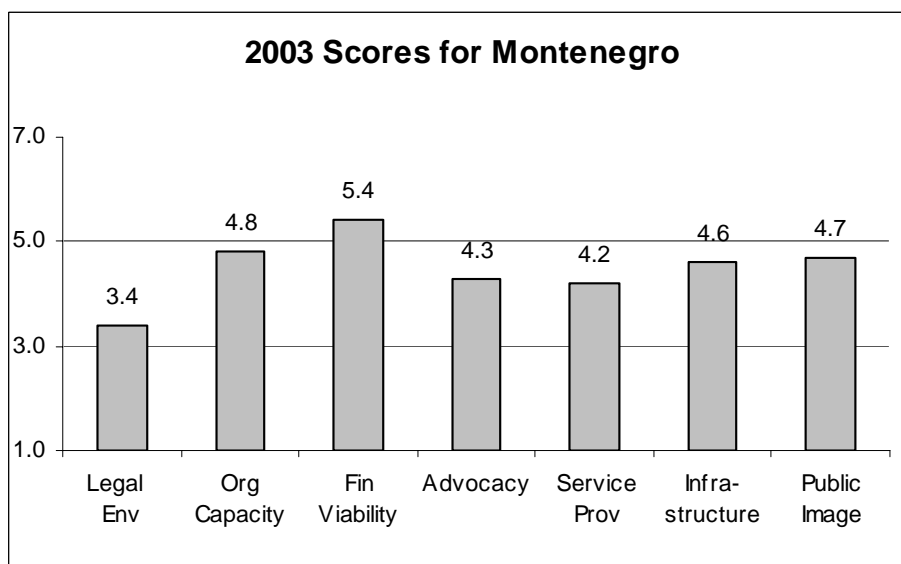
2003 NGO Sustainability Index

problem. According to the *Center for Non-Commercial Law*, this problem exists not because there is no proper legal mechanism to regulate it, but because NGOs often do not know how to protect or advocate for their authorship rights. The 3rd National NGO Forum drafted an Ethics Code, and individual NGOs were to decide whether to adopt it or not. The participants at the 4th National NGO Forum pleaded for

the improvement and promotion of the Ethics Code of the non-profit sector.

Many NGOs, especially local ones, have difficulty in drafting annual reports. This is again related to a lack of funds for this purpose, and a lack of writing and analysis skills. Only the most experienced and well funded NGOs are able to publish annual reports.

MONTENEGRO



Capital:
Podgorica

Polity:
Parliamentary
democracy

Population:
650,000

**GDP per capita
(PPP):** \$1,277

NGO SUSTAINABILITY: 4.6

Montenegro's Index score improved slightly over the last year, indicating that 2003 saw few improvements in the sustainability of the NGO sector. The trend in 2003 can be partially explained

NGO SUSTAINABILITY

2003	4.5
2002	4.6
2001	4.7
2000	4.6
1999	4.6

by the fact that donor funding for NGOs in Montenegro declined and assistance in general is moving away from humanitarian aid to more long-term development assistance. Many donors increasingly demand a higher level of accountability and organizational strength from their local NGO counterparts. The year represented, therefore, the beginning of a difficult transition for NGOs.

Despite the increased number and variety of training and technical assistance offered to Montenegrin NGOs by programs such

as the USAID/ORT Montenegro Advocacy Program and other programs, NGOs find it difficult to adopt and understand the need for internationally recognized best practice models of NGO management. Although an increased number of NGOs established Boards of Directors, it may be years until the new governance structures are truly followed and respected. NGOs still demonstrate a particular weakness and lack of capacity in the area of financial management.

The NGO sector continues to be donor and project driven, although there have been a very small number of NGOs that succeeded in diversifying their funding sources, through state-funded NGO grants programs and/or direct service-provision contracts with the Government of Montenegro.

The picture is not entirely negative, however. The USAID-funded Montenegro Advocacy Program, administered through

2003 NGO Sustainability Index

American ORT, provides training and technical assistance to NGOs that specifically focuses on strengthening the governance structure of NGOs, introducing strategic planning tools, and assisting NGOs to constitute Boards of Directors. The program has also established regional NGO resource centers in three different geo-political regions of Montenegro, thus allowing NGOs in regions outside of Podgorica to access communication and technical services, as well as advocacy and training resources.

Notably, there have also been several cases where NGOs successfully advocated for legislative changes at both the Republic and municipal level in 2003. One NGO, for example, proposed changes to the Law on Higher Education to allow for equal access for disabled students to higher education facilities, and these changes were incorporated into the final Law. The Law on Higher Education was subsequently adopted, thus securing for

disabled students legal provisions that protect their rights to gain equal access to higher education. In another success story, a women's protection NGO drafted and proposed a set of guidelines for police officers on how to deal with domestic abuse cases, which the Ministry of Interior has committed to incorporating into the draft Law on Police. The Akcija NGO Network continued to secure meaningful NGO participation in Montenegro's reform process, through several wide-scale, national public information and mobilization campaigns. Akcija NGOs cooperated closely with the Montenegrin Government on many of these campaigns, including the highly successful Farewell to Arms initiative, which resulted in over 2,000 citizens turning in 34,000 pieces of illegal weaponry and ammunition to the police, and also a 10 point increase in public trust in the police forces. Therefore, in 2003, it can be said that there was a significant increase in the quality of NGO-Government dialogue on reforms.

LEGAL ENVIRONMENT: 3.7

The NGO Law continues to provide simple registration procedures and allows NGOs

LEGAL ENVIRONMENT

2003 3.4
2002 3.7
2001 3.7
2000 3.5
1999 3.5

to operate freely with no government threat of dissolution for political or arbitrary reasons. The Government does not systematically harass NGOs. However, there continues to be a lack of understanding among government authorities, particularly at the local level, regarding the role of the NGO sector.

The NGO Law does not contain precise and easily understandable 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.

There remains a scarcity of lawyers specialized in NGO Law and capable of offering pertinent legal advice to NGOs, as there is no incentive for lawyers to specialize in NGO-related legal issues. The few lawyers that do specialize in NGO Law are located primarily in Podgorica and only rarely in the secondary cities.

NGOs can earn income from the provision of goods and services, and receive tax exemptions on grants and profits less than \$4,000. However, the introduction of VAT in 2003 meant that prices for goods and services have risen, and since NGOs are not exempt from paying VAT, this can impact negatively on project-related costs. There are still no tax incentives for potential individual or corporate donors to give grants to NGOs.

The Procurement Law allows for any legal entity, including NGOs, to compete for

government contracts and procurements at both the local and central levels. One positive change in 2003 was the implementation of the Constitutional Court's decision to move the state grant-making function from the government to a committee in the Parliament. The parliamentary committee awards grants to NGOs using earmarked funds from the state budget. All regulations, information, and guidelines for these grants are posted in a timely and transparent manner on the Parliament website, thus accessible to all NGOs.

ORGANIZATIONAL CAPACITY: 4.8

It remains rare for NGOs to have a clearly defined mission to which they adhere, nor do many NGOs 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 still 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 re-

quirements. 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 involvement 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. In 2003, through USAD funded Montenegro Advocacy Program, three regional advocacy centers were supported in secondary cities in order to allow NGOs access to communication facilities (Internet, fax, photocopying), as well as access to advocacy resources (information, training, advisement) which could improve NGOs' communication and constituency outreach capabilities.

FINANCIAL VIABILITY: 5.5

The process of allocating state and municipal grants funding to NGOs has improved measurably in the past year, with

FINANCIAL VIABILITY	
2003	5.5
2002	5.5
2001	5.5
2000	5.5
1999	5.5

the adoption and implementation, by the government, of clear regulations and transparent application guidelines. Furthermore, the grant-making committees

either contain NGO representation on the evaluation board or work closely with NGOs to obtain their input. The contracting, reporting, and monitoring requirements still need to be developed, although accurate reporting has

been introduced as a precondition for repeat grants funding.

In terms of other funding resources, NGOs in Montenegro typically continue to be dependent 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 solicit funding from other sources. This will require training in community and constituency building, fundraising techniques, and financial management.

ADVOCACY: 4.7

In 2003, there were a few notable cases of

ADVOCACY	
2003	4.7
2002	4.7
2001	4.5
2000	3.5
1999	3.5

successful NGO advocacy and lobbying initiatives. For example, a disability rights NGO succeeded in getting the government to include several key provisions in the draft Higher Education Law pertaining

to better access to higher education for disabled students. Women's rights NGO wrote guidelines to regulate the Ministry of Internal Affairs' conduct in investigating and processing domestic violence cases. An elections monitoring NGO drafted and proposed two key pieces of political party reform legislation directly to parliament, and collected nearly 13,000 signatures from citizens to do so. Another NGO secured the participation of a hereto-

excluded sector of the population, persons with disabilities, in the World Bank PRSP process.

However, successful advocacy and lobbying initiatives, such as above, still tend to be isolated efforts in Montenegro. NGOs generally do not coordinate with each other, or join forces, to achieve an advocacy goal. The only large-scale, coordinated reform initiatives and campaigns in Montenegro are those that are completely donor driven, such as the Akcija "Reforms for a Healthy Society" Program. NGO members of the Akcija NGO Network organized and collaborated on several large-scale reform initiatives, such as the Farewell to Arms campaign, pension reform, Ombudsman, and political party legislation.

SERVICE PROVISION: 4.2

Provision of services to constituents and/or government, with the exception of

SERVICE PROVISION	
2003	4.2
2002	4.2
2001	4.0
2000	4.5
1999	4.5

disability membership organizations, is still an under-developed concept in Montenegro. Some cases of service provision, albeit rare and isolated, do exist however. For example, in 2003,

two different women's rights NGOs provided issue-based training to police officers, following requests by the Ministry of Internal Affairs. Another NGO, a journalist association, was asked by the government to provide specific media monitoring services for the government. The national media working group, mentioned in this section in 2002, continued in 2003 to

work with the government on implementing key portions of the new media laws.

In comparison to 2002, 2003 saw a marked increase in awareness among NGOs of unexploited potential in the area of providing services to government and the private business sector. In particular, the reluctance of the donor community to fund service provision initiatives in the fields of social welfare and education has opened up a potentially rich source of engagement for Montenegrin NGOs. Service-providing NGOs that had been funded through humanitarian funds from international donors have ceased to operate, since this type of donor funding has dried up and the NGO programs no longer sustainable.

INFRASTRUCTURE: 4.6

INFRASTRUCTURE	
2003	4.6
2002	4.6
2001	5.0
2000	5.0
1999	5.0

While the range and quantity of basic training opportunities available to NGOs is generally good and even exceed-

ing local demand, NGO interest in trainings is judged to be significantly low. On the other hand, specialized training and resource materials can attract only a small portion of the NGO market, and are difficult to access for NGO representatives with poor English language skills.

PUBLIC IMAGE: 4.8

The media now dedicates significant time to the work of NGOs, but the resulting presentations in the media tend to reflect a lack of presentation skills and/or professionalism on the part of the NGOs. NGOs'

communications with the media and the general public are basic in nature and can often result in inaccurate reporting.

2003 NGO Sustainability Index

PUBLIC IMAGE	
2003	4.8
2002	4.8
2001	5.0
2000	5.0
1999	5.0

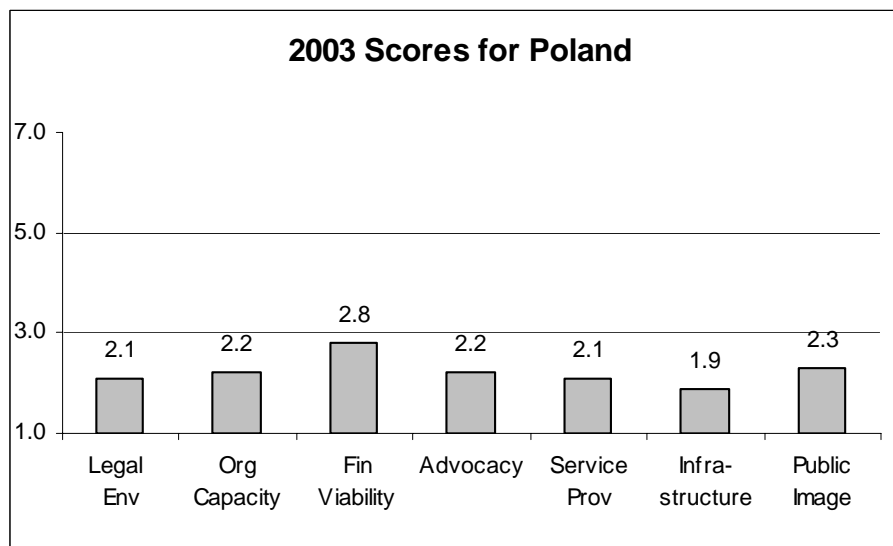
NGOs and the NGO sector as a source of alternative opinions and/or in-depth data analysis.

The good news is that organizations exist that can help address this shortcoming. For example, the Montenegro Media Institute (MMI), an NGO dedicated to improv-

Although open to cooperation with the NGO sector, the media still lacks the in-depth/investigative reporting skills and policies that would result in enhancing the public perception of

ing the professional skills of journalists and other media experts, has been working in cooperation with the Danish School of Journalism and soon with the University of Montenegro's Faculty of Law, on developing a multi-year accredited degree in journalism that among other things will hopefully ensure greater public perception of the NGO sector in the years ahead. MMI, in the meantime, organized 22 courses in 2003 in which 164 journalists participated, ranging from court room reporting to investigative reporting skills, to producing and editing stories utilizing state of the art radio and television digital technology.

POLAND



Capital: Warsaw

Polity:
Presidential-
parliamentary
democracy

Population:
38,625,478

**GDP per capita
(PPP):** \$8,800

NGO SUSTAINABILITY: 2.1

Poland has a vibrant NGO sector with approximately 41,000 registered organizations,

NGO SUSTAINABILITY

2003 2.1
2002 2.2
2001 2.1
2000 2.1
1999 2.1
1998 2.0

of which 36,000 are associations and the remainder foundations. Approximately two-thirds of these are considered active. One in five organizations is located in Warsaw, though many of these work at the national level. The third sector is still relatively young, with 25 percent of NGOs less than three years old and 90 percent having been established since 1989. It is estimated that the NGO sector accounts for 1.2 percent of non-agricultural employment in Poland, although roughly half of all NGOs do not have any permanent employees.

NGOs are active both in providing services to their members or clients and in advocating on behalf of their constituents. The largest proportion 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. The Law on Public Benefit Organizations and Volunteer Work, which was finally passed in May, 2003, provides a better framework for co-operation between NGOs and the public sector, including access to public funding. It also introduces a mechanism

under which taxpayers can dedicate 1 percent of their personal income tax to

public benefit organizations.

LEGAL ENVIRONMENT: 2.0

The most significant development of the past year, was the passing of the Law on Public Benefit Organizations and Volunteer Work after

LEGAL ENVIRONMENT

2003 2.0
2002 2.1
2001 2.0
2000 2.0
1999 2.0
1998 2.0

seven years of preparation. The Act includes several regulations concerning the relationship between NGOs and public administrative bodies. Under the law, local govern-

ments are obliged to create co-operation programs, and establish joint governmental-non-governmental Boards of Public Benefit Activity. The Act ensures that interested organizations can apply for public benefit organization status. Organizations granted this status receive certain advantages, such as access to funds which taxpayers designate from their taxes (up to 1 percent) to the organizations of their choice. This system will be officially introduced in 2005. However, this financial opportunity accompanies several additional responsibilities, including a transparent management structure, the obligatory presentation of annual reports, and other requirements. The Act also regulates the standing of volunteers working for NGOs. It is presently too early for definitive assessment of the Act, since this will largely depend on the way the Act is will be implemented.

Later in 2003, in view of budgetary difficulties, the Ministry of Finance presented several proposals aimed at eliminating many of the tax allowances in the taxation

system. Several of the tax allowances that are important for NGO activity were also endangered. An extensive campaign on the part of the NGOs, including an open letter signed by some 1000 organizations, resulted in the retention of the existing and more advantageous income tax exemption for grants and subsidies. Unfortunately, the sum of donations deductible from a person's taxable income was reduced from the previous percentage arrangement of 10-15 percent of income, to a fixed amount of 350 zł.

Despite the tax law changes mentioned above, it should be stressed that in Poland the freedom of association and the right to establish civil society organizations is constitutionally guaranteed and frequently exercised. The obstacles to creating NGOs are mainly bureaucratic, a problem that does not apply solely to NGOs, and which more likely stems from the general over-regulation of organizational activities, together with the poor functional efficiency of public administration and the registry courts. A research study, carried out by Klon/Jawor Association on a representative sample of NGOs, shows that as much as 35 percent complain about difficulties related to the functioning of registry courts. Presumably, some explanation for this lies in the fact that during the past three years all NGOs had to re-register with the newly established National Court Register.

In general, the extent of government supervision is not much of a burden and audits are performed quite rarely. When audits are performed, they can be difficult,

and some NGOs point out that auditors from NIK (the Polish Supreme Audit Institution) often abuse their powers and include in the scope of the audit not only the way public resources are spent, but all the activities of an organization.

Freedom of opinion on public matters is legally guaranteed to NGOs. They often take advantage of their legal right to express criticism of public authorities, but this often appears to have limited effect. It should be also noted that many local NGOs are vitally dependent on local government decisions to grant subsidies or provide public work space. As a consequence, NGOs are often entangled in a silent network of dependencies that makes it hard for them to remain independent in their opinions. This could give rise to objectivity challenges in relations with public bodies. A stronger NGO sector brought about by alliances which can speak for groups of NGOs would place them in a safer position to defend their interests.

The NGO sector lacks a sufficient legal capacity or corps of lawyers skilled at ne-

gotiating NGO matters. For many NGOs the substantial cost of legal services is a barrier to legal support. NGO assistance organizations, giving cheap or even free legal advice and information, should be an answer to that problem, but they cannot engage in individual cases. NGOs rarely use legal recourse such as litigation to obtain interpretation of the law, since legal proceedings are expensive and lengthy.

The Polish taxation system is still one of the most advantageous in Europe for NGOs. There are tax incentives for donors, and until this year, a tax exemption covered grants of up to 15 percent of income. The recent measures that limit tax advantages for NGOs is a significant setback for NGOs, and displays a lack of thoughtful long-term policy on the part of the government.

ORGANIZATIONAL CAPACITY: 2.2

While significant issues remain, the Polish

ORGANIZATIONAL CAPACITY
2003 2.2
2002 2.2
2001 2.0
2000 2.0
1999 2.0
1998 2.0

NGO sector maintains a solid level of capacity. Only a few Polish NGOs have effectively built their membership, and many NGOs are unable to build constituencies, and NGOs that achieve financial stability and independence based on member contributions are rare. The result of this lack of material self-sufficiency creates a weakness in the ability of NGOs to act as effective watch-

dogs for civil society. Recent research shows a systematic decline in citizen membership in organizations, climbing to 50 percent over the last twelve years. A general unwillingness to become involved in mass membership organizations and for collective action is, at least in part, a legacy of communism and compulsory collectivism.

A disturbing phenomenon is that for many NGOs the basic strategy is that of subsistence. While this shows proof of their ability to adapt and function in a rapidly changing environment, it also may threaten their integrity and distract them from their primary social missions. The

problem will gain importance after Polish accession to the European Union, when financial resources from European sources become available. These are comparatively large amounts, far exceeding sums previously available for Polish NGOs. It continues to be a great challenge for the NGO sector to match up the capabilities of NGOs in terms of planning, procedures, financial management, and effectiveness in achieving measurable results, with the expectations of donors with these resources. The NGOs frequently participate and have an impact in defining programs supported by these funds via committee, and they continue to gain skills in preparing professional proposals for resource competitions. Polish NGOs also have a permanent delegation, the Polish NGO Representative Office, in Brussels.

Volunteer activity is flourishing in Poland. In the last year, the percentage of Poles that volunteered with NGOs rose from 11 percent to 17 percent, and half of the NGOs declare volunteer participation in

their activities. Volunteer participation remains informal, with only a few organizations that request volunteers to sign any form of agreement or list of obligations to be met by both parties. The new Law on Public Benefit Organizations and on Volunteer Work regulates volunteer work for NGOs, but for the time being it is not clear how the relationships between NGOs and volunteers will be affected.

In general, the level of NGOs' technical equipment is also improving. Most of the organizations have access to computers, and one-third has access to the Internet from their offices. Organizations have shown a greater willingness to use Internet resources, as reported by an increase during 2003 in the average daily number of visitors to the non-governmental organization portal www.ngo.pl, usually between 6,000 and 10,000 visits.

FINANCIAL VIABILITY: 2.8

NGOs, particularly small ones with limited budgets, often use funds from local

FINANCIAL VIABILITY	
2003	2.8
2002	2.8
2001	2.5
2000	2.5
1999	2.5
1998	2.0

sources. Under the Law on Public Benefit Organizations and Volunteer Work, local government is required to prepare and implement co-operation programs. This means that at the basic level of local administration, i.e. in communities, there will be over 2,500 programs in place. But acceptance of these programs by local governments itself does not ensure good co-operation in practice. There remains a need for hard work aimed at building genuine partnerships, and many efforts

have already been initiated. In the absence of systematic and clear legal arrangements, access to local government resources often depends on acquaintances, particular interests, or political commitments. This implies that transparency remains an issue, and that NGOs lack the unity to prevent such practices. During 2003 provisions requiring the announcement of competitions for public funds in the government's Public Information Bulletin, went into force, but so far, only a few agencies have used this to promote improvement in transparency.

The budgets of NGOs are becoming more diversified, but some financing sources (e.g. payments for the services provided) are not sufficiently exploited. This is mainly

due to problems and complications in starting and maintaining economic activities. As the new Law on Public Benefit Organizations and Volunteer Work takes effect, organizations that slowly introduce paid services may improve their financial position. The Act provides for so-called often of poor quality, and the use of external audits is rare. These shortcomings have caused serious internal problems for some NGOs.

It is worth noting that the increasing tendency on the part of foreign sponsors, in

“paid non-profit activity” that is not treated as traditional economic activity.

Many NGOs face challenges in financial management, but are unable to pay for professional advisory services. As a consequence, NGO financial statements are particular American sponsors, to phase out of Poland is being alleviated by the presence of the Polish-American Freedom Foundation and by the Trust for Civil Society which has recently initiated activity. The situation may change dramatically should structural funds become available.

ADVOCACY: 1.9

During the last year in Poland we have seen the emergence of several dozen “social dialogue institutions.” The creation

ADVOCACY
2003 1.9
2002 2.2
2001 2.0
2000 2.0
1999 2.5
1998 2.0

of these bodies may be a sign of the results from lobbying by NGOs, but may also be a result of requirements imposed by European Union. Aside from these events, NGO representatives

were often invited to participate in various consultative bodies, (e.g. the Forum for Non-Governmental Initiatives Association was a formal government partner in preparing the National Development Program to highlight the position of NGOs). The high demand for NGO sector expertise has revealed the shortage of organizations specializing in advocacy and public policy debate. However, improvement is expected since NGOs have often formed alliances for particular objectives, or leveraged resources between organizations from different regions. The need

to support the common interests of the non-governmental sector is becoming more evident, as the wide diversity of organizations in the sector recognize common problems (e.g. taxation issues) that require concerted action. The perceived necessity for collaboration to support the interests of the sector is one of the reasons behind the controversial decision, well-debated in among NGOs, to create and register the National Federation of Non-Governmental Organizations.

At the same time, there has been a visible improvement in the ability of NGOs to conduct popular campaigns on particular issues. A recent example, the campaign “Children Protected by Law”, led to significant changes to the way children are heard before courts. Campaigns and lobbying activities by issue organizations in ecology, human rights, gender equity, and disabled persons also occurred more frequently.

SERVICE PROVISION: 2.0

NGOs in Poland provide a wide portfolio of services. As the sector grows, the need to improve the quality of these services becomes more evident. Organizations too often are not aware of the demand for their services. Because they rarely charge fees for their services, they do not sufficiently analyze client needs, and often do not even record services provided. This has limited their ability to respond to changes

SERVICE PROVISION
2003 2.0
2002 2.1
2001 2.0
2000 2.0
1999 2.0

in demand or draw conclusions from data collected on the quality of their products. However, recent public opinion research indicated that 58 percent of Poles say that services are provided

more effectively by NGOs than by public administration. This relatively favourable opinion for NGOs may be more the result of poor public opinion on the effectiveness of public administration activities. An opinion poll reporting that 39 percent of Poles thought that NGOs are poorly organized and unprofessional may possibly confirm that conclusion. Another disturbing response reported that 53 percent of Poles felt that NGOs play no important role in solving serious social problems in the country.

Self-critical opinions from members of NGOs assessing the real extent and qual-

ity of NGO activity has been heard more often. This may change with the availability of resources from structural funds that could enable a rapid expansion in the scope and geographical outreach of services. At the same time, the availability of these funds is strictly dependent on meeting demanding quality standards. A contributing factor may also be provisions within the new Law on Public Benefit Organizations and Volunteer Work, which introduces competitive mechanisms in the field of public services provision. If they wish to, NGOs may take part in competitions for subsidies or contract services, including services that are currently solely provided by government. Keeping in mind the need to rationalize public expenditures and to reduce the size of government, there is a chance for greater participation by NGOs. The transfer of many services to be provided by NGOs will likely have a cost-saving effect but, more importantly, it should be accompanied by an improvement in the strength of the sector. The Law on Public Benefit Organizations and Volunteer Work also provides for multi-year contracts with NGOs that allows them to develop, test, and improve quality programs. These opportunities, however, may only positively affect those organizations that conduct publicly delivered services and apply for public support.

INFRASTRUCTURE: 1.9

The available infrastructure for Polish NGOs is well developed; though organizations located in more remote areas lack sufficient access to information, training courses, and other helpful resources.

Communication between the few existing NGO support organizations and their networks has been gradually improving, and new information channels have opened.

2003 NGO Sustainability Index

Management of these NGO community structures has also visibly improved, and efforts have been taken to set out a consistent policy on NGO activity standards. The new portal for NGOs (www.ngo.pl) offers an extensive set of tools for information exchange and organizational improvement. The main

INFRASTRUCTURE

2003 1.9
2002 1.9
2001 2.0
2000 2.0
1999 2.0

problem of NGO infrastructure improvement organizations is their dependency on sponsors, most of which are foreign donors. There is still no general consensus on charging fees for information delivery.

There are a few good examples of NGO cooperation with business and government, but these remain exceptional. New requirements regarding the use of structural funds may bring about improvement in this.

PUBLIC IMAGE: 2.2

Opinions given by non-governmental organizations are cited with greater frequency in public debates. These are mainly opinions from think tanks, which the average listener seldom associates as representatives of the non-governmental sector. Over time there have been more programs and articles in mass media outlets that relate to non-governmental activities.

PUBLIC IMAGE

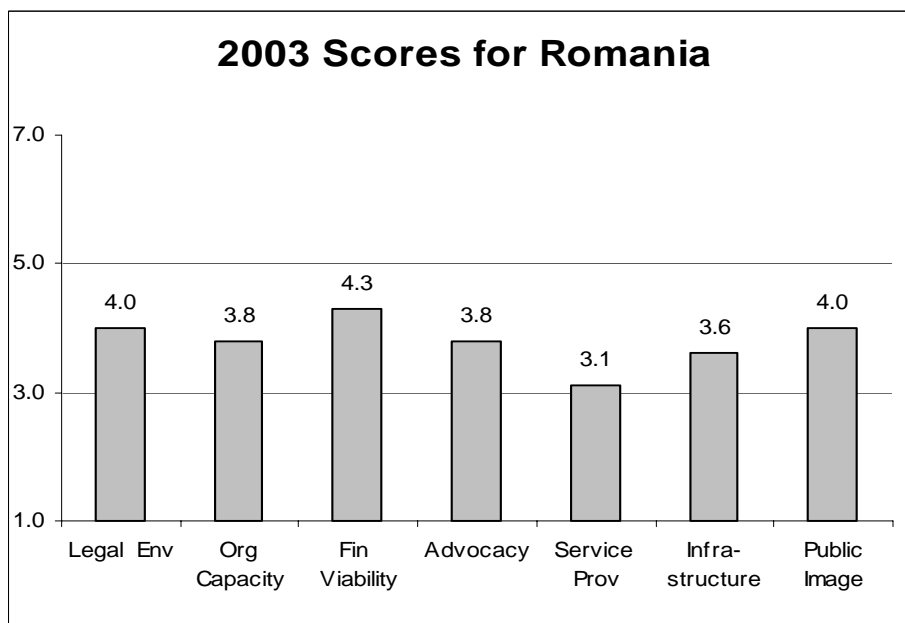
2003 2.3
2002 2.3
2001 2.0
2000 2.0
1999 2.0

At the same time, however, there is (especially in national-level media) a negative trend emerging: on the one hand, the media frequently presents representatives or opinions from a small group of well-known NGOs that have a positive image, and on the other hand, other NGOs are seemingly presented in connection with frauds and misconduct. Local media have shown to be more committed to focus on NGOs activities than their national counterparts.

Thanks to the mass media, non-governmental organizations have generally raised their public profiles, but a clear understanding and awareness among the general population still remains quite low. Steps taken by NGOs to acquaint wider audiences with the details of their activities through local communities and mass media representatives are insufficient. Preparations are under way among some NGOs to develop a framework for cooperation with mass media, but the effect this may have is yet unclear.

Self-regulation mechanisms among NGOs are also far from satisfying. An effort several years ago to establish a charter of rules has failed to be implemented across the sector. Only the leading organizations have internal ethical codes and/or publish annual reports. This self-regulation need may reduce with the implementation of the provisions within the Law on Public Benefit Organizations and Volunteer Work. Under the new law, organizations applying for the public benefit status are required to publish annual reports on their activities.

ROMANIA



Capital:
Bucharest

Polity:
Presidential-
parliamentary
democracy

Population:
22,400,000

**GDP per capita
(PPP):** \$6,423

NGO SUSTAINABILITY: 3.8

The overall rating for the Romanian NGO

NGO SUSTAINABILITY	
2003	3.8
2002	3.7
2001	4.0
2000	4.1
1999	4.1
1998	3.8

sector declined slightly in 2003, due primarily to modifications in the legislation regarding registration and operation of NGOs, which the non-profit sector views as restrictive and unfavorable. Grants from foreign donors continue to be the major source of funding for NGOs. Organizations are not making enough visible efforts to achieve financial sustainability or to promote their programs and their public image.

Less than 1 percent of Romanian employees work in the nonprofit sector. The membership base of NGOs also

remains low. Only 7 percent of Romanians are members of an NGO, compared to 41 percent who belong to condominium associations or 36 percent to labor unions. Nevertheless, a network of volunteer centers has spurred volunteerism, and coalitions have become both stronger and more widespread.

According to data provided by the Ministry of Public Finance, 17,373 NGOs submitted an annual balance sheet for 2002, although approximately 10,000 of these are inactive. Most of the active organizations are found in Transylvania (47.7 percent), followed by Southern Romania (29.9 percent) and Moldova (16.7 percent). 5.3 percent are based in Bucharest and its surroundings. The approximately 7,000 active organizations offer a wide array of services in the following areas: 20 percent social

services, 25 percent culture and sports, 15 percent education, 8 percent health, 8 percent human rights, 6 percent development, 5 percent business, 5

percent environment, with the rest active in philanthropy, international cooperation, and religion.

LEGAL ENVIRONMENT: 4.0

Having anticipated legislation that would improve the environment for NGO creation, registration, and operations, NGOs

LEGAL ENVIRONMENT	
2003	4.0
2002	3.0
2001	3.0
2000	3.0
1999	3.5
1998	3.5

were disappointed when a new ordinance actually took the NGO movement a step backwards. Ordinance 37/2003 includes provisions such as one requiring the Ministry responsible

for overseeing activities related to the proposed mission of an NGO to authorize the NGO's registration, which is considered a restriction of rights guaranteed under the Romanian constitution. The new ordinance also makes it more difficult to obtain "public utility" status and restricts NGOs' access to budgetary resources from local and central government funds for activities that are recognized as being in the "public interest." On the positive side, the ordinance clarifies terms such as "public utility", "general interest", and "community interest"; recognizes the federations' right to receive public utility status; and mandates all relevant minis-

tries to establish selection criteria for granting such status. So far, only the Ministry of Labor, Social Security and Family, the Ministry of Health, and the Ministry of Culture have established such criteria.

Other laws and ordinances adopted in 2003 also negatively affect the operational environment for NGOs. The new Labor Code increases the bureaucratic burden related to labor contracts. The Law on political party financing allows political parties to receive financial support from NGOs. This provision creates an incentive for the establishment of sham NGOs whose sole purpose is to absorb funds for political activities.

It is anticipated that in 2004 the situation could deteriorate even more, as a new ordinance on social services will come into force on January 1st. This ordinance imposes additional restrictions on the registration and operation of NGOs, increasing the bureaucracy and governmental control over the nonprofit sector without establishing clear and transparent procedures.

ORGANIZATIONAL CAPACITY: 3.8

Most NGO activities are still donor-driven. Although they remain unskilled at building local constituencies, Romanian NGOs are improving relationships with local authorities. For example, with funding from the

EU, a number of Citizens Advice Bureaus have been established as partnerships between local authorities and NGOs, providing legal counsel to citizens on various issues.

2003 NGO Sustainability Index

Professional and business associations have increased their membership and have developed strategic approaches to serve their members' interests. However, strategic planning remains a weakness

ORGANIZATIONAL CAPACITY

2003	3.8
2002	4.0
2001	4.5
2000	5.0
1999	4.0
1998	3.5

for most NGOs. Although more organizations have a clear and well-defined mission than in the past, many still do not clearly distinguish among mission, goals,

and objectives. The few organizations that engage in any form of strategic planning appear to do so in order to follow conditions set by donors. It is a positive trend, however, that many NGOs have come to realize that grants from donors and the ability to raise funds from businesses will depend on a clear statement of goals and objectives, along with strategic plans to implement these goals. NGOs also know that they cannot diversify their funding sources without the equivalent of a sound business plan.

Human resource capacity is a serious problem. NGO personnel are generally not well trained, especially in management, and many NGOs operate with very small staffs, usually just three or four people. Members, in general, need to become more involved in the operations of NGOs. Volunteers pick up some of the slack and there appears to be an increasing trend toward volunteerism. There are thirteen volunteer centers in cities around the country, linked in an informal network. These centers provide a range of services to persons who wish to be volunteers and to organizations seeking volunteers.

The boards of directors for most NGOs perform a range of functions from policy and planning to routine administrative duties. The role of boards remains unclear, with many involved in routine day-to-day actions that detract from their leadership function.

FINANCIAL VIABILITY: 4.3

NGOs in Romania receive funding from a variety of sources, including grants, donations, sponsorships, subscription fees, government subsidies, and commercial activities. Grants are the principal resource for most NGOs, but membership fees and income generating programs are growing in importance and now account for 17.9 percent and 18 percent, respectively, of total revenues. It

FINANCIAL VIABILITY

2003	4.3
2002	4.5
2001	4.5
2000	5.5
1999	5.0
1998	4.5

should be noted, however, that most of the income-generating activities are implemented by chambers of commerce and private universities, which are registered as NGOs. Other examples of commercial activities include consultancy services, training, feasibility and marketing studies, and the sale of products made by NGO beneficiaries (e.g. bread baked by teenagers or wood products carved by disabled persons; the funds from sales help sustain the centers where the teenagers or disabled people are being taken care of).

The 2003 Civil Society Development Foundation survey, *Need and Trends of the Nonprofit Sector*, revealed a highly positive correlation between fundraising and good communication and interaction with stakeholders. The more stakeholders are included, and the more they understand and become an integral part of NGO efforts, the more likely they are to make financial contributions. According to Ministry of Finance data, sponsorships and donations accounted for 34.4 percent of NGO income in 2002.

NGOs have demonstrated that, when provided with the right incentives, they can attract businesses to invest in social services. Child welfare NGOs, motivated by the requirement to establish partnerships with local businesses in order to access USAID funding, have enlisted the financial and in-kind support of local firms to develop life skills and vocational training for youth graduating from residential state institutions. This support amounts to

over \$900,000 and represents almost 50 percent of the overall cost of the programs. Nevertheless, this remains an isolated example. Most NGOs still find it difficult to involve private businesses in their activities, thereby missing a valuable opportunity to enhance program effectiveness, the financial viability of their programs, and sustainability.

In the long run, it is clear that Romanian NGOs must improve their fundraising capabilities and reduce their reliance on grants. With only 18 percent using commercial means to raise funds, there is certainly room for improvement. In addition, NGOs need to be more proactive in identifying areas where private companies can contribute to programs, either through contributions to NGOs or by becoming partners in the implementation of programs. Most donors believe that NGOs are not doing enough in the area of fee-for-services or commercial activities, so sustainability remains an important concern.

ADVOCACY: 3.8

NGOs engaged in more advocacy campaigns in 2003 than in the previous year and more coalitions were formed. Advocacy topics included domestic violence, child protection, anti-corruption, environment, constitutional revisions, and political party activities. These advocacy efforts, however, were not always successful.

ADVOCACY

2003	3.8
2002	4.0
2001	4.5
2000	3.5
1999	4.0
1998	3.5

At the central government level, each Ministry has set up an office to interact with NGOs, through consulting with and informing NGOs about

governmental programs and activities. However, not all the offices are effectively fulfilling their role. Some of the most active offices operate within the Ministries of Labor, Social Security and Family; Defense; Education; European Integration; and Culture. At the local level, liaison officers deal with NGOs. NGOs generally feel that interaction is better at the local level and that their opinions and suggestions are listened to and taken seriously, although there are localities where the relationship with local authorities remains weak. At the national level, NGOs are rarely invited to participate in the formulation and discussion of new legislation or policies. There is very limited access to

2003 NGO Sustainability Index

the legislature, which inhibits the contribution of NGOs to the development of public policy.

More than 150 NGOs advocated against provisions in the draft Law on political party financing allowing political parties to receive financial support from NGOs. Unfortunately, regardless of their letters of protest to the parliament, the presidency, the media, and international donors, those provisions remained in the final version of the law. Similarly unsuccessful were the efforts of civil society to include stronger provisions regarding conflict of interest and asset disclosure in the new anti-corruption law. The government consulted with civil society hastily and very late in the drafting process. The law was adopted using the legislative mechanism of a vote of confidence, which further restricted possibilities for consultation.

On the positive side, a coalition of six

NGOs closely monitored the drafting of a new law on the establishment of political parties, and influenced the outcome to reduce the number of required members for registration of a new party. Another positive example was the coalition of NGOs and trade unions that created a human chain around the parliament building, successfully protesting government attempts to block public access to the files kept by the former secret police (*Securitate*).

NGOs also advocated against Ordinance 37/2003, mentioned above, although it is too early to tell whether these efforts will have any effect. Five NGO representatives were invited to participate in the Juridical Committee's debate on the regulation; however, this debate had not taken place as of the time of writing.

SERVICE PROVISION: 3.1

SERVICE PROVISION	
2003	3.1
2002	3.1
2001	3.5
2000	4.0
1999	4.0

The provision of social services is the most common of all NGO activities in Romania. The government has recognized the value of this activity and, during 2001-2002, funded child welfare

NGOs to implement National Interest Programs in the amount of \$6 million. Such programs closed some of the worst institutions (*camine-spital*) for disabled children, trained child welfare staff, and developed services for street children.

While Romanian NGOs are improving their service delivery capacities, many still depend on grant funding, and there is an incentive to adjust their programs to meet grant opportunities rather than identified needs. Most NGOs lack the resources and expertise to broaden their constituencies and are hampered by the prevailing attitude that services should be free of charge. This limits the number and quality of services provided and impairs the financial viability of many NGOs. It is imperative that NGOs recognize the importance of charging fees for the services they provide as a means to deliver more services in a sustainable way.

INFRASTRUCTURE: 3.6

The number of support organizations and NGO resource centers is roughly the same as last year. Centers in Suceava, Valcea, Constanta, Cluj, and Calarasi were set up with support from Centras, a Bucharest-based NGO; and donor-funded centers in Satu Mare, Timis, and Tulcea continue to operate. These Intermediary Support Organizations offer a wide range of services, such as information, training, and technical assistance. In the future, the outreach capacity and the sustainability of these centers will require attention.

Romania has a core group of professional NGO trainers capable of imparting knowledge and skills on a variety of topics relevant to NGOs. Training materials are widely available, but are mostly located in Bucharest and other cities. There are few local organizations offering courses. The

INFRASTRUCTURE

2003	3.6
2002	3.6
2001	4.0
2000	4.0
1999	4.0

same as last year. Centers in Suceava, Valcea, Constanta, Cluj, and Calarasi were set up with support from

expertise and quality of training by the organizations offering courses at the local level varies widely. Fees collected by these organizations do not cover their costs, so sustainability is an issue. Partnerships, especially with the private sector, bring additional expertise to bear on specific areas of common interest, but they are mostly limited to the larger cities. NGOs must realize that developing these partnerships is an effective way to increase resources and provide expertise not readily available in the NGO community.

In many cases, the infrastructure is supported through specific grant programs. USAID-funded programs in child welfare, local governance, family services and others have training and technical assistance components to help develop and improve the capacities of NGOs in those sectors.

PUBLIC IMAGE: 4.0**PUBLIC IMAGE**

2003	4.0
2002	3.8
2001	4.0
2000	3.5
1999	4.0
1998	4.0

The media does not provide extensive coverage of NGO events and activities. There were numerous events in the past year that could have received coverage in the mass media, but NGOs were unable to

generate any interest. Even the social campaigns which were covered by TV and radio were not broadcast in a way that let people know of the involvement of NGOs. Thus, even though people may have supported these campaigns and

been aware of the issues, they did not make the connection between the campaigns and the work of NGOs. In general, the NGO community does not do a good job of promoting their programs or their image.

The public holds NGOs in higher esteem than other institutions or organizations. A 2002 survey found that 46 percent of Romanians believed that NGOs do good things for the country, while 24 percent believed that they do not. Corresponding attitudes were 43 percent-32 percent for unions and 41 percent-48 percent for public authorities.

2003 NGO Sustainability Index

Although much remains to be done, government perception seems to be changing for the better, with several declarations issued from the government touting NGOs as viable social partners as well as the availability of funding and implementation of social programs through NGOs. Unfortunately, the passage of restrictive legislation, as discussed earlier, contradicts these declarations. Miscommunication between NGOs and the business sector regarding how their mutual areas of interest should be dealt with in future legislation regulating lobbying activities is

also a serious impediment to the effectiveness of NGO/business partnerships.

Much of the responsibility for developing a good public image rests with the NGOs themselves. They need to be more proactive and forthcoming in identifying areas of common interests with private companies and government units, and to address these interests by developing partnerships with a wide range of organizations. NGOs also need to understand the importance of good standards, transparency, ethics, and accountability.

RUSSIA



Capital:
Moscow

Polity:
Presidential-parliamentary democracy

Population:
143,000,000

GDP per capita (PPP): \$8,377

NGO SUSTAINABILITY: 4.4

Public space for civil society organizations in Russia contracted in 2003. The Civic Forum (2001) did not realize its potential to be the "positive turning point" in the relationship between NGOs and federal structures. Although leaders in the NGO community struggled to keep the opportunity alive, they were unable to make significant headway in strengthening the viability of the Third Sector. Despite the lack of overall sector progress, a few specific organizations made inroads. Local governance and economic think tanks were invited by the government of Russia to provide input on national issues. Regional NGOs pressed for dialogue on social problems with municipal govern-

NGO SUSTAINABILITY	
2003	4.4
2002	4.0
2001	4.3
2000	4.3
1999	4.1
1998	3.4

ments, and won some municipal services contracts. Russian trainers were recognized for their development expertise, and their consultation was sought out by Russian and international organizations. Nevertheless, it would seem that a "managed" Third Sector may be joining a long list of other politically managed entities in Russia.

The legal environment remained unusually confusing, restrictive, and inhospitable. Legislation did not support the continued development of NGOs and the third sector, nor did it advocate for conditions that would encourage public advocacy initiatives. Due to continued lack of meaningful activity and the emergence of new obstacles, NGO legislation moved beyond 'stalled' to what can now only be characterized as backsliding. Indicators forecast further deterioration in the coming year.

2003 NGO Sustainability Index

Local sustainability of NGOs was seriously undermined with the arrest of a prominent businessman-philanthropist and the raid on another's offices. Earlier indications of the administration's readiness to pressure businesses to contribute to preferred projects and initiatives significantly increased.

Announcements of imminent reduction in international donor support jeopardized the long-term sustainability of NGOs working in sensitive spheres, and will likely curtail the expansion of the sector's overall institutional capacity. Hardest hit are those organizations that work in the advocacy arenas, such as human and civil rights. Complicated legislation and arbitrarily enforced laws regarding earned income, factually remove the possibility for organizations to establish a financial base integral for self-sustainability.

The sector fell far short of realizing the post-civic forum prediction of "leveraging dialogue into concrete changes." NGOs were, for the most part, barred from participating in defining social policy priorities and decision-making. The overall decline of the 2003 NGO sustainability rating is substantiated by a considerable body of information from within the NGO sector; by data derived from public opinion research and surveys; and by the external evaluations and analytical reports of partners and leading experts.

LEGAL ENVIRONMENT: 4.3

The 2002 NGO Sustainability Index described legislation as "primitive, out-dated,

LEGAL ENVIRONMENT	
2003	4.3
2002	4.0
2001	4.2
2000	4.0
1999	4.0
1998	3.0

and unclear," these conditions did not improve in 2003. Existing legislation encumbered nonprofits, and perpetuated inequitable treatment. Organizations reported difficulty registering and complying with legislation; petty harassment from tax authorities, including tax audits that went on for months; taxation of grants; undue questioning on their operations and activities by security organs; and demands to pay bribes. The ability to generate revenue tax-free was severely limited. Corporate donations were not tax-deductible, and efforts to make them so were met with strong resistance from the government,

under the premise that such donations would only

encourage tax evasion schemes. While theoretically, it is legal for individuals to make tax-deductible donations, it is not always so in reality. The legal environment does not facilitate or encourage endowments or trusts. There are few local lawyers specializing in charitable or NGO law. Although donors encouraged the NGO community to concentrate its efforts to pursue resolution of these issues, NGOs have not achieved any significant successes in this sphere. There are examples of cooperation among a select group of NGOs, but for the most part, NGOs do not perceive their interests as being broadly shared by others.

Draft legislation, pending in the Duma for the past three to four years, was adversely affected: the Law on Lobbying and the Law on How NGOs Use their As-

sets became obsolete; the requirements relating to the Law on Volunteers changed; and the Law on Foundations stalled. In addition to the obvious negative effects of the legislation related to NGO infrastructure languishing for long periods of time, many advocates lost the will to pursue passage. Prominent lawyers in the NGO community, officers in the RF Ministry of Justice, and members of Duma committees were nearly unanimous in rating the legal environment as controversial and ineffective. Through their inactivity on this front, federal authorities sent a strong message to the third sector, and that message negatively affected their relationship with civil society organizations.

One initiative that was slowly progressing is UNDP's, *Promoting Improvement and Development of the Legislative Framework for NGOs and the Third Sector*. This program is a collaborative effort between UNDP and the Duma Committee for Non-Government and Religious Organizations. An independent evaluation of federal legislation was conducted, and the collaborative next proposes to identify priorities for new legislative initiatives and amendments to current laws. However, following recent Duma elections, this committee

may become defunct, and future funding is uncertain.

At the federal level, there was some recognition that outsourcing community services could offer relief in meeting the burgeoning needs of the population. It is unclear at this point which approach the government will take, whether to contract with NGOs or to create new, 'independent' state-owned enterprises. Further complicating the question is what affect the new Law on Local Self-governance, which contains provisions for creeping recentralization of government, will have on the NGO sector.

NGOs in the major urban centers are aware of the serious implications that the legislative challenges present for the future of the sector. There were efforts, albeit uncoordinated, to improve advocacy campaigns. Local organizations and international supporters continued to design strategies to address issues; however, it is uncertain if NGOs have the capacity, sufficient resources, or the stamina to break through the wall of federal bureaucracy.

ORGANIZATIONAL CAPACITY: 4.3

The sector did not develop a critical mass of NGOs with transparent governance or with a willingness to hold themselves accountable to the general public. There were a number of NGOs that demonstrated increased capacity to govern and organize their work effectively. Generally speak-

ORGANIZATIONAL CAPACITY	
2003	4.3
2002	3.9
2001	4.4
2000	4.0
1999	3.5
1998	3.0

ing, these were NGOs that were working with western organizations. These NGOs benefited from an array of training and information, and often made remarkable improvement while implementing projects under foreign grants. Nevertheless, it is estimated that this group comprises only 5-10 percent of all operational NGOs.

One of the leading causes of arrested organizational development is a phenomenon referred to as "the one-man show". It is commonplace for Russian NGOs to be wholly dependent on the vision, energy,

and contacts of a single charismatic leader. With regard to organizational control, Soviet era attitudes often still prevail. These organizations rarely develop beyond the personal control of their leader. Even when such an NGO creates a board of directors, it is generally in response to a donor requirement. There remains a low-level of awareness of the applicability or utilization of organizational norms, such as boards of directors, by the leaders of Russian NGOs.

At the local level, the introduction of competitive procurement revealed that the average NGO did not possess the capacity for social contracting. Some NGOs indicated a resistance to adjusting their organization's activity in order to meet the contractor's needs, and others withdrew if services were to be monitored from the outside. Findings of a study conducted by the Urban Institute indicated that there is

still a great need for greater education on organizational development and management before NGOs will be ready to compete for contracts, or are competent to fulfill the terms and conditions of a municipal contract.

The sector's organizational growth was also impeded by the NGOs limited access to professional services—accountants, lawyers, fundraisers, and other interlocutors competent to interact with authorities and donors. NGOs' were unable to pay market prices for services and training opportunities. In an attempt to respond to this deficit, resource centers, NGO networks, and community foundations endeavored to transfer lessons learned through a multi-tiered fee system.

FINANCIAL VIABILITY: 4.9

Previous years' amendments to the Law on Charitable Organizations severely restricted the ability of NGOs to generate

FINANCIAL VIABILITY	
2003	4.9
2002	4.4
2001	4.7
2000	5.0
1999	5.0
1998	4.0

revenue. In 2003, a few regional NGOs were successful in winning municipal contracts. Moscow business associations and think tanks consulted with the federal government on a fee-for-service basis. Community foundations grew in number and strength. These organizations began to adopt procurement and conflict of interest rules, and to diversify their sources of funding. However, these advances were limited to the more progressive regions, and a small number of particularly well-organized NGOs. The

majority of Russian NGOs are still effectively excluded from generating revenue through service fees.

For the majority of NGOs, securing adequate financing became more difficult, and will likely worsen in the next few years. NGOs discovered that they were less competitive than municipal agencies, which are not subject to VAT, when bidding on contracts. While NGOs are also by law excluded from paying these taxes, more often than not, they are forced to pay. As a result, NGOs found themselves having to severely underbid in order to win contracts. NGOs also discovered that they had new competition for private donations. The administration frequently pressured businesses to make specified donations, and thereby reduced the pool of available resources.

In 2006, when the budget undergoes greater recentralization, the frequency of municipal government contracts, consolidated budget initiatives, and local grant competitions for which NGOs will be able to compete, will most likely be reduced. Amendments to the Law on Charitable Organizations restricted fee-for-service activities and the establishment of endowments. Top-quality financial management and legislative advocates are rare, so NGOs must attempt to navigate these issues on their own. Today, the majority of NGOs have less than two-months of operating capital, live from grant-to-grant, and are dependent on one or two donors---usually foreign.

It had been expected that the private sector would emerge as the strongest force to initiate and/or support social activity. However, in October, Russian philanthropy suffered a serious setback when a leading local businessman-philanthropist was jailed, and his foundation's assets seized. Subsequent searches of the foundation's offices coupled with interrogation and threatened tax inspections of grant recipients had a withering effect on philanthropy. Since then, many Russian philanthropists and private businesses have turned to 'safer' or 'recommended' initiatives while others have taken their philanthropy underground.

When Russian donors did engage with the Third Sector, they were less interested in

democracy-oriented initiatives. The focus of their activity was on improving the communities where their businesses are located. There was a willingness to fund projects that improved the quality of life of employees and their families. Projects that filled in the gaps in government spending, such as supporting educational, sports, and cultural opportunities for youth and underwriting health initiatives, were preferred. In rare cases, businesses encouraged their employees to volunteer.

The future of Western donor assistance is less optimistic than it was a year ago. There were announcements of withdrawal and phase-down from several key donors. Groups, whose work is perceived to be more sensitive, such as human rights, environmental protection, and democracy building activity (such as election observation), will likely be the most adversely affected.

Traditionally, even the poorest of the poor have found the means to help one another; however, the widening gap in the distribution of wealth in Russia is making private donation more difficult for the average citizen. The inhospitable legal and regulatory environment for charitable giving seriously calls into question the hypothesis that indigenous sources of funding will take the place of western funding in the near future.

ADVOCACY: 4.5

The majority of NGOs have not yet become highly effective or sophisticated in conveying their viewpoint to government or the general public. There is little in the way of coalition building based on mutual

interest or need, and what exists generally is in response to donor initiative. Most organizations do not know how to undertake advocacy, or have an understanding of the concept limited to campaigns. NGOs are

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either uneducated about other forms of advocacy, or lack the skills to take advantage of them.

ADVOCACY	
2003	4.5
2002	4.2
2001	4.9
2000	4.5
1999	3.5
1998	3.0

Contributing to the problem is the fact that many leaders in the NGO sector suffer from the “great leader” syndrome, and working in concert with others is of little interest to them.

Dedication to a campaign wanes when initiatives are stalled by bureaucrats, as with the taxation campaign that ‘drowned’ in the Ministry of Finance’s bureaucracy. Mistrust, passivity, and cynicism has grown stronger among those who have been engaged in advocacy for any length of time.

This past year, some organizations in Moscow and in other urban centers improved their skills in policy analysis, information sharing and networking. NGOs that focused on business, governance, environment, and human rights steadfastly lobbied the government and the general public. The government sought the expertise of some of these independent organizations.

Think tanks were staffed with professionals, and often had prominent figures in their leadership and on their advisory boards. At times, their message reached the ‘ear’ of key government’s decision makers. Environmental NGOs continue to draw attention to national issues; unfortunately, that attention could have negative consequences. Foreign investors were increasingly concerned about repercussions when supporting environmental NGOs, and local philanthropists were generally unwilling to fund them. Unfortunately, the government’s interest and willingness to discuss critical issues dropped off rapidly if the topic was political or if it affected revenues. Equally unfortunate was the fact that these issues were rarely debated in public

forums, and thus, the general citizenry remained uninformed.

NGO resource centers, located in the regions, had limited opportunity to advocate at the federal level, although their nascent coalition-building efforts met with some success at the local government level. NGOs in Tomsk monitored Duma members and officials to confirm whether pre-election promises were met. Six NGOs in Samara formed a coalition to cooperate with the government in solving social problems. However, frequent changes in the regional administration meant lost relationships, and the NGOs found themselves starting over several times. Regional successes have largely been dependent of personal contacts or individual personalities. A sociological survey, conducted by the Institute of Systemic Analysis at the Russian Academy of Sciences, studied NGO participation in the drafting and implementation of social policy in nine regions. Findings revealed that NGOs were, for the most part, barred from participating in social policy decisions such as budgeting for the social sphere, oversight of program and project implementation, and from defining social policy priorities.

The average Russian places employment and housing issues at the top of their list of concerns. Because citizens are unaware that many NGOs focus their efforts on improving these day-to-day issues, they feel little connection to NGOs. Although NGOs tried to improve the visibility of their efforts, it was questionable whether NGOs had a real opportunity and/or the necessary access to advocate on behalf of the public. In Russia, access to forums where dialogue and decisions take place is closely guarded. Further complicating the issue is that NGOs generally have a very narrow interpretation of advocacy. Efforts are directed solely at promoting their projects or advancing their philosophy.

NGOs still have serious obstacles and bi-

ases to overcome before they can build broad-based coalitions that advocate for mutual interests. Whether or not NGOs have the capacity to become effective advocates may be linked to issues beyond

their immediate control. Nevertheless, there are indications that the Third Sector is beginning to turn its focus toward the citizenry.

SERVICE PROVISION: 4.0

The Russian NGO sector is just beginning to move into Mid-Transition. A small number of NGOs successfully provided contract services at the municipal and federal level.

SERVICE PROVISION	
2003	4.0
2002	3.7
2001	4.3
2000	4.5
1999	4.5

The best in-roads were in the more progressive regions, where forward-looking leaders were more receptive to

change. Unfortunately, the majority of regions were uninterested or unaware of the potential of this mechanism. A study conducted by the Urban Institute identified six factors that contributed to local governments' reluctance to engage in contracting for services:

- Local governments thought that NGOs were too inexperienced to deal with reporting and taxation requirements, and lacked necessary organizational skills, management capacity, and staff training.
- NGOs were not overly interested in competing for contracts. They were unable or unwilling to expand their operations to handle a larger or diversified clientele. Local government contracts were competed annually, and NGOs often had access to money with fewer demands.
- Legal systems were weak, and NGOs found themselves in an inferior position legal disputes with local governments.

- Local governments were not entirely convinced that there were advantages to the 'new public management'.
- Local government agencies did not want to compete with NGOs for contracts.
- Local governments were not ready to contract for services.

Source: Raymond J. Struyk, *Contracting with NGOs for Social Services: Building Civil Society and Efficient Local Government in Russia*, Urban Institute, September 2003.

There were too few opportunities to win contracts to provide government services, and the prospects were even more limited when it came to fee-for-services. Opportunities were further reduced if NGO services were more expensive, were poorly promoted, or lacked a marketing strategy. The phenomena of NGO service provision has rarely been studied or discussed in Russia. Most observers believe that NGOs only provide 'virtual' services, such as information dissemination, training, and consultations. It is important that the sector generate a broader awareness of their capacity to provide 'physical' services.

At the federal level, there seemed to be an acknowledgement that the NGO sector could be an important factor in bridging the gap in social service provision. It has been widely held that the results of the Kozak Commission signaled a reversal of

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the trend towards decentralization. Municipal budgets will almost entirely depend on regional and federal authorities. There has even been public discussion about municipal services being provided by a mega corporation. These changes would effectively reduce the potential for NGOs to provide public services. In two years, there may be more adverse change when

the Law on Local Self-Governance (2006) is implemented. How the new law is implemented over the next few years will determine whether it will promote or discourage the contracting of services to NGOs. If the law is used to reject contracting, there will be serious sustainability implications for the NGO sector.

INFRASTRUCTURE: 3.9

INFRASTRUCTURE	
2003	3.9
2002	3.2
2001	3.4
2000	3.5
1999	3.5

NGO development capacity improved, but did not reach the robust stage described in Mid-Transition. The number of ISOs

increased, but it would be an exaggeration to say that they are active in most major population centers. Russia has more than 35 cities with a population of 500,000 to 1,000,000. Some networking and coordination occurred; however, the notion of 'associating' remained weak or non-existent---despite donor initiatives to encourage and facilitate this practice. Following the second Civic Forum in November 2003, there were hints of a government-managed Third Sector.

Training capacity has steadily grown throughout the country. Intertraining, a Russian association of certified trainers, was highly sought after to provide local and international expertise. The Academy for Educational Development (AED) indicated that a group of local trainers provided professional services to corporations on a fee basis. Unfortunately, NGOs were unable to afford these services without donor assistance. The Center for NGO Support (CNGOS), in its third year of a USAID technical assistance program, pro-

vided distance learning courses on management and organizational development via the Internet. Each year, the number of applicants from Russia and abroad has increased. Russian trainers and evaluators are in high demand in the Central Asian Republics and neighboring CIS countries. Courses on NGO Management were designed in some regional universities, and local NGOs assisted with curriculum development. In response to donor demand, USAID/Russia began to strengthen the capacity of regional organizations to serve as local grant-makers. Unfortunately in the NGO sector, there is still a shortage of expertise in the spheres of accounting, law, public relations, fundraising, personnel management, and advocacy.

In 2003, NGOs discovered that they were not alone in advocating for cooperative mechanisms. The authorities began using NGO sector concepts, and arranged trainings for officials on NGO theories of cooperation. Russian businesses were also employing these mechanisms. LUKoil used competition to award social projects in Perm, and contracted with Charities Aid Foundation (CAF) and Institute of Urban Economics (IUE) to administer these projects. SUAL Holding regularly signed and implemented social partnership agreements with the municipal authorities.

Little progress was made in developing an infrastructure for the Third Sector. Russians resisted the concept of forming ‘umbrella organizations’. A long history of mistrust often prevents them from believing that it is possible to come together in a collaborative effort without losing their indi-

vidual organizational autonomy. Until this myth is dispelled, the infrastructure for sector self-regulation, united sector initiatives, and the ability to monitor government and business on behalf of the general public will not be difficult – if not impossible.

PUBLIC IMAGE: 4.6

In general, the perception of NGOs did not significantly improve over the past years. The public, by and large, remains unin-

PUBLIC IMAGE	
2003	4.6
2002	4.4
2001	4.5
2000	4.5
1999	5.0
1998	4.0

formed and suspicious of NGOs, and does not believe that NGOs contribute to their overall welfare. Conversely, where citizens have become familiar with NGOs, they mis-

takenly believe that NGOs are now responsible for provision of certain services that were (and still are) the obligation of the government. When certain NGOs did not provide those services efficiently and consistently, it diminished the reputation of the sector as a whole. Many NGOs are cognizant of the importance of their public image and continuously work to improve it. There were nascent efforts to systematize education and engagement of the public, to strive for organizational transparency, and to seek out opportunities for media coverage.

Philanthropists and businesses were willing to contribute to NGOs provided they were not controversial, and their mission satisfied a personal interest. Giving was done silently, as less recognition meant less attention. ‘Edgy’ NGOs, such as human rights and environmental groups, were avoided by almost everyone.

The NGOs’ relationship with the government was a paradox. On the one hand, local NGOs were effective partners and advisors to municipal government; prominent NGOs served as advisors on federal commissions; economic think tanks provided substantive input on draft legislation; and President Vladimir Putin hosted two civic forums where NGOs and government discussed the future of the sector. On the other hand, municipal governments arbitrarily implemented, enforced, and interpreted the Laws of Charitable Organizations; commissioners had trouble working within the precepts of the democratic process and issued ultimatums to advisors; governmental pledges from the first civic forum never materialized; and the second forum did not even make a pretense of being anything more than a ‘managed’ democratic event. Many believe that the Administration fully understands the potential of the Third Sector, and desires to control this resource. One day, a strong Third Sector may exist in Russia, but the form might not be consistent with the principals of a free and open civil society.

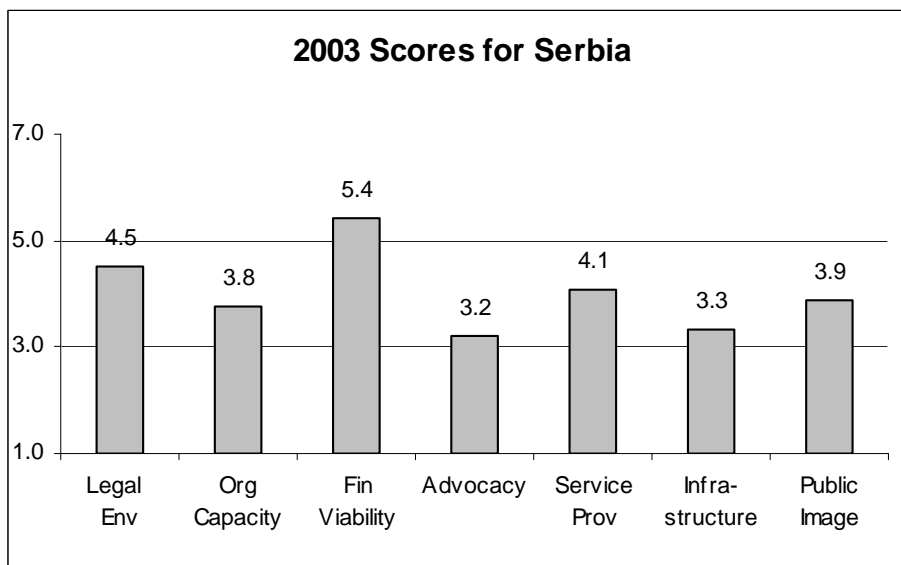
Utilizing the media sector to improve image was difficult for NGOs, and they found it hard to access or influence the media. National broadcast media is entirely government owned, and was generally uninterested in the activities of NGOs. Regional media outlets were sometimes

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more open to covering NGO events, but most are also owned or controlled by local government structures, corporate entities, or oligarchs. Thus, decisions about whether to cover NGO activity were often influenced by factors other than newsworthiness or public interest. NGOs still have a long way to go before they are proficient at luring media to cover their actions. Many still maintain an air of 'entitlement' with regard to media coverage, and this does not advance their position or image.

Adding to the public's confusion was the growing interest that business and government took in the nonprofit sector. Some observers estimate that as many as half of Russia's NGOs are of government creation. Business, not to be left out, determined that contracting for services would be a lucrative venture. Government and business involvement sometimes leads to increased loss of identity for NGOs and creates further misunderstanding about the role of Third Sector organizations.

SERBIA



Capital:
Belgrade

Polity:
Parliamentary
democracy

Population:
8,227,290

**GDP per capita
(PPP):** \$2,249

NGO SUSTAINABILITY: 4.0

NGOs in Serbia, numbering approximately 3,000 active organizations, remained constrained by the lack of a supportive legal

NGO SUSTAINABILITY	
2003	4.0
2002	4.1
2001	4.1
2000	4.5
1999	5.4
1998	5.4

framework governing their operations. A draft Law on Associations lingered in Parliament during 2003. The draft is considered favorable for the sector, and reflects

changes recommended by key NGOs engaged in this issue, both Serb and international. The final version of the law and the timing of its passage will be influenced by the composition of Serbia's new parliament, scheduled to be seated in January 2004 after December 28, 2003 elections. NGOs actively campaigned to increase voter turnout for these critical contests,

Serbia's most significant since Milosevic was overthrown in 2000.

The third sector reports no lasting impact on its operations from the State of Emergency declared after the March 12, 2003 assassination of Prime Minister Zoran Djindjic. During this period, civic freedoms were curtailed as the government rounded up suspected organized crime figures believed responsible for the killing. NGOs supported the government's actions and accepted reductions in their public operations during the Emergency, but did not refrain from criticizing human rights abuses reported during the crackdown including police brutality and lengthy detention without charge or counsel.

NGOs, like businesses and individuals, began complying with new tax laws in Serbia that mandate high employer contri-

butions for personnel taxes and social benefits. This is reducing funds available for programming. NGOs agree that pushing for tax incentives and exclusions for NGOs must be at the top of the agenda after the Law on Associations passes.

With assistance from USAID and other donors, NGOs continued to make strides in advocacy, organizational capacity, public image, infrastructure, and service delivery. Issue-based coalitions on key issues ranging from police reform to Freedom of

Information legislation are becoming more and more common. The past year witnessed the creation of a new republic-wide NGO coalition, the Federation of Serbian NGOs (FENS). While some prominent NGOs in the sector have not signed on to FENS, the existence of such a network is a positive indicator that the sector is growing and maturing. NGOs are increasingly engaging in constructive partnerships with government on issues ranging from service delivery at the local level to police reform at the republic level.

LEGAL ENVIRONMENT: 4.5

Serbia still lacks republic-level legislation governing NGO operations. The Law on Associations, if adopted in its present form – which NGOs and international organizations including the International Center for Not-for-Profit Law helped to shape -- by the new parliament scheduled to be seated in January 2004, will represent an improvement over the present unclear, dated, and problematic sets of laws in effect at the Federal and Republic levels. It has languished in parliament together with over seventy other draft laws as Serbia's governing coalition disintegrated over the course of 2003. Absent the new law, NGOs continued to register using the Federal or Republic legislation, the process unchanged from previous years. Draft laws on foreign NGOs and local private foundations, also reflecting constructive input from local and international NGOs, are also stuck in the queue.

LEGAL ENVIRONMENT	
2003	4.5
2002	4.5
2001	5.0
2000	5.0
1999	6.0
1998	5.0

2003	4.5
2002	4.5
2001	5.0
2000	5.0
1999	6.0
1998	5.0

The sector, together with donors and embassies, applied intensive pressure to ensure that the Republic-level government withdrew a 2002 Law on Donations that would have been disastrous for the sector, mandating detailed and unreasonable reporting to Government on funding sources and activities and specifying harsh penalties including stiff fines and jail time for non-compliance. As a direct result of an intensive advocacy effort, the draft was withdrawn and no subsequent Government efforts of this kind have surfaced.

NGOs pay income and other taxes, though they are exempt from profit tax on earned income up to a certain level. The Law on Associations, if passed, will not do much to change the tax picture; tax exemptions are therefore next on the NGO legal reform agenda. NGOs are concerned about the impact that the expected passage of a VAT tax will have on their operating budgets, already strained by compliance with new tax laws mandating high employer contributions to payroll tax and social benefits. ICNL has provided comments on the draft VAT law that if accepted will help mitigate its impact on the sector.

Several NGOs provide counsel to the sector on registration issues. Local legal ca-

capacity on these issues is well-developed, and supported by international assistance in this area provided by ICNL.

ORGANIZATIONAL CAPACITY: 3.8

There were some improvements in this area over the past year, at least among

ORGANIZATIONAL CAPACITY	
2003	3.8
2002	3.9
2001	4.0
2000	4.5
1999	5.0
1998	5.0

more prominent, active NGOs. Donors including USAID and partner Freedom House helped support these incremental gains. Freedom House's American Volun-

teers for International Development (AVID) program, for example, increased attention to and capacity for strategic planning in key Belgrade-based NGOs. Volunteer mobilization and utilization improved. Positive developments in this area include the establishment of local volunteer development centers by the Center for the Development of the Non-Profit Sector. USAID's Community Revi-

talization through Democratic Action (CRDA) program frequently engaged volunteer labor, sometimes directed through NGOs, in its activities in municipalities across Serbia. Many NGOs now use mailing lists and databases to positive effect. Most active NGOs have at least one paid staff person and use computers and e-mail. There is, however, great variation in organizational capacity among Serbia's NGOs. Newer or more rural NGOs tend to be far less advanced than their urban counterparts. Though NGOs are required by law to have a Board of Directors, few NGO boards actually exercise effective governance. Awareness of the need to have a well-functioning Board is on the increase, and training is available on this subject.

FINANCIAL VIABILITY: 5.4

FINANCIAL VIABILITY	
2003	5.4
2002	5.5
2001	6.0
2000	6.0
1999	6.0
1998	6.0

Serbia's overall economic situation affects NGOs as it does individuals and businesses. Prices are higher, local giving is virtually nonexistent, and NGOs increased their compliance with new tax laws mandating

high contributions for employee payroll taxes, social insurance, and benefits.

These contributions can reach up to 79 percent of an employee's salary, significantly cutting into available program resources. Some NGOs, in part due to advanced training now available from Civic Initiatives and other sources, pay greater attention to diversifying their funding base. Leading NGOs receive funding from multiple donor sources. A few NGOs engage in income-generating activities.

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The overall level of donor funding for NGO activities decreased as the perceived urgency of funding civil society initiatives lessened three years after the ouster of Milosevic. Some new sources of funding are available, however, including the region-wide Balkan Trust for Democracy, which combines regional USAID funding with private foundation and other government funding. Corporate and individual philanthropy is still at very low levels as the economic situation worsened in the past year. There are provisions in the tax laws for small deductions for charitable corporate giving; however, few companies know about these provisions or avail themselves of them. In April 2003, the parliament of the Autonomous Province of Vojvodina enacted a law establishing the Fund for the Development of the Not-for-Profit Sector, which will fund regional cen-

ters that provide pro-bono legal advice to NGOs and lobby for changes in the current legal and fiscal framework for their operations. ICNL has helped to support this institution in getting established. This is the only significant example of government-led, local-level philanthropy in Serbia, but it could become a model for other regions to adopt. ICNL held a conference to expand awareness of possibilities for public funding of NGOs, using successful examples from around the region. Some Serbian ministries and other government institutions provide funding to NGOs, but there is no consistent practice of government grant giving, and existing giving is non-transparent.

ADVOCACY: 3.2

NGO advocacy was constrained during the March–April 2003 State of Emergency, when public speech was curtailed. NGO activism picked up its former pace and even accelerated. However, as soon as the ban was lifted, the sector reports no lasting impact on its activities. NGOs have, in fact, scored major advocacy successes in the past year, including the action described above to stop the Law on Donations. NGOs also came together to draft Freedom of Information legislation and craft a federal decree passed in August 2003 on conscientious objection. They engaged

ADVOCACY	
2003	3.2
2002	3.3
2001	3.5
2000	4.0
1999	6.0
1998	6.0

proactively with the Ministry of Interior on police reform; a series of productive public discussions with the Ministry on needed reforms was launched this year. Cooperation with government on the local level continues to improve. Some local governments have set up NGO coordination offices to increase links with the third sector and forge partnerships on service delivery. NGOs are quite engaged in the political process; for the December 28, 2003 elections, USAID and IRI supported a group of eight NGOs in get-out-the-vote campaigns. Serbia has an extremely strong domestic monitoring NGO, CeSID, that has, with USAID-funded support via NDI, continued to increase transparency and credibility in the elections process through its monitoring activities.

SERVICE PROVISION: 4.1

SERVICE PROVISION

2003	4.1
2002	4.2
2001	3.8
2000	4.0
1999	4.0

NGOs are increasingly engaged in service provision. On one of the USAID-funded CRDA activities, for example, NGOs contracted to deliver training on participatory planning processes. Serbia's leading think tank, CLDS, delivered "solution packages" for government on key reform areas. NGOs engaged in service delivery in the health

sector, working collaboratively with Government. Examples such as these are still rare, however, and to some degree donor-driven; it is not yet clear whether they have taken on sufficient momentum to continue when donor presence decreases. It is clear, however, that government on multiple levels is beginning to see greater value in collaborating with NGOs to deliver services.

INFRASTRUCTURE: 3.4

INFRASTRUCTURE

2003	3.4
2002	3.4
2001	3.0
2000	4.0
1999	5.0

Issue-based alliances and constructive partnerships with government are on the rise, and led to positive outcomes over the past year on issues ranging from the crafting of a draft law on freedom of information to the passage of a federal decree on conscientious objection.

NGO Resource Centers:

NGO Resource Centers in Serbia refer to themselves as NGO Assistance and Support Centers, and they collect data on NGOs active in Serbia, and disseminate relevant information either in the form of an electronic newsletter, or in the form of a printed document. These services consist of a data-base containing contact information and a short description of activities NGOs dedicate their efforts and resources to, and some newsletter-type information on NGO activities. These newsletters

could be of regional or national coverage, what greatly impacts the nature and the contents of the information provided.

The biggest resource center is the Center for the Development of Not-for-Profit Sector; their main office is in Belgrade (active since 1996), and additional seven regional offices are scattered around the country (Novi Sad, Sremska Mitrovica, Knjazevac, Kraljevo, Uzice, Novi Pazar, Leskovac). Those regional offices were established in 2002, under a grant from the European Union. In addition to running the most complete and updated data-base on NGOs, they occasionally conduct research on regional experience and, in particular, research NGO legislation in other transition countries. The main office in Belgrade provides pro-bono legal advice to NGOs.

Gradjanske inicijative (Civic Initiatives) are also active as an NGO resource centre, as they run a data-base of international NGOs interested in partnering with local organizations, provide training (please see under: training), coordinate an association

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of NGOs (please see under: coalitions), analyze and lobby for legislative changes in the domain of NGO operations, and partnering with the state (please find more under: intersectoral partnerships).

As of lately, several new NGO resource centers were established under the funding of the European Agency for Reconstruction (EAR). There is an insufficient information on the criteria applied when those centers were designed, but a considerable amount of EAR funding has gone into these new creations. So far, they have not been active in any other way but providing assistance to EAR project management and oversight, and it is expected that in the future, these centers would provide help to local NGOs in complying with EAR tender and competition requirements. These centers are: the European Movement and the Experts' Network (formerly known as G17 Institute); the OGI (Committee for Civic Education), based in Nis, Southern Serbia; and the European Perspectives. The last one is a Greek NGO which partnered with several local NGOs, and has its centre and operations based in Kragujevac, Central Serbia.

Local Grant-Making Organizations:

Not applicable. The only local grant-making organizations are local branches of international NGOs or foundations, such as, for example, the Fund for an Open Society, or the Balkan-Trust Fund. In the year 2003, there have not been local funds available for grant-making, except for the Vojvodina Fund, previously discussed in the original write-up.

Coalitions:

Coalition-making among NGOs in Serbia is issue-related and mostly on an ad-hoc basis. Among the permanent coalitions, the largest one is the Federation of NGOs (FENS), bringing together some 400 NGOs from various parts of Serbia, and

with a different organizational capacities and fields of interest. Among the more recent coalitions are the coalition of NGOs targeting problems of the youth; coalition of NGOs targeting persons with disabilities; coalition of NGOs working with refugees, and the coalition of NGOs involved in creation of poverty-reduction mechanisms. The main purpose behind the creation of these coalitions was grouping of NGOs in order to target possible new donors, or to respond to requests of donors requiring mechanisms for coverage of the entire country.

Training:

The largest training resource for NGO practitioners remains being the TIM TRI - education branch of Civic Initiatives. In the year 2003, mostly with USAID funding, 150 courses were held for the total of 10,000 individuals. These training included topics such as: strategic planning, financial management, human resource management for NGO, project design, project management, fund raising, and other training opportunities dedicated to a more developed NGO functioning (total of 25 topics).

Benefiting from EAR funding, several NGOs have become "regional NGO training centers", but very little information is available on activities and performances of those.

Intersectoral partnership:

In the year 2003, Civic Initiatives organized training events for the employees of the Serbian Tax Authority, and for the Customs and Border Control officials of the State Union of Serbia and Montenegro. They trained 109 individuals in providing a more professional service, developing a customer-oriented attitude, and improving their managerial skills. Based on the positive response, additional training is planned for an additional 95 officers in 2004.

PUBLIC IMAGE: 3.9

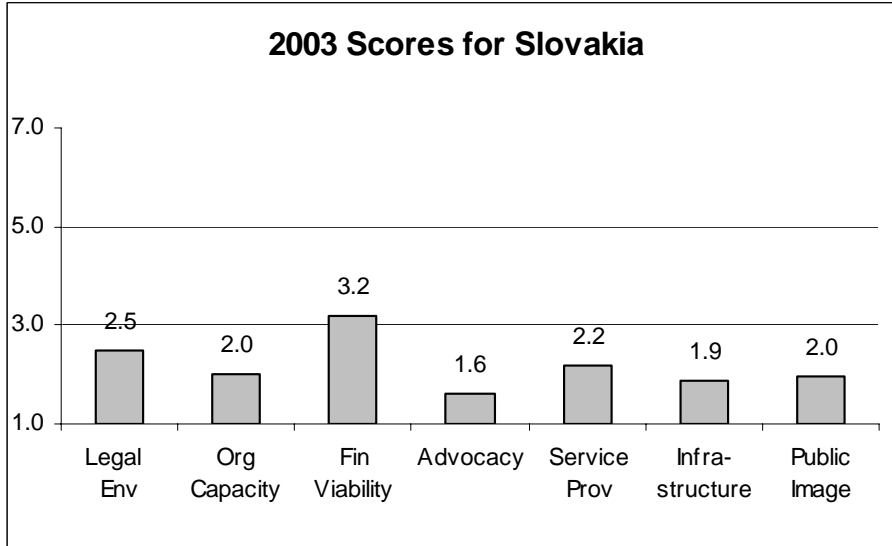
NGO leaders and activities were more prominently featured in the media in 2003, though at least one recent survey (in a November 2003 issue of *Politika*) indicates that the public at large still has little familiarity or indeed a negative image of the third sector and its role in Serbian society, despite the very visible role that NGOs played in the 2000

PUBLIC IMAGE	
2003	3.9
2002	4.0
2001	3.5
2000	4.0
1999	5.5
1998	5.0

ouster of Milosevic. More right-leaning, nationalist parties and citizens identify NGOs with support for “anti-Serb” activities such as pushing for extradition of suspected war criminals to The Hague or trying them in domestic courts. Government officials both use and misuse prominent NGO leaders and their positions; when it is expedient to do so, even

far-right parties give lip service to what they perceive as “politically correct” positions advanced by NGOs on human rights. Media have followed suit. TV Pink, established during the Milosevic era and still enjoying preferential treatment by Government, gives more airtime to NGOs and engages NGO figures on its Board in an effort to revamp its image both domestically and internationally. Despite this somewhat cynical use of NGO messages and positions, the increasing attention given to NGOs by media and government is an indication that the sector is an increasingly visible and important participant in the public discourse. With increased visibility comes a stronger negative perception of the sector, as NGOs push dialogue on difficult subjects that the general public would often rather not address. Leading NGOs publish annual reports and operate transparently.

SLOVAKIA



Capital:
Bratislava

Polity:
Parliamentary
democracy

Population:
5,400,000

**GDP per capita
(PPP):** \$11,243

NGO SUSTAINABILITY: 2.2

The year 2003 was in many ways an adverse time for NGOs in Slovakia. One year after national parliamentary elections, the NGO sector is certainly not a strategic partner to the Government. Many of the Govern-

NGO SUSTAINABILITY	
2003	2.2
2002	2.1
2001	1.9
2000	1.9
1999	2.1
1998	2.8

ment's reforms were undertaken without NGO input, and NGOs themselves were unable to agree on a united approach toward crucial issues such as tax reform. Also a number of large, international donors withdrew from Slovakia in 2003. Major, long-term supporters such as USAID and British DFID closed their operations, causing a substantial reduction in the annual amount of support available to the Slovak NGO sector.

Legislation enabling citizens and companies) to assign 1 percent of their tax liability to a specific NGO facilitated the flow of funds from individuals to the activities of the NGO sector. After its second year of implementation, both donors and NGOs see a number of mechanisms that could improve the process of giving and suggestions for amending this legislation were proposed as part of the NGO tax reform.

The Trust for Civil Society in Central and Eastern Europe distributed \$4 million from 2002–2004 for NGO sustainability, thus providing important support for projects in its designated area this year.

The year 2003 also witnessed a step forward for Slovakia into the international donor field. After years of receiving assistance from Western countries, Slovakia began the creation of its own development aid program, and the Slovak Government

has actively involved organizations of the Third Sector in the preparation process.

The activities of this aid program will start next year.

LEGAL ENVIRONMENT: 2.5

This year was another very important year with regard to legislation affecting the operations of Slovak NGOs. Although the

LEGAL ENVIRONMENT	
2003	2.5
2002	2.6
2001	2.5
2000	2.5
1999	3.5
1998	3.5

numerical score in this field indicates a slight improvement in comparison with last year, the perception coming from NGO representatives is rather the contrary.

More than 80 percent of Slovak NGOs are registered as civic associations, because the registration of this form of organization is fairly easy. As there is different legislation applied for different legal forms (foundations, civic associations, non-investment funds, etc.), the regulations ruling NGOs are quite unclear. In general, organizations are allowed to operate freely, and government has no tools to close down an NGO without reason. With regard to finance, the One Percent law was used by many individuals again this year to support non-profit organizations, and there are efforts to make the giving process even easier. What remains to be improved is clearer legislation regulating income-generating activities by NGOs.

New tax legislation coming into effect on January 1, 2004 (which is yet to be signed by the president) works in favor of NGOs. It makes them eligible to receive 2 percent of the tax liability of individuals and also companies. This should already show in the income for the sector next year, as tax returns are filed next spring.

The last ten years of the Slovak NGO sector developed irregularly, as legislation was passed in different time periods. This caused a situation in which the legal framework for the sector is quite diversified and split into many independent legal norms. To make the system more clear, effective, and unified, Slovak NGOs are initiating new draft legislation for all NGOs. Preparation of comprehensive legal reform means that Slovakia is near the front in the process of NGO legislative reform when compared to other transitional countries.

A positive trend developed in 2003 as the number of young lawyers focusing on NGO issues increased. The growth is so far seen mostly in the capital, and much less in the other regions of the country. Questions about the capacity of NGOs to pay for legal services come next. Therefore the sector is challenged to keep lawyers motivated and working in this sphere.

ORGANIZATIONAL CAPACITY: 2.0

Slovak NGOs do not actively seek to build their constituency and membership base, and do not have mechanisms to involve these groups in their activities. Such prac-

tices are not yet developed. Even though some organizations have made efforts to build regional offices, they do not work with their constituency. Such a trend is

ORGANIZATIONAL CAPACITY

2003	2.0
2002	1.7
2001	1.5
2000	1.5
1999	2.0
1998	3.0

also seen in the work of NGOs that are not basing activities on constituency needs but rather on projects and/or are donor driven. This naturally creates a gap between NGOs and society as a whole.

There are a number of very sophisticated NGOs that do have their goals clearly stated, do strategic planning annually, and are governed by unpaid boards of directors. However, many Slovak NGOs still do not do strategic planning and do not have their missions well defined. This consequently creates duplication in many activities and more unhealthy NGO competition. Almost all NGOs struggle to pay their employees.

There are major differences among NGOs with regard to technical equipment. Many NGOs still operate with old and technically obsolete equipment. But there is also a number of organizations that have modern and advanced equipment thanks to grants received from international donors. In general, NGOs still have problems to be technically up to speed with their partners in the Western world and operate within limited possibilities. More expensive items such as software are often obtained illegally.

Work with volunteers is improving. However, this is worse than in neighboring countries. The challenge to involve volunteers in NGO activities remains.

FINANCIAL VIABILITY: 3.2

FINANCIAL VIABILITY

2003	3.2
2002	3.0
2001	3.0
2000	3.0
1999	3.0
1998	4.0

The general perception is that financial sustainability of Slovak NGOs did not improve at all, but worsened quite significantly. Local donors cannot yet substitute for funds that were coming to the sector

from foreign sources. Most of the foreign governmental assistance programs closed their offices this year, since Slovakia, on its way to European Union membership, no longer represents a transitional country. Due to this change, NGOs have difficulties in carrying out their programs, but even more difficulties in covering their operational costs. There is a large gap in NGO knowledge and capacity to fundraise for

these expenses, as many organizations do not have a process for budgeting for operations.

Despite efforts to diversify the NGO funding base, the available sources are not sufficient for many of them to be successful. Many organizations are therefore becoming more professional at approaching businesses. These efforts prove to be paying off, and corporate philanthropy is slowly becoming an understood concept. The only frustration is the highly competitive environment that excludes the smaller NGOs from the game. Financial support from the state is even less significant. The number of organizations contracted and/or financed by the state is trivial.

Only a small number of NGOs raise money for their services. First, they do not have the custom of doing so, second, the legislation is unclear, and lastly the donors do not support profit-making programs. This creates confusion on the side of

NGOs. On one side they are pushed to be creative in raising funds, and on the other hand the same donors discourage them when trying to behave in a "market-wise" manner.

ADVOCACY: 1.6

ADVOCACY

2003 1.6
2002 1.6
2001 1.5
2000 1.5
1999 1.5
1998 2.0

Advocacy is about working with public opinion, and in this area some of the campaigns initiated this year were successful. However, the important thing is the ability of NGOs to gather around issues

and advocate. What remains to be achieved is the presentation of the results of advocacy campaigns towards the public. The development needs to be less ad hoc and more strategic, as well as mature and able to take responsibility for the outcomes of advocacy.

Some issues this year, such as the discussion on the ban on abortions, were controversial in society and also within the NGO community. Two NGO coalitions -- one for and one against -- were formed around this issue. It shows a certain level of NGO sophistication because it proves that different NGO groups can work and advocate for their own constituency. Another issue that NGOs tried to influence was tax reform. However there is no conceptual strategy in approaching this reform

and it is quite unfortunate that the NGO community could not unite on this.

Advocacy does exist and is quite successful on the local and regional levels. It is fair to say that such campaigns are generally more successful than national ones. Local activists have better chances of connecting with citizens and thereafter receive more support. This is especially true about advocacy regarding environmental issues. It is also fair to say that many NGOs do not know about the influence they have and the impact they could make.

The concept and mechanisms of lobbying exist within the sector. However, work with MPs is not systematic. NGOs should not think about political affiliation of MPs, but about the issue they are lobbying and advocating for. In an environment where decision-makers change every four years, it is short-sighted to only work with a selected group. NGOs have to have a long-term strategy in order to be able to perform successful lobbying for their constituency.

SERVICE PROVISION: 2.2

The range of goods and services provided by NGOs is quite broad and diversified, although there are gaps to be filled. In order

SERVICE PROVISION

2003 2.2
2002 2.2
2001 2.0
2000 2.0
1999 2.0

to be successful, NGOs have to go outside the sector and provide their services to the wider community. The ability of NGOs to react to the needs of community and their constituency

is low. However in comparison with the state sector, NGOs are still more up-to-date, as they can better register the needs of the society in which they work.

There is a number of concerns for NGO service provision. NGOs often provide services that cannot be sold. They are not entrepreneurial enough; they have problems formulating a business strategy (as this field is quite new and not so common among the Sector); refuse to merge or even cooperate on a business idea with a partner organization, even if that means better chances for the idea being pursued; and their presentation mechanisms are not sufficient. NGOs do not have knowledge about market needs, do not promote their goods/services, and have a problem

charging for them. Of course there are organizations that do provide services and charge fees, though there are not many of them. The field is not equal for NGOs and the business sector to compete for the market. Fiscal decentralization and a clear legal framework are missing.

The government does recognize, to some extent (and most probably due to pressure from international organizations) the value added of services provided by NGOs, especially in the social sphere. However, NGOs have to push themselves into the attention of government and their negotiation position is thereafter no longer on a partner level.

On the other hand, NGOs do not do a good job publicizing their activities. There is definitely a communication deficit among NGOs, government, and service recipients. The situation is slightly different in the regions. On the local level, municipalities appreciate and often support service-providing NGOs with in-kind contributions.

INFRASTRUCTURE: 1.9

Intermediary support organizations and umbrella organizations are not really capable of servicing the Sector anymore. The situation is slightly different for service-providing and resource organizations. With the ever-changing legislative,

INFRASTRUCTURE

2003 1.9
2002 1.7
2001 1.5
2000 1.5
1999 1.5

financial, etc. rules that apply to NGO work, there is a market for these types of organizations. However, there seems to be a dilemma about charging fees for services. Service providers do not know where is the fine line between providing services for free for those that can not afford them and charging fees.

After 14 years of existence of the independent NGO sector in Slovakia, there is

still a need for grant-making organizations. It may seem quite ironic that many granting (re-granting) organizations have problems with their own financial sustainability, as well.

NGOs are able to create coalitions and where they are, these sometimes seem to be pointless as the exchange of information between them is very low. Many organizations are afraid to share their knowledge with their partners because of the unhealthy competitive environment within the sector. On the other hand, NGOs formed within interest platforms seem to be working. A good example is the NGDOs Platform that was established

this year to assist Slovakia in its new role as a donor country.

In general, there are basic NGO trainings available around the country. More specialized trainings might only be limited to the capital of Bratislava. The question today is not that of training being available, but about the quality of training. If an NGO wants to have a thorough strategic planning session, it needs to be able to pay a quality facilitator, and that is not always possible. So though the access to training is easy, to also obtain quality, an NGO has to be financially sound.

PUBLIC IMAGE: 2.0

Compared with last year, the NGOs' public image deteriorated.

PUBLIC IMAGE	
2003	2.0
2002	1.8
2001	1.5
2000	1.5
1999	1.0

This might be the result of a number of NGO pre-election campaigns that were perceived by the public as untransparent. Because some NGOs were willing to pay market prices in the past for their advertising, NGOs trying to work with the media on special NGO rates are in very tough position.

There was a lack of coverage about the day-to-day work of NGOs. Media tend to favor scandals and sensational topics. More space should be reserved for NGO activities and more news, not only those scandalizing the sector or those that can afford to purchase media reporting. With the amount and range of activities done by NGOs, the image among the public should be improving, not the reverse. However, NGOs are not skilled enough to sell their

success stories, or able to negotiate with the media.

This was the first year when NGOs received money thanks to the One Percent law. Most NGOs did not publicize the use of this money and such practice is unacceptable for the public. Strategies have to be developed for informing citizens systematically. NGOs should know whom and how to inform. There is a great amount of work remaining for the NGOs to work on their presentation skills and publicizing their results to the public. Again, local and community NGOs do not see this part of their work as an issue.

There are campaigns that people trust and believe and perceive very positively and NGOs that do good services are also capable of doing good presentation of their activities towards the public. There is the "Hour for Children" or the "Daffodil Day" campaigns that raise great support for their causes, also thanks to their work with the media.

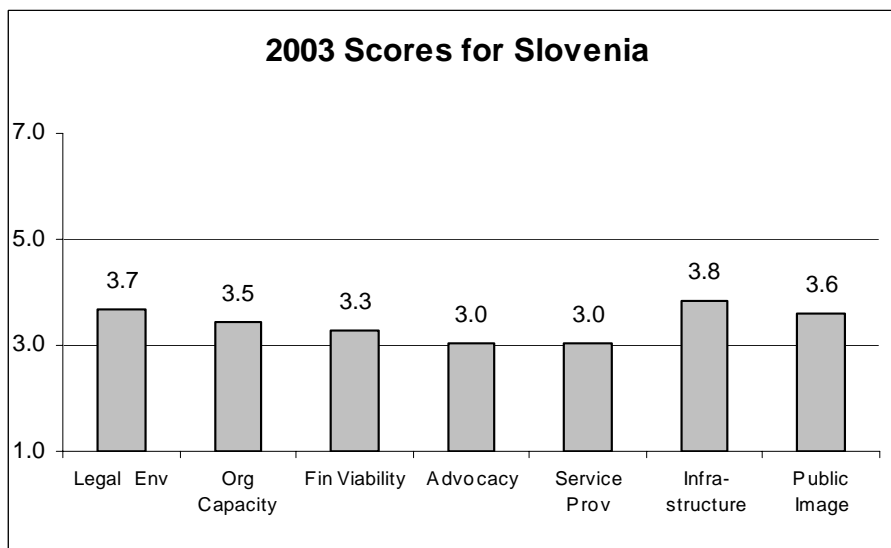
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It is very positive that there are NGOs in the Sector today that can act as representatives towards the business sector and negotiate with businesses. Businesses are changing their perception about the NGO sector being unprofessional and hard to read thanks to the work being done on this

relationship. NGO campaigns like Manager Role Model of the Year, and Via Bona Slovakia helped the positive shift.

NGOs in general demonstrate transparency of their operations – they are regulated by government and monitored by donors.

SLOVENIA

**Capital:**

Ljubljana

Polity:Parliamentary
democracy**Population:**

2,000,000

**GDP per capita
(PPP): \$17,367**

NGO SUSTAINABILITY: 3.4

There are over 18,000 civil society organizations in Slovenia. Approximately 125 are foundations and 250 are private institutes. However, not all of them are active. Most organizations are active in the fields of sports, social welfare, culture, fire brigades, animal protection etc, whereas foundations mostly operate in the fields of social welfare, culture, education, and health care.

By the end of the 1990's approximately 3,000 people were employed by such organizations, which is 0.4 percent of the employment in Slovenia, the majority of them in sports (700) and voluntary fire brigades (600).

Organizations receive the majority of funds with their own activity (44 percent), lower amounts from donations (30 percent) and from national and local budgets. The state contributes majority of its funds through project resources (approx. 60 percent), annual subsidies (30 percent) and only a smaller amount through long-term contracts.

In Slovenia there is no official data or analyses about territorial distribution. It can only be estimated that there are more NGOs in urban areas, especially in Ljubljana, where the majority of NGOs have their headquarters.

LEGAL ENVIRONMENT: 3.7

The registration procedure for NGOs is quite bureaucratic, hence it is easy and clear, although quite long. The operation of NGOs is more difficult, especially because they have equal status as profit organisations: they have to keep similar accounts and publish annual reports.

NGOs 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. Although taxation provisions are currently not favourable to NGO develop-

ment, the new NGO law, which intends to correct present situation, is in preparation. There is no core of local lawyers specialising in NGO law, providing NGOs with legal service, or advising the NGO community on needed legal reforms. But there are some individual NGOs that are engaged in preparing and advising NGOs on legal matters; unfortunately their headquarters are only in Ljubljana and the rural areas are deprived of this kind of counselling.

NGOs can earn their income from the provision of goods and services, but, as it was already mentioned, having equal status to profit organisations, they have to pay VAT.

ORGANIZATIONAL CAPACITY: 3.5

Individual NGOs demonstrate enhanced capacity to govern themselves and organise their work, but the majority of NGOs lack a group work planning, tasks are not delegated, so that everybody does everything. People are not educated enough. Especially there is a lack of staff qualified for project work.

The majority of NGOs lack good cooperation between the Board of Directors and members of staff. Members should be more included in specifying the aims of individual organisation.

The strategic planning takes time and effort, for which most NGOs do not have enough staff, because only some of the NGOs maintain full-time staff members.

The legislation demands that NGOs should have clearly defined management structure, but in reality the roles of individual working bodies or staff members are not clearly divided, which is why work does not progress as well as it should.

Volunteerism is undefined and insufficiently used, except in some fields with long tradition, such as voluntary fire brigades. However, the positive situation in some areas is not a consequence of legislation. Furthermore, there are no special legal provisions for volunteer development.

Some NGOs have access to basic office equipment, including computers and fax machines. There are examples of good practice for instance some local communities give lower rents for NGOs offices.

FINANCIAL VIABILITY: 3.3

NGOs pioneer different approaches to financial independence and viability. To some extent they are dependent on foreign donors; however they also raise their funds through service provision, winning contracts and grants from, mostly local, municipalities and ministries, which contribute the majority of their funds through project resources, annual subsidies and only a smaller amount through long-term contracts. Although the data says that the majority of funds comes from membership fees and local communities, representatives of NGOs still feel that there should be more of them. However, there are great differences between NGOs as far as fundraising is concerned. NGOs, which are effective, recognizable and have clearly defined missions and goals, get bigger amounts.

There are not enough private donations; the main problem is in VAT. Additionally, the public tends to contribute to specific NGOs which have exactly defined missions, such as child protection, or from

which they expect to have some kind of benefit such as fire brigades.

There could be more training program addressing financial management issues but large NGOs do understand the importance of transparency and accountability from a fundraising perspective. However, in practice they do not publish annual reports. Various affairs, which are connected with transparency of using the money, will definitely encourage the publishing of annual reports.

The main problem is that the majority of NGOs are dependent on only one major source of income and if it collapses, NGO cannot function properly anymore. If NGOs diversified their financial resources, their existence would be safer.

The lack of staff is also an obstacle in this area. Another obstacle is the lack of knowledge about financial resources; furthermore, NGOs do not have enough information how to use them.

ADVOCACY: 3.0

Narrowly defined, advocacy organisations have emerged and became politically active in response to specific issues (social issues, financing of NGOs, environment issues, etc.). Information sharing and networking within the NGO sector to inform and advocate its needs within the Government is beginning to develop (Government Strategy for Cooperation with NGOs, Strategy Paper of the Development of the NGO Sector, NGO Forum, etc.).

The cooperation with the Government is not systematic; it takes place on personal level, it is informal and discretionary; but it is improving

NGOs do not tend to form many issue-based coalitions, but when they do, they are quite successful (Trust, Program Partnership for Environment, Coordination of NGO networks, different coalitions for helping the refugees, asylum seekers, homosexuals, etc.; which all operate on national level).

There are different mechanisms for participating, but mostly they are very unsystematic. In Slovenia there are currently approx. 50 different Government's working and advisory bodies where NGOs have their representatives (for example National

Committee for sustainable development, Council of Experts, which is a consultative body within the Consumers Protection Office, Council of Experts for social assistance, etc.). Although the legislation provides possibilities for NGOs participating, they cannot be always made use of due to financial problems (not even travelling expenses are reimbursed) and the lack of staff. There are also often invitations for comments on proposals of laws, but NGOs seldom respond to them due to the lack of legal knowledge and staff. Lobbying of NGOs was successful at Law on

free legal aid, Humanitarian Organisations Law, Disabled Organisations Law, a little less at new Societies Act, Asylum Act, but absolutely unsuccessful at Freedom of Information Act.

Recently some networks of NGOs were established, which are working on advocacy for legal reform, and there is also Legal Information Centre for NGO, but they have all their headquarters in Ljubljana and on the local level there is no such organization.

SERVICE PROVISION: 3.0

The contribution of NGOs to covering the gap in social services is mostly (and it is improving) recognised by the Government and it is often accompanied by funding in the forms of grants and contracts. On the other hand, policies on funding vary from ministry to ministry; there is no uniform policy on the governmental level.

NGOs do recognise the need to charge fees for services and goods – such as publications and other products. However, it is often the case that there is a limited number of NGOs that have the capacity to provide high-level standard of services. For the NGOs existence it would be ideal if the fees covered the material expenses. In this case, however, we face the following

dilemma: the total cost recovery may in the final consequence jeopardize the NGOs status as non-profitable organisations.

In Slovenia, NGOs are very well developed in such areas as health care, humanitarian organisations, disabled organisations, but not in others. As a result, in some areas service provision is very satisfactory, while others areas are deficient.

NGOs services have to reflect the needs and priorities of communities, otherwise they cannot exist in the long run and although the extent of broader constituency participating is rather in substantial, it is gradually increasing.

INFRASTRUCTURE: 3.8

Only slight efforts are being made by some NGOs (they have not even started properly) to establish community foundations, indigenous grant-making institutions, and/or organisations to coordinate local

fundraising that could implement domestic and foreign aid. The NGOs recognize the value of training and the need for training, but there is the lack of locally provided training and in some sectors there is the

lack of local trainers who could provide basic organisational training. And it seems that there is the lack of interest for training from NGOs. Trainers, however should know better how to inform, encourage and attract more organisations to training.

There is evidence that quite a few NGOs have begun to work together and share information through networks and project partnership. Furthermore, umbrella organisations are being formed to facilitate networking and coordinate activities for groups of NGOs (CNVOS – Centre for information service, cooperation and development of NGOs, ZDOS - Association of Slovenian Societies, ZSU – Association of Slovenian Foundations, MrežaZZ – Network of private institutes; there are also local, mostly educational and informational youth centres, such as MOVIT, ŠKUC, KIBLA, etc.). There are no united database and on-line forums; some of NGOs do not even have the access to the Internet.

Local municipalities are important sources of funds for NGOs, which work in their local area. In general, NGOs function well in their local area, but they do not have any broader power.

Networking is not enough developed yet. In Slovenia there is only one horizontal network of NGOs (CNVOS) and although the idea is very good, everything does not function as well as it should. As a result, information does not spread as quickly and broadly as it is needed for further development of all NGOs.

Lately there has been very good climate for partnership with NGOs. The Government has started to consider the civil society as a good partner, however, the civil society is in many cases unable to respond due to an already mentioned lack of staff and time.

PUBLIC IMAGE: 3.6

Generally speaking, it is difficult to speak of any kind of image NGOs might have in Slovenia. People know what is an NGO, but they do not know what NGO exactly means, nor do they understand the concept. The public ignorance of NGOs is a consequence of the fact that NGO as a legal term does not exist yet (it is included in the proposal of the law concerning the status of NGOs). The rate of public trust varies from NGO to NGO (NGOs, which can be useful for every single citizen have more trust than the ones, which work for the benefit of the narrower groups, for example refugees.)

The media tend to cover NGO events, but the problem is in the nature of news. As all others, NGOs have to except the fact that

the tendency for media is to cover sensational news and affairs. In addition, although individual NGOs realize the need to educate the public, to become more transparent, and to seek opportunities for media coverage, some small and newly established NGOs may lack the skills to deal with media. In general, NGO sector does not have problems with the media, but NGOs should be more skilled in encouraging positive coverage because the media are not interested enough due to the nature of NGOs, except when it comes to affairs.

Lately there has been evidence of a closer partnership and cooperation between NGOs and the Government authorities. NGOs and the Government prepared their

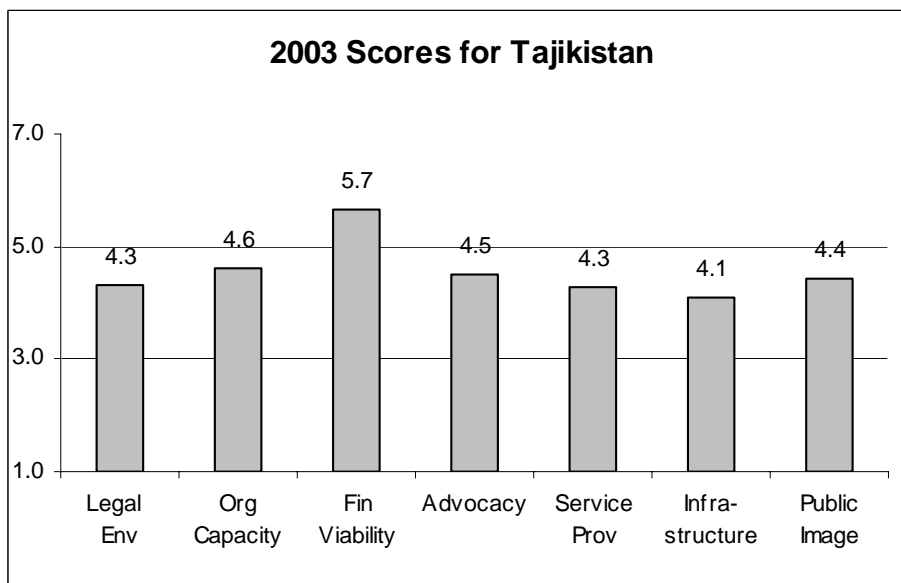
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own strategy; the official dialogue started at the end of the year 2003. However, in many cases the Government frequently refers negatively to NGOs.

Some NGOs, such as The Peace Institute, do publish their annual reports, but in gen-

eral there are few published annual reports and practically no code of ethics or transparency in NGOs operations. As a consequence, the public image is not as good as it would be if their operations were more transparent.

TAJIKISTAN



Capital:
Dushanbe

Polity:
Presidential

Population:
6,300,000

**GDP per capita
(PPP):** \$1,152

NGO SUSTAINABILITY: 4.6

Compared to 2002, the NGO sector experienced both minor setbacks and improvements in different areas. The enthusiasm inspired by a series of social partnership conferences faded as NGOs faced a continuing struggle with the skepticism of local authorities and an uninformed public. Frequently

NGO SUSTAINABILITY

2003	4.6
2002	4.6
2001	5.1
2000	5.4
1999	6.1
1998	6.6

district and city officials dutifully participated in social partnership conferences without understanding the nature and purpose of NGOs, or the benefits possible through local government-NGO cooperation. The NGO sector continued to grow according to official information from the Ministry of Justice. There are now more than 1,250 officially registered NGOs, of which approximately half are believed to be active.

Whereas NGOs enjoy an enabling legislative environment, harassment from the tax police have continued, resulting in less incentive for transparency from NGOs. This in turn continues to influence a low public image and unproductive relationship with local officials. Continuing economic crisis, ineffective banking system reforms, and a lack of local philanthropy have all negatively affected NGO sustainability, and led Tajik NGOs to be dependent on international financial resources. While a few advocacy attempts were run regarding NGO-related issues like taxation and registration, there were no major NGO-led advocacy campaigns on social issues over the past year. Attempts to organize coalitions have tended to fail due to personality conflicts, as most NGOs continue to be created and run by dominant leaders, and remain unable to recognize commonality between individual NGO missions and goals.

LEGAL ENVIRONMENT: 4.3

Tajikistan's NGO legislation, modeled after that in Russia, remains fairly progres-

LEGAL ENVIRONMENT	
2003	4.3
2002	4.6
2001	4.8
2000	5.0
1999	6.0
1998	6.5

sive. After registration fees were reduced in 2001, many NGOs continued to be formed. Organizations do not face significant difficulty in the registration process, and can engage in most any kind of activity in any geographic region. However, many NGOs face challenges in dealing with the tax authorities, who often do not have a suffi-

cient understanding of NGOs or the new NGO law. Inspections by tax police are frequent, and usually follow attempts by NGOs to engage local *hukumats* (mayors' offices) and other local authorities. Despite support for social partnerships between the government and the third sector expressed by President Rakhmonov in June 2002, local governors are occasionally unsupportive of NGOs. While there are now more lawyers capable of providing legal services to the NGO sector, there is still a great deal of unmet need, and NGOs rarely attempt to influence legislation.

cient understanding of NGOs or the new NGO law. Inspections by tax police are frequent, and usually follow attempts by NGOs to engage local *hukumats* (mayors' offices) and other local authorities. Despite support for social partnerships between the government and the third sector expressed by President Rakhmonov in June 2002, local governors are occasionally unsupportive of NGOs. While there are now more lawyers capable of providing legal services to the NGO sector, there is still a great deal of unmet need, and NGOs rarely attempt to influence legislation.

ORGANIZATIONAL CAPACITY: 4.6

Most Tajik NGOs were established by one or two leaders who maintain control over organizational development. Recent trends also show that many new NGOs were created by influential government officials as a source of supplemental income. Simultaneously, NGOs increased

ORGANIZATIONAL CAPACITY	
2003	4.6
2002	4.5
2001	5.0
2000	5.5
1999	6.0
1998	6.0

their reliance on international donors whose priorities continue to shape the missions and strategies of local organizations. In a few recent cases personality conflicts between NGO leaders led to break-ups into several smaller organizations, and permanent staffing usually depends on the

availability of foreign donor grants. The desperate financial pressure on most Tajik NGOs often prevents the establishment of strong financial management systems, since most organizations are project-driven, and thus temporary. The concept of a functioning Board of Directors remains poorly understood and is not developed in the NGO community.

Since paid NGO staff is usually limited to a few people, volunteerism is promoted but with mixed results. A weak culture of volunteerism prevents a significant impact, and volunteer involvement is usually related in order to gain early employment experience or obtain access to computers.

FINANCIAL VIABILITY: 5.7

Continuing economic depression has led to a lack of available funds and resources for NGOs. Most of NGOs are completely dependent upon international donor fund-

FINANCIAL VIABILITY	
2003	5.7
2002	5.5
2001	6.0
2000	6.0
1999	7.0
1998	7.0

ing. Many NGOs lack financial transparency and accountability, and rarely publish annual reports for use by citizens, the media, or public officials. Many organizations fear raids by the tax police if too much attention is attracted to their organizations. Several attempts by NGOs to initiate social partnerships between NGOs and local government have led to greater scrutiny, as some authorities believed that NGOs had access to significant amounts of funding. In some cases local partnerships have produced positive results as NGOs received financial, technical, and administrative support from local government to implement their programs.

Local philanthropy is virtually non-existent due to the absence of a healthy economy, established business sector, and because of a lack of tax incentives for social sector donations. The existing law does not provide for any tax exemptions for organizations involved in charity, and this prevents additional funds that might otherwise be made available as grants to the NGO sector. A number of NGOs have created commercial entities to provide certain fee-based services, which do help them raise funds for their activities. However, there is significant danger that this will lead many NGOs to lose their original missions and convert to purely commercial organizations. The tendency for local officials to create their own NGOs in order to receive grants from international donors has also tarnished the image of the sector among the general public and business.

ADVOCACY: 4.5

The NGO sector in Tajikistan is generally

ADVOCACY	
2003	5.7
2002	4.5
2001	5.0
2000	5.5
1999	6.0
1998	6.5

unable to openly advocate for their interests, preventing the public and local authorities from being informed about the role of NGOs in civil society. In urban areas, some NGOs have begun to specialize in law and advocacy, and some lobbying of public interests by NGOs has taken place with assistance from civil society support centers. For example, the Turchid Community located in Khorog laid a 1,800 meter water pipeline to an existing water reservoir to provide 2,000 people in

the community with potable water. After the project was completed, the employees of the city's water supply authority decided to replace a part of the pipe that connects the water pipeline to the reservoir, which would have prevented sufficient supplies of water from reaching the community. The community launched a campaign which led the local government to revoke the order to cut and change the pipe.

While there are a few examples of this kind of advocacy at the local level, national advocacy campaigns were rare in 2003, and usually related to issues of immediate material interests to the NGOs (NGO status and registration). Several NGOs

participated in the drafting and discussion of national programs for the rights of children and women. However, these advocacy efforts have been sporadic and not well coordinated. NGOs will need increased knowledge and experience in lobbying and advocacy before they become successful in large nationwide and regional campaigns.

There has been an increase in interest from some local governments to cooperate with the NGO sector. However, attitudes

towards NGOs often remain dependent on the personalities of local governors. When such cooperation is offered, it is usually only enjoyed by NGOs involved in non-controversial social service provision activities. The general population continues to be reluctant to defend their rights and publicly express their interests, and occasional NGO coalitions on current issues often fail because of leadership personality conflicts and an inability for NGOs to unite on common ground.

SERVICE PROVISION: 4.3

Most likely driven by the strategic priorities of donors, NGOs usually focus on providing services in the following areas: micro-

SERVICE PROVISION	
2003	4.3
2002	4.5
2001	5.0
2000	5.5
1999	5.5

finance, ecology, and social infrastructure. The practice of having local governments, as well as government-supported organizations (i.e. research institutions), and religious organizations, apply to NGOs for assistance has increased. Additionally, NGOs have become more effective in civic education efforts, the dissemination of information on human rights, and the provision of services from qualified lawyers. NGOs also play a sig-

nificant role in donor-driven microfinance programs in rural areas, where weak governmental structures are incapable of providing economic development services. Some local governments have come to believe that NGOs may be a crucial tool to help resolve local issues under the existing difficult economic conditions.

Community-based organizations grew in number, as a result of international donor initiatives in this area of development. Usually, communities target infrastructural and social needs, due to a lack of funding from local sources. Because of the inability of local community members to pay for services, cost recovery for these organizations is almost non-existent.

INFRASTRUCTURE: 4.1

The network of Civil Society Support Centers expanded from five to seven, to address the need for civil society development in two areas (Rasht, the stronghold of the opposition during the civil war, and Panjakent, a remote area, isolated geographically, economically and socially from

the rest of the country). The network offers training courses, organizational development assistance, and informational and technical support, as well as small grants to NGOs and local communities.

INFRASTRUCTURE

2003	4.1
2002	4.1
2001	4.8
2000	5.0
1999	6.0

In addition to the network, there are a number of foundations that manage and distribute funds obtained from international donors.

vate businesses). Efforts are now underway to train NGOs in the basics of forming coalitions and networking, since horizontal links between NGOs remain very weak, reflecting the general weakness of the sector itself. Most organizations struggle to obtain enough funding to continue basic operations, leaving little time or energy for internal development or coalition-building.

Contributions from local sources are usually in-kind (labor from beneficiary communities, technical and administrative support from the local government, and occasional cash donations from local pri-

PUBLIC IMAGE: 4.4

PUBLIC IMAGE

2003	4.4
2002	4.5
2001	5.0
2000	5.0
1999	6.0
1998	7.0

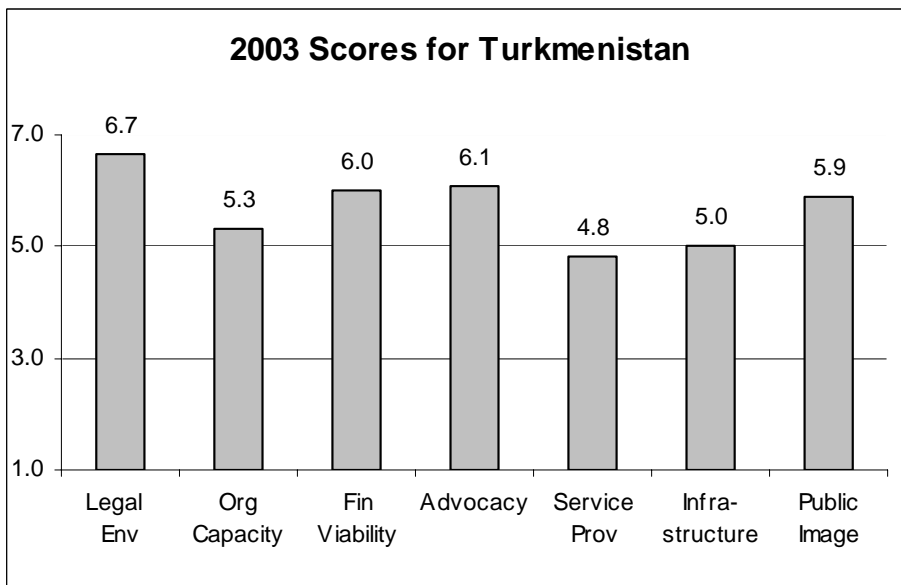
Relations with local authorities gradually improved after a successful social partnership conference in 2002. Public awareness of NGO activities increased via efforts such as

cent of those polled responded that NGOs had positively affected them, and 5.7 percent claimed membership in an NGO. A meeting in 2003 between President Rakhmonov and a group of NGO leaders endorsed a goal for increased recognition and cooperation between the NGO sector and authorities at the national, regional, district and city level.

the media development project in the Ferghana valley. According to a public opinion poll conducted in October 2003, 11 percent of people polled stated that they were positively affected by NGOs and 7 percent said they were members of NGOs (one of the highest rates in Central Asia). This is a significant improvement from the last year's results when 5.5 per-

Communities targeted by the community-based development initiatives have increased public knowledge about NGOs, but on a national level, transparency remains a problem, often hindered by NGO reluctance to increase their profile with local officials and the prohibitive costs of media advertising space.

TURKMENISTAN



Capital:
Ashgabat

Polity:
Presidential

Population:
5,600,000

GDP per capita (PPP): \$3,956

NGO SUSTAINABILITY: 5.7

The civil society sector in Turkmenistan continued its development under extremely difficult conditions over the past

NGO SUSTAINABILITY	
2003	5.7
2002	5.6
2001	5.8
2000	6.0
1999	6.6

year. According to the database maintained by Counterpart International, there are 270 NGOs and unregistered initiative groups, of which 157 kept active relationships with Counterpart International in Turkmenistan in 2003. The Turkmen opposition led by the former Minister of Foreign Affairs became active which resulted in a few cases of anti-government strikes, distribution of leaflets, as well as an assassination attempt on President Niyazov allegedly organized by the opposition forces. The latter caused mass arrests in the country and re-introduction of exit visa.

Several controversial laws were adopted, such as The Law on Betrayal of the Motherland and The Law on Terrorism, aiming to put even stricter control over citizens' freedoms. Internet cafes were shut, and personal users of Internet were interrogated by the KNB (former KGB). Farid Tugbatulin, an environmental activist, was arrested and sentenced for three years in prison for participation in a Human Rights conference and "illegal crossing of the Uzbekistan-Turkmenistan border." Several NGOs were visited by KNB officers and interviewed. The government attempted to monitor any events with NGOs' participation. The abolishment of the Double Citizenship Agreement between Turkmenistan and Russia by the Turkmen Government caused wide migration of the Russian population, including Russian-speaking NGO members. The third sector is becoming more Turkmen-speaking.

Philanthropy remains to be limited to individual business groups. In addition to the existing donors, the World Bank launched small grant and community innovation programs funding registered and non-registered NGOs. The majority of NGOs are led by women. According to the Counterpart International, 62 new initiative groups started their activities in communities. The majority of NGOs are focused on the provision of the social services, such as education, healthcare, water and utilities, environmental problems, rights of pensioners, support of the orphanages, and others. More NGOs tend to be in-

involved in sensitive areas like juvenile criminals and groups at risk, as well as legal consultancies on domestic violence.

While there were no examples of large nation-wide advocacy campaigns, there were a few attempts to advocate at the local level and some attempts to advocate for reforms in the current legislation. No coalitions were created around any issues. Management of NGOs remains based around personalities, and only few NGOs, like the Water Users Association, have a functioning Board of Directors.

LEGAL ENVIRONMENT: 6.7

A new NGO law was adopted in the fall 2003, which had an extremely negative effect on civil society development. In addition to a number of restrictive clauses, the law demands registration of all groups and re-registration of existing registered NGOs to be able to act legally, as well as registration of all grants provided by international organizations.

Harassment of NGOs by the law-enforcement agencies increased. A number of NGOs were called in by the KGB or were visited by KGB.

Numerous independent organizations were told to stop operating until registered, and some were called into court. Several groups submitted papers for registration to the relevant authorities, however there were no mechanisms in place at year's end to regulate the registration process. NGOs worry that their fate may be determined by their relevant government ministries, many of which are very negative toward NGOs.

Taxation of NGOs is regulated by the Civic Code and the Tax Code. Registered NGOs are subject to social taxes, personal income tax, property tax and other local taxes. However, because most NGOs could not obtain registration and because of problems with the banking system, most grants to NGOs, including registered organizations, were paid in cash. The newly adopted law practically made these grants illegal. NGOs prefer not to report to Tax Inspection, and tax inspectors are very often confused by the Tax Code provisions. Usually NGOs attempt to obtain operational licenses and patents for "individual labor practices" in order to do their work; however, these licenses can also be difficult to obtain from the ministries (for example, educational licenses are to be issued by the Ministry of Education).

LEGAL ENVIRONMENT	
2003	6.7
2002	6.5
2001	6.5
2000	6.5
1999	7.0

ORGANIZATIONAL CAPACITY: 5.3

Although NGOs want to improve their organizational capacity, they are hampered by many factors, including:

ORGANIZATIONAL CAPACITY	
2003	5.3
2002	5.3
2001	5.5
2000	5.8
1999	6.0

a limited number of grant-making organizations, inability to register, and the declining economic situation. Increased migration of the Russian-speaking

population caused a significant brain-drain in NGOs, since many of prominent and educated NGO leaders left. There are still many NGOs that do not have clear mission and are led by donor priorities rather than by common objectives and mission visions. Many NGOs do not practice strategic planning, as they do not see any need to do so. Internal management structures continue to be dominated by leading strong personalities. The majority of NGOs either does not see the importance of the Boards of Directors or do not understand the role they play. Few NGOs practice open organizational meetings or use conflict resolution tools.

Transparency of NGOs has slightly improved. There are a few NGOs who distribute annual public reports (e.g., *Keik Okara*). However, security reasons and fear of pressure from the government keep policies of most NGOs closed and non-transparent. Tight economic conditions force NGOs to use mainly volunteers. Some NGOs believe that availability of paid personnel may jeopardize the NGO concept in the eyes of the government, and that the NGO work should be exclusively based on volunteerism.

Technical capacity has somewhat improved. The USAID-funded Network of four Resource Centers provided NGOs in four regions with necessary technical assistance, information support and internet and e-mail access. There are a number of NGOs equipped with computers, printers, and other accessories, through grants from international donors.

FINANCIAL VIABILITY: 6.0

With a few exceptions, NGOs remain to be exclusively dependent on grants from international organizations. Some donors

FINANCIAL VIABILITY	
2003	6.0
2002	5.3
2001	5.5
2000	6.0
1999	7.0

have begun giving grants to unregistered organizations. For instance, the World Bank launched the Community Innovation Day and Small Grant programs for

non-registered civil society groups. Local philanthropy is not developed, partially

because the business community is weak, partially because it is afraid of possible sanctions from the government. In addition, a lack of tax incentives and misunderstanding of the third sector make it extremely hard for NGOs to diversify their income. Sporadic examples of philanthropy are usually manifested in the form of donations to disabled people or orphanages. With introduction of the new NGO Law, financial sustainability of NGOs will likely deteriorate, since all NGOs may be forced to work through bank accounts, which, taking into account

an undeveloped banking system and the fact that the black market USD rate is four times higher than the official one, will negatively affect the NGO community.

There is no Government fund to support civil society organizations. There were a few cases when the local government attempted to support local NGOs through in-kind contributions, labor, and limited financial support. For example, local authorities provided construction materials for a school built by Tajik refugees in Kerki. Local authorities provided financial and in-kind support a summer camp initiated by *Mercy, Health and Family* NGO in Ovadan, Bizmein. The Ministry of Nature Protection provided transportation, space

and facilities to *Eco Center* for ecological marathons.

Some NGOs (e.g., *Umit* and *Arma*) collect membership fees, but they are not sufficient to provide financial sustainability of organizations. Most NGOs passed trainings in Financial Management, but still only few submit regular internal audits and publish financial reports. There is no clear understanding of the importance of a sound financial management. However, a lack of donors makes NGO diversify their fund-raising and attract sources other than grants.

ADVOCACY: 6.1

There was significant improvement in cooperation with the local government. Local officials regard NGOs as important community development institutions and incor-

ADVOCACY	
2003	6.1
2002	6.1
2001	6.3
2000	6.3
1999	6.5

porate some of their leaders into governmental structures. Leaders of three NGOs, supported by USAID, were recently elected to major positions in parliament, trade unions,

and local-level educational departments. USAID has been working with these NGOs over the past few years to improve their leadership skills and to promote civil society values. However, success of social partnerships to a great extent depends on the personalities in the government, and there were cases when cooperation failed with new people entering government positions. Regional local authorities appear to be more favorable towards NGOs (e.g., authorities in Kushka who requested USAID to take part in the development of the region).

There were some endeavors to advocate at the local level. NGO *Bosfor* organized a number of round tables on the Pension Provision Law with participation of the Ministry of Welfare to advocate for changes in the existing legislation. Because of a repressive national government and insufficient experience in advocacy, there were no attempts to advocate at the national level or create coalitions to lobby on behalf of NGOs. However some NGOs tried to cooperate with ministries to work on specific legislation. The *Eco Center* that includes 12 ecological organizations worked closely with the Ministry of Nature protection on the national environmental policy. The *Association of Disabled People of Turkmenistan* was involved in developing a database with information about needs, skills and geographic location of its members. Three members were offered jobs by the Ministry of Social Welfare after being identified through the database. The Ministry requested additional information about

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how they can incorporate the database into their operations.

Nevertheless, the environment was mostly restrictive and negative towards NGOs especially those that are actively engaged in human rights. Farid Tugbatullin, a prominent NGO leader, was sentenced to a few years in prison for attend-

ing a conference in Moscow. He was released later this year after unprecedented pressure from the international community. The Institute for Democracy and Human Rights under the President permanently closed its NGO resource center originally funded by foreign donors. The overall situation may deteriorate as the new NGO law is implemented.

SERVICE PROVISION: 4.8

Although the majority of the civil society organizations are not registered, they continued to provide decent services to their constituents. Diversification of services increased in comparison with last year. Whereas NGOs activities had been usu-

SERVICE PROVISION	
2003	4.8
2002	5.0
2001	5.0
2000	5.3
1999	6.0

ally limited only by health care, education, environment protection and training, as well as water and communal utilities, more legal and psychological services became available including sensitive social areas, such as drugs, young criminals, and unemployment. For instance, the *Women's Recourse Center* provide psychological support to the juvenile criminals working closely with the Ministry of Foreign Affairs; *Nargiz Women's Club* cooperated with local police to implement a teenage drug prevention program; *Zemen Lalesy* NGO in Balkanabad implemented a project on promoting opportunities for unemployed people.

Stricter requirements were imposed on NGOs involved in educational activities. The Ministry of Education became reluctant to provision of educational licenses. *Junior Achievement* was not able to renew their license. The cost for an education license is approximately \$800-\$1000 and for medical services – \$2,000. NGOs are taxed for generating income through commercial activities.

Some local authorities still value services rendered by civil society groups as a great support in solving local social problems. In general such services meet the requirements of the region and targeted groups. Counterpart International with a grant from USAID offered training in Effective Participatory Community Appraisal methods to help NGOs to identify the needs of communities before the NGO applies for grant. Growing opportunities for service provision based on good partnerships with regional authorities led to an increase in the quality and range of services.

INFRASTRUCTURE: 5.0

The USAID-funded Network of Civil Society Support centers grew and currently consists of four centers. The services available for NGOs include information

INFRASTRUCTURE	
2003	5.0
2002	5.2
2001	5.5
2000	5.7
1999	6.5

support, internet access, project consultancy services, trainings, and libraries. It is expected that the centers will soon obtain trained

lawyers to provide legal consultations to NGOs. Many NGOs were able to switch to a new USAID-funded internet system and are able to receive efficient internet services. The centers are the only place to obtain information for numerous groups that do not possess computer equipment.

The Ministry of Telecommunication recently required Counterpart International to pay in US dollars for Internet services provision and temporarily shut off Counterpart’s internet access. Only strong negotiation efforts helped resolve the issue.

There are several NGOs providing services to the other organizations (e.g., *Eco Sodruzhestvo* in Ashgabat, *Eco Club* in Dashoguz, *Umut* and *Zolotoy Vek* in Turkmenbashi). There are qualified trainers available in the regions capable of providing trainings on different subjects, such as strategic planning, fundraising, advocacy, etc. More training courses are provided in Turkmen language. The number of the Intermediately Support organizations is very limited. There is more competition between leading NGOs, however there is also more examples of information sharing, meetings, and round tables. NGOs cooperate with each other around certain problems (e.g., the *Women’s Resources Center* cooperated with *Hemayat* NGO on women domestic violence). Due to reasons outlined above, cooperation with the business is weak.

PUBLIC IMAGE: 5.9

Public image of NGOs remained very

PUBLIC IMAGE	
2003	5.9
2002	6.0
2001	6.0
2000	6.2
1999	7.0

negative at the national level, NGOs being regarded as a “dangerous political power creating negative image of the country.” The Committee for National

Security (KNB, the successor to KGB) keeps strict control over NGOs by receiving information, visiting to organizations, and interviewing their members. The KNB expects that the new NGO Law will help close down several NGOs.

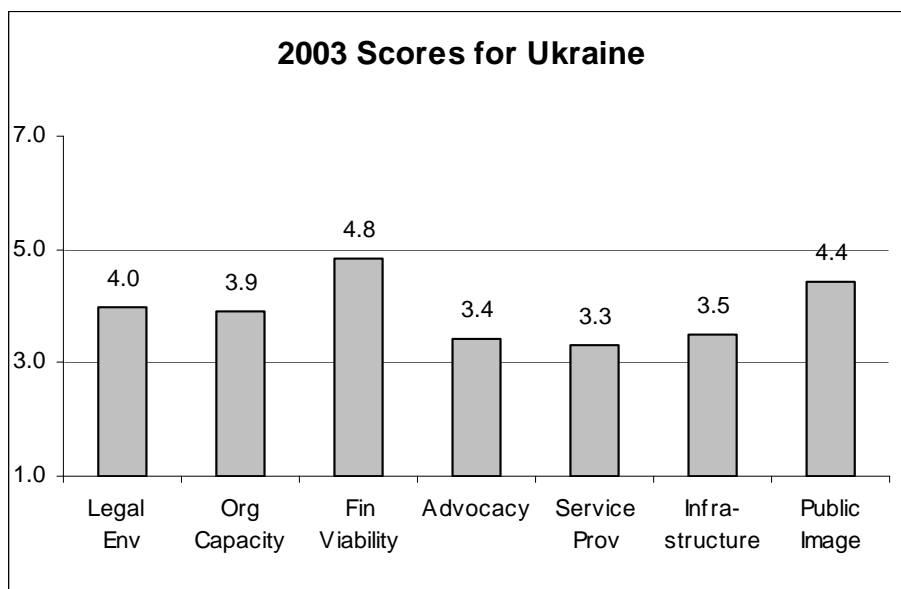
However at the local level, a lack of funds forces local governments to value the NGOs’ contribution into community infrastructure development. Some local officials view NGO activists as good assets to the region’s development and even promote them to government positions. Yet a stereotype of NGOs as people “begging for money” is still common in Turkmenistan. This is partially because of a lack of information as many NGOs do not possess a good capacity to do effective public relations.

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Connections between mass media and NGOs remain weak. Local newspapers rarely publish stories on NGOs' activi-

ties, and this is usually limited to environmental groups.

UKRAINE



Capital:
Kyiv

Polity:
Presidential-
parliamentary
democracy

Population:
48,200,000

**GDP per capita
(PPP):** \$3,816

NGO SUSTAINABILITY: 3.9

Overall, the NGO sector changed little over the last year, with gains in some areas and challenges remaining in others. The legal environment improved noticeable, thanks to changes in the legal framework. Additionally, there was progress in two areas where the NGO sector was weakest last year – financial viability and public image. Although dependence on international donors remains high, many organizations have diversified their sources of funding and demonstrated the ability to attract local funding from both government and business. Overall, the public perception of NGOs progressed due to an im-

NGO SUSTAINABILITY

2003	3.9
2002	4.0
2001	4.3
2000	4.4
1999	4.1
1998	4.2

provement in the public and media relations skills of NGOs. However, organizational capacity, advocacy skills, infrastructure and service provisions did not improve and in some areas there was a slight deterioration.

The precise number of registered organizations is still unknown, because NGOs may register at either the national or local level. The previous estimates are likely to remain accurate: approximately 30,000 groups are registered, of which 4,000 are active. Ukrainian NGOs continue to work on a variety of issues from social services and public policy to culture and politics, representing most demographic groups. As in many other countries, NGOs in the capital and large urban centers are more developed than those in smaller towns or rural areas.

Overall, the public perception of NGOs progressed due to an im-

LEGAL ENVIRONMENT: 4.0

The legal framework for civil society organizations improved in Ukraine. Several important laws were adopted, such as the Law on State Registration of Legal Entities and Individual Entrepreneurs, the new Civil Code, the

LEGAL ENVIRONMENT	
2003	4.0
2002	4.5
2001	5.0
2000	5.0
1999	5.0
1998	4.6

Law on Social Services, and several new favorable amendments to existing tax legislation.

The new Law on State Registration of Legal Entities and Individual Entrepreneurs adopted in 2003, will become effective in July 2004. This law establishes a progressive identical registration procedure for all legal entities, including NGOs. For example, it requires the government to process the registration within three days following submission of the documents, and does not impose registration requirements based on the area or location of organizational activity.

Tax legislation does provide tax benefits to certain groups of NGOs. However, in practice, these existing benefits are not sufficiently used by eligible NGOs since they are not aware of their rights and are often unable to defend their interests with the tax authorities. Charities and some public associations specified in the law enjoy a great number of benefits, but this excludes many public associations who are then unable to enjoy these benefits. As in the past, grants and donations to NGOs are not taxed, nor are loans or funds raised from publishing activities.

Ukrainian NGOs are permitted to have endowments and to engage in grant making. Furthermore, Ukrainian law encourages charitable organizations and

other public associations listed in the Registry of Not for Profit Organizations to engage in investment activities, with tax exemptions on certain types of income.

Donations to NGOs registered in accordance with the Law on Charity, Professional Unions, and Religious Organizations are considered tax-deductible. However, a need exists for a special mechanism to use deductions for in-kind contributions, which in other countries comprise a substantial share of support to charities from businesses.

While tax legislation, deductions, and exemptions for NGOs and their donors improved, legal regulations on earned income remain quite ambiguous, hampering the economic activities of NGOs. There is also a need to raise awareness among NGOs and tax inspectors that commercial activities by NGOs are not prohibited according to the recent tax law amendments.

The new Law on Social Services should soon allow NGOs to compete in the government procurement of social services. Ukrainian NGOs may receive assistance (grants and subsidies) from state or local authorities. At present, a number of regions have adopted special regulations on government assistance requiring the distribution of such assistance on a competitive basis. Yet, implementing these special regulations remains challenging due to a variety of reasons, including problems in interpretation of the law, a lack of information and funding, and poor relations between the government and NGOs. In spite of the difficulties related to the current procurement regulations, there have been positive developments at the local level as some local governments have engaged NGOs as partners in

implementing projects.

Legal advice is generally available to NGOs in Ukraine, even outside large cities, but often on an ad hoc basis and for relatively simple cases, such as fiscal law, registration, civil contracts etc. Many NGOs have no access to qualified legal assistance even at the time of registration. There are also no training courses offered regularly by the few institutions with NGO law specializations. More legal education, publications, and networking are needed to further improve the ability of NGOs to influence their legal environment.

NGOs continue to face various problems with legal issues, such as long registration periods, regional issues because of their geographical areas of work, expensive and complicated procedures for registering national and international associations, and registration with multiple government agencies. Ukrainian laws often use contradictory or unclear legal terminology, which allows state officials to restrict NGOs activities or to interpret the law with their discretion.

ORGANIZATIONAL CAPACITY: 3.9

NGOs need to invest more in their own organizational development, so that they are better able to identify the impact of changes in their funding sources. This means more attention to research, learning, monitoring, evaluation, overall strategic direction, and their function in society.

ORGANIZATIONAL CAPACITY	
2003	3.9
2002	3.5
2001	4.0
2000	4.0
1999	3.5
1998	3.7

At present, the majority of Ukrainian NGOs have the basic capacity to further strengthen their organizational development. Necessary administrative and management procedures are in place. However, unstable and insufficient funding from local sources limits the growth of the sector. This may be from a lack of long-term strategic vision and access to information technology.

NGOs may need to focus more on the needs and interests of their communities. To date, only around 20 percent of NGOs have stated that they involve their clients in activity implementation. The majority of NGOs still function as service centers for their clients, and not as facilitators or promoters of locally derived initiatives. NGOs should shift from information gathering to keeping citizens informed and engaged in solving social issues, formulating policy positions, and finding alternative methods of problem resolution.

NGOs have a high awareness of their mission and role in the development of civil society. At present, most NGO internal management systems are characterized by a clear definition related to the client interests. Although many organizations do have a governing body, one charismatic leader often takes control of decision-making. At the same time, Ukrainian NGOs have demonstrated human resources administration capability, with paid staff and adequate numbers of

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volunteers, written administrative procedures, and staff professional development strategies.

While almost all NGOs are transparent about their program activities, only about half of them can claim transparency in financial activities. Only one third of NGOs prepare annual reports, and an equal portion has not had the experience of undergoing external audit.

Many NGOs still lack access to telephones, fax machines, computers, and the gap between those NGOs that have access to the new technology and those that do not, tends to become wider over time. Usage of information and communication technologies is still at a basic level, while some NGO sector analysis suggests a direct relationship between technology and NGO organizational and advocacy capacities.

FINANCIAL VIABILITY: 4.8

Dependence on international donors remains high for most NGOs, but many organizations have demonstrated the

FINANCIAL VIABILITY	
2003	4.8
2002	5.0
2001	5.0
2000	5.0
1999	5.0
1998	4.6

ability to attract local funding from government and business during last year. It should be noted, that NGOs with local funding are generally more skillful and pro-active in seeking new sources of funding than their counterparts supported by international grants. Organizations with mixed funds (both local and international) often show the best results, not only in general but also in every component of the NGO organizational capacity index. It looks as though organizations with different funding sources have more opportunity and capacity to grow and adapt to changes in the external environment.

At the same time, even when the share of local funding is significant, NGO financial sustainability remains questionable. Legal regulations on earned income are still very ambiguous, and the majority of NGOs believe that commercial activities are

prohibited. NGOs also do not often participate in government procurement because of unclear legislation.

Ukrainian NGOs may freely receive foreign or local funding in accordance with the Law on Humanitarian Assistance. Grants and donations from foreign and local sources are tax-exempt for Ukrainian NGOs. Under Ukrainian law, NGOs are permitted to engage in fundraising activities by telephone, mail, television, etc., and the law does not require licenses or permits for these activities. No laws governing occasional charitable fundraising events exist, and contributions made during these events are treated as donations.

The labor law does not address the legal status of volunteers. Under Ukrainian law, those who work should be eligible for minimal wage and labor and social protection. However, in practice, volunteers are not treated like employees and do not receive similar benefits. In turn, volunteers have no legal obligation to the organization. The new civil code regulates the provision of free-of-charge services, and, when applied, these provisions will improve the clarity of volunteer labor.

ADVOCACY: 3.4

To the extent that NGOs have been effective in changing government policy, they have done so almost exclusively on the local government level. Even though, by nature, NGOs are likely to take more initiative than the general public, the NGO community has not yet galvanized

ADVOCACY

2003	3.4
2002	3.5
2001	4.0
2000	4.0
1999	5.0
1998	4.4

enough popular support to form a strong lobbying effort on the national level.

Ukraine's leading NGOs initiated more collaborative efforts when advocating on

specific issues. There are several issue-based NGO coalitions, including *Democratic League*, *New Choice-2004* and *Women's Health and Family Planning*. The Committee of Voters of Ukraine (CVU), the largest Ukrainian NGO specializing in election-related issues, took the lead in creating the ambitious NGO coalition *New Choice* that will conduct various projects in support of credible and fair presidential elections in 2004. Another

example, *The Khmel'nitsky Association of Women in Business*, succeeded in persuading the city council to amend the public tender regulations to allow civic organizations to compete for social services contracts.

An increasing number of NGOs understand the importance of collaborating with the government. This year the Cabinet of Ministers issued a decree "On Citizens' Engagement in the Decision-Making Process." Nearly all government agencies and parliamentary committees have advisory boards with the participation of NGOs and think tanks. There was progress at the national level with regards to the NGO roundtables conducted in the Parliament on different policy issues. On the local government level, there was some success, especially with regards to social service NGOs, in part because social service issues are more tangible for the average citizen than democracy-building or economic reform.

SERVICE PROVISION: 3.3

In general, NGOs implement projects based on their understanding of their role in society, which can often differ from citizens' needs and expectations. The country's tax code doesn't allow all types of NGOs to generate income. Al-

SERVICE PROVISION

2003	3.3
2002	3.0
2001	3.0
2000	4.0
1999	2.5

though there are provisions in the law that allow for some benefits, NGOs have not yet made full use of these provisions, because of the complexity of the law, the legal illiteracy of many tax officials, and the lack of clear implementing regulations. Therefore, most NGOs remain heavily dependent on external donor assistance. This dependence on donors negatively affects the NGO sector's ability to provide

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goods and services that truly reflect the needs and priorities of their communities.

Some NGOs have matured by developing goods and services that can be used by a broader constituency, for example, providing workshops and publications on specific issues to local government, similar NGOs, schools, and other institutions. There are also examples of NGOs involved in specific service sectors that have been successful with cost recovery. Local governments are becoming more appreciative of the contribution that NGOs make in their communities. Sometimes, NGOs fill in the gaps left by under-funded local government agencies or in attracting new expertise and assistance. So far, this has not been duplicated on the national level, as the expansion of NGO-provided services

is limited by the weak economy and challenging legal environment.

About half of all active NGOs provide basic social services, addressing the needs of the community, as well as the priorities of the donors. The areas where NGOs are most effective are humanitarian assistance, youth initiatives, and environmental concerns. They also operate in other areas, including human rights, women's rights, and education. Examples of the services that NGOs provide include consultations for farmers and businesses, civic and legal education services, and support for the disabled.

INFRASTRUCTURE: 3.5

NGO cross-sector partnerships have begun to exchange technical expertise and foster stronger lobbying efforts. Despite some success with these programs, there

INFRASTRUCTURE	
2003	3.5
2002	3.5
2001	4.0
2000	4.0
1999	3.5

is still a long way to go for a stable and constant working relationship among NGOs. Information sharing among NGOs

continues to be rare. With a few exceptions, many NGOs operating in the same area are unaware of similar on-going efforts by other NGOs.

The number of NGO trainers has expanded, though the supply of training currently available is not able to meet the growing needs of the sector. There are areas where some organizations are ready for more advanced and specific courses than are presently available. An expanded corps of qualified in-country trainers is needed to conduct more training-of-trainers and provide more third-country training opportunities. There is a good range of training materials available in Ukrainian, but more are needed, and their dissemination has to be improved too.

PUBLIC IMAGE: 4.4

Overall, the public perception of NGOs improved. According to a recent public opinion poll conducted in Ukraine¹, 20 percent of respondents are aware of NGOs active in their communities. This represents nearly a two-fold increase from the 12 percent in the 2002 poll. In 2003, 38 percent of Ukrainians expressed a great deal of confidence in NGOs, up from 27 percent in 2002. Government perception of the third sector also seems to have improved as well, as NGOs are now invited to debate draft laws.

NGOs were successful in raising public awareness on important social issues, such as HIV/AIDS prevention, domestic abuse, the trafficking of women, and environmental and legal advocacy issues. The success stories made the public more supportive of these grassroots efforts and encouraged other NGOs to follow suit.

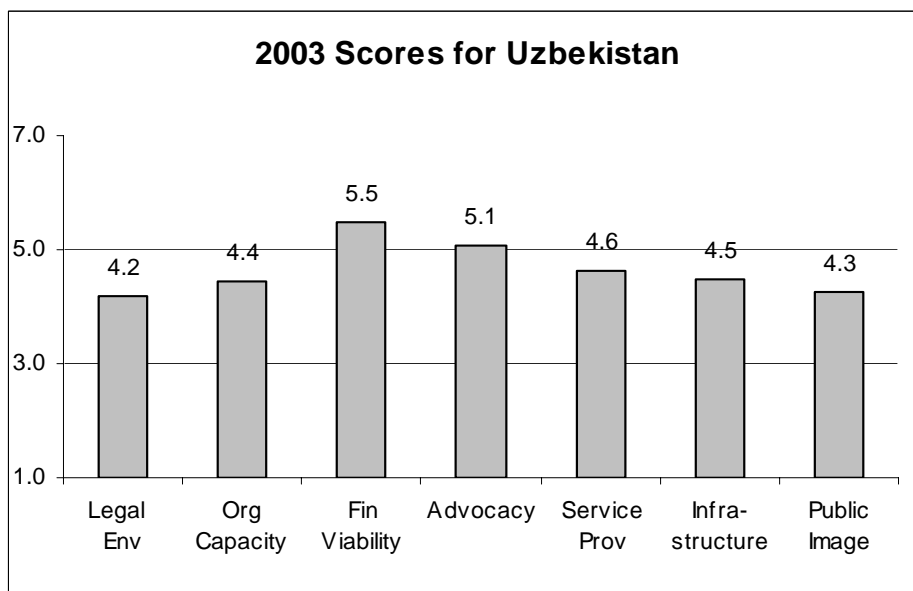
PUBLIC IMAGE	
2003	4.4
2002	5.0
2001	5.0
2000	5.0
1999	4.0
1998	3.9

Public policy institutes are slowly beginning to play a role in building a long-term strategic approach to public policy and measuring the public's attitude through opinion surveys, conferences, and roundtables.

NGOs are also developing skills in the areas of public relations and working with the media. However, journalists are generally still not sufficiently educated about the role of the third sector. Although NGO activities receive some coverage in the press, most of these reports include only basic and limited factual information. NGOs are not sufficiently proficient in portraying their work to the general public on regular basis, showing the need for more efforts to involve the media and the general public in NGO activities.

¹ IFES 2003 Annual Survey available at www.ifes.org

UZBEKISTAN



Capital:
Tashkent

Polity:
Presidential
(dominant party)

Population:
25,400,000

**GDP per capita
(PPP):** \$2,441

NGO SUSTAINABILITY: 4.7

NGO SUSTAINABILITY	
2003	4.7
2002	4.7
2001	4.6
2000	5.1
1999	5.3
1998	4.7

The overall rating remained static in 2003. There were some improvements in the legal environment but relationships with the government were undermined by the deterioration in the

economic situation and frustrations with the slow pace of democratic reforms.

According to Ministry of Justice data there are about 3,000 registered NGOs in Uzbekistan. They are quite active in developing partnerships and delivering services in cooperation with local governments. The Government of Uzbekistan (GOU), media, and the general population now pay more attention to the third sector, mostly due to the transfer of some state social functions to local governing bodies.

The past year has witnessed a stable growth in NGO activity in regions outside of Tashkent. While the NGO community is diverse, organizations supporting women's rights, health care, and environmental issues have been able to excel in their fields, largely because their themes echo those supported by the government and donors. Most NGOs are weak in constituency-building, and are often 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.

Geographically, the majority of NGOs are located in Tashkent, Nukus, Samarkand, Ferghana Valley, and Bukhara; the remote southern regions of Kashkadaryo, Surkhandaryo and the Khorezm region witnessed stable growth in the NGO sector. On the other hand, the Syrdarya region has almost no NGO activity. 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 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 issues, such as human rights, continue to face harassment.

In the past, some elements within the GOU viewed foreign support for NGOs with suspicion. Now they see such grants as something they should have a role in “coordinating” or controlling. Transparency of some NGOs remains questionable, such as Public Foundations established with government support refuse to publish their financial reports.

LEGAL ENVIRONMENT: 4.2

The legal environment improved during 2003. The Oliy Majlis (Parliament) adopted

LEGAL ENVIRONMENT	
2003	4.2
2002	4.3
2001	4.4
2000	5.4
1999	6.0
1998	5.6

the Law on Public Foundations in August. This law provides solid ground for the establishment and operations of non-membership based foundations. Among other improve-

ments, the new law establishes a registration period for foundations of one month (compared to two months currently required to register a public association), allows one person, either an individual or legal entity, to establish a foundation, and allows establishing a foundation pursuant to a will.

Groups of NGOs are now involved with Parliament in the discussions and development of three new laws for NGOs: a new Law on Guarantees and Support to NGOs, a new Law on Charity, and a new version of the Law on Public Associations. These legislative acts would provide a better basis for the development of civil society and local philanthropy in Uzbekistan.

Tax incentives for NGOs do exist for all NGOs not engaged in commercial activity. Recent decrees and resolutions of the Cabinet of Ministers introduced several privileges for Associations of House owners. Micro-credit organizations received several privileges after an advocacy campaign of interested parties, such as local NGOs and international donors.

ORGANIZATIONAL CAPACITY: 4.4

Few organizationally sophisticated NGOs exist in Uzbekistan. Too often the missions

ORGANIZATIONAL CAPACITY

2003	4.4
2002	4.5
2001	4.8
2000	5.3
1999	5.5
1998	4.2

and goals of local organizations are based on the objectives and missions of the international donor community, but some improvement has been noted in this area.

Most NGOs lack adequate strategic planning and base most of their activity on the whims of donors. Strategic decisions are made by NGOs with the assistance of donors.

Board 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 are abundant and eager.

FINANCIAL VIABILITY: 5.5

The overall decline in the economic situa-

FINANCIAL VIABILITY

2003	5.5
2002	5.5
2001	5.1
2000	5.5
1999	5.5
1998	4.4

tion clearly impacted on NGO financial viability. Local donors are rare, but their number has increased during the past year as NGOs become more prominent in society and the media.

However, because of the economic situation, too often this support is in-kind rather than cash.

The lack of currency convertibility and poor laws related to taxation strain the financial viability of NGOs in Uzbekistan. The problems with currency convertibility limit financial transparency of organizations, many of which receive grants in dol-

lars (technically illegally) from foreign donors.

The government, in a few instances, has given NGOs grants for specific projects. Currently, it is possible for NGOs to generate income through fees-for-services, and some more mature NGOs have become financially independent as a result. However, too many organizations are hesitant to develop this sector. 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 more difficult even though a few mature NGOs are more stable.

ADVOCACY: 5.1

Despite continuing problems with pressure on human rights organizations and individual activists, Uzbek NGOs were involved in advocacy campaigns affecting unemployment, low standard of living, particularly in the rural regions, and the development of small-

ADVOCACY

2003	5.1
2002	4.9
2001	5.1
2000	5.2
1999	5.5
1998	4.6

and medium-size businesses.

Although advocacy is still limited at the national level, three NGO coalitions launched ongoing advocacy campaigns on regional and/or national issues during the year on the Government's economic policies toward small entrepreneurs, the right to education for handicapped children, and handicapped-accessibility of new or renovated public buildings. Groups of NGOs also are now involved in the discussions and development of three new laws for NGOs within the Parliament. These laws are the Law on Guarantees and Support to NGO, the Law on Charity, and a new version of the Law on Public Associations.

A particularly successful advocacy effort resulted in additional privileges for local

small and medium businesses in the Navoyi region. The Center for Social Partnership Tashabbus initiated community participation in seeking ways to promote the development of small and medium enterprise in their community. Members of the Navoyi Region Union of Businessmen formed a temporary coalition to develop proposals and advocate to the local government for providing favorable treatment for small and medium enterprises. As a result of the coalition's work over three months, the local governor issued a decree providing privileges to all the service-based businessmen, resulting in about two thousand legal entities getting a 50 percent discount for public utilities and a 50 percent break on property taxes. Another decree was issued that provides privileged credits and accommodation to the various services in the Navoyi region.

Only the most developed NGOs are involved in advocacy efforts. To support the campaigns and the coalitions carrying them out, two training and technical assistance manuals have been designed and published, an electronic library of advocacy materials was established, and a training and consulting team of nine Uzbek citizens was built.

SERVICE PROVISION: 4.6

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.

Local government acceptance of NGOs as service providers has dramatically improved, but understanding of government by NGOs is still lacking. Local authorities have begun to realize that community based organizations ultimately strive to

SERVICE PROVISION

2000	4.6
2002	4.4
2001	4.0
2000	4.5
1999	4.5

improve the lives of citizens, and are increasingly listening to NGOs' analysis of community problems and proposals for community programs.

Access to training op-

portunities 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 most NGOs continue to be dependent on international donors.

INFRASTRUCTURE: 4.5

A network of NGO support centers now actively works in seven regional capitals. These Centers provide training seminars, technical support,

INFRASTRUCTURE

2003	4.5
2002	4.7
2001	4.6
2000	5.0
1999	5.0

information resources, networking opportunities, and professional services to NGOs and associations. The importance of these centers

cannot be minimized.

An active coalition of women NGOs was established in 2003. Women NGOs constitute the majority of registered NGOs in Uzbekistan.

The number and quality of trainers has improved in the past year. A new cadre of Uzbek-speaking trainers has emerged,

and NGO trainers seek to establish an Association of Trainers, which would be able to work not only in Uzbekistan but also in the neighboring countries. Training materials in the Karakalpak language are still lacking. Few NGOs implement activities to bolster their technical capacities; 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. Some efforts to create coalitions in certain sectors (i.e. gender, environment) have emerged during the past year.

PUBLIC IMAGE: 4.3

PUBLIC IMAGE

2003	4.3
2002	4.4
2001	4.5
2000	4.8
1999	5.0

Press coverage of NGOs increased during 2003, which had a positive influence on the public image of NGOs. However, the perception remains that many NGOs simply exist to attract

large donor grants.

Previously, NGOs had to pay bribes to journalists to attract publicity. This practice has now decreased and journalists, especially independent TV stations, regularly cover NGO events in the capital city and in the regions. As service provision and train-

ings increase, the public image of NGOs in the country only stands to improve.

Organizations are publishing more materials that are available to the public that in-

creases their public stature. Nonetheless, there continue to be too many misperceptions about each other by NGOs and government officials.

STATISTICAL ANNEX

COUNTRY SCORES: 1997 - 2003

<u>Northern Tier</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
CZECH REP.				2.4	2.3	2.5	2.4
ESTONIA				2.4	2.1	2.2	2.2
HUNGARY	2.3	1.6	2.1	2.3	2.6	2.6	2.7
LATVIA	3.6	4.2		2.8	2.9	2.8	2.7
LITHUANIA	4.0	3.0	2.9	3.1	2.9	2.7	2.5
POLAND	1.8	2.0	2.1	2.1	2.1	2.2	2.1
SLOVAKIA	2.8	2.8	2.2	1.9	1.9	2.1	2.2
SLOVENIA							3.4
<u>Southern Tier</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
ALBANIA	4.4	4.2	4.8	4.6	4.6	4.3	4.1
BOSNIA		5.6	5.3	4.9	4.5	4.2	4.1
BULGARIA	4.0	3.6	4.0	3.7	3.6	3.1	3.1
CROATIA	4.6	4.4	4.6	4.3	3.8	3.7	3.5
KOSOVO			4.4	4.6	4.6	4.3	4.2
MACEDONIA	4.4	4.4	4.6	4.6	4.1	4.0	3.7
MONTENEGRO			4.6	4.6	4.7	4.6	4.5
ROMANIA	3.6	3.8	4.0	4.1	4.0	3.7	3.8
SERBIA	4.8	5.4	5.4	4.6	4.1	4.1	4.0
<u>Eurasia</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
ARMENIA		5.5	5.1	5.0	4.4	4.2	4.1
AZERBAIJAN		6.3	5.6	5.0	5.0	5.2	5.0
BELARUS				5.7	5.5	5.3	5.6
GEORGIA		3.6	3.8	4.1	4.0	4.2	4.1
KAZAKHSTAN	4.6	4.2	4.8	4.7	4.3	4.1	3.9
KYRGYZ REPUBLIC	4.6	3.8	4.2	4.3	4.3	4.0	4.1
MOLDOVA				4.6	4.2	4.2	4.3
RUSSIA	3.4	3.4	4.1	4.3	4.2	4.0	4.4
TAJIKISTAN		6.6	6.1	5.4	5.1	4.6	4.6
TURKMENISTAN			6.6	6.0	5.8	5.6	5.7
UKRAINE	4.0	4.2	4.1	4.4	4.3	4.0	3.9
UZBEKISTAN		4.9	5.3	5.1	4.6	4.7	4.7

COUNTRIES RANKED BY SCORES

Legal Environment	Organizational Capacity	Financial Viability
Consolidation	Consolidation	Consolidation
HUNGARY 1.3	SLOVAKIA 2.0	CZECH REPUBLIC 1.9
LITHUANIA 1.6	POLAND 2.0	ESTONIA 2.6
ESTONIA 1.8	ESTONIA 2.6	POLAND 2.8
BULGARIA 2.0	LITHUANIA 2.6	LITHUANIA 3.0
POLAND 2.0	HUNGARY 2.9	SLOVAKIA 3.0
SLOVAKIA 2.5	CZECH REPUBLIC 2.9	HUNGARY 3.3
LATVIA 2.6	LATVIA 2.9	
CROATIA 2.8		Mid-Transition
MACEDONIA 2.9		LATVIA 3.3
CZECH REPUBLIC 3.0		BULGARIA 3.7
	Mid-Transition	SLOVENIA 3.3
Mid-Transition	ARMENIA 3.6	ROMANIA 4.3
KOSOVO 3.2	MACEDONIA 3.7	CROATIA 4.4
MONTENEGRO 3.4	BOSNIA 3.8	MACEDONIA 4.5
BOSNIA 3.5	CROATIA 3.8	ALBANIA 4.6
ALBANIA 3.5	KAZAKHSTAN 3.8	GEORGIA 4.6
MOLDOVA 3.7	ROMANIA 3.8	KAZAKHSTAN 4.7
GEORGIA 3.7	SERBIA 3.8	UKRAINE 4.8
ARMENIA 3.8	UKRAINE 3.9	RUSSIA 4.9
SLOVENIA 3.4	SLOVENIA 3.5	
KYRGYZ REPUBLIC 3.9	GEORGIA 4.0	Early Transition
ROMANIA 4.0	ALBANIA 4.2	KYRGYZ REPUBLIC 5.0
UKRAINE 4.0	MOLDOVA 4.2	MOLDOVA 5.3
KAZAKHSTAN 4.0	KOSOVO 4.3	BOSNIA 5.4
UZBEKISTAN 4.2	KYRGYZ REPUBLIC 4.3	MONTENEGRO 5.4
TAJIKISTAN 4.3	RUSSIA 4.3	SERBIA 5.4
RUSSIA 4.3	BULGARIA 4.4	UZBEKISTAN 5.5
SERBIA 4.5	UZBEKISTAN 4.4	ARMENIA 5.5
	TAJIKISTAN 4.6	KOSOVO 5.6
	BELARUS 4.8	TAJIKISTAN 5.7
	MONTENEGRO 4.8	AZERBAIJAN 5.8
	AZERBAIJAN 4.8	TURKMENISTAN 6.0
		BELARUS 6.2
Early Transition		
AZERBAIJAN 5.0		
TURKMENISTAN 6.7	Early Transition	
BELARUS 6.8	TURKMENISTAN 5.3	

Advocacy

Consolidation	
SLOVAKIA	1.6
LITHUANIA	1.6
POLAND	1.9
CZECH REPUBLIC	2.0
LATVIA	2.0
ESTONIA	2.0
BULGARIA	2.5
CROATIA	3.0

Mid-Transition	
SERBIA	3.2
HUNGARY	3.3
MACEDONIA	3.3
UKRAINE	3.4
ALBANIA	3.6
BOSNIA	3.6
KAZAKHSTAN	3.6
ROMANIA	3.8
KOSOVO	3.8
ARMENIA	3.8
KYRGYZ REPUBLIC	3.8
SLOVENIA	3.0
GEORGIA	4.0
MOLDOVA	4.1
MONTENEGRO	4.3
TAJIKISTAN	4.5
RUSSIA	4.5
AZERBAIJAN	4.8

Early Transition	
UZBEKISTAN	5.1
BELARUS	5.7
TURKMENISTAN	6.1

Service Provision

Consolidation	
POLAND	2.0
CZECH REPUBLIC	2.2
SLOVAKIA	2.2
HUNGARY	2.3
ESTONIA	2.5
LATVIA	2.5
BULGARIA	2.9

Mid-Transition	
ROMANIA	3.1
UKRAINE	3.3
CROATIA	3.4
SLOVENIA	3.0
LITHUANIA	3.4
KYRGYZ REPUBLIC	3.8
KAZAKHSTAN	3.9
ALBANIA	4.0
RUSSIA	4.1
MACEDONIA	4.0
ARMENIA	4.0
SERBIA	4.1
MONTENEGRO	4.2
TAJIKISTAN	4.3
BOSNIA	4.4
GEORGIA	4.4
MOLDOVA	4.5
UZBEKISTAN	4.6
KOSOVO	4.8
TURKMENISTAN	4.8
AZERBAIJAN	4.8

Early Transition	
BELARUS	5.1

Infrastructure

Consolidation	
SLOVAKIA	1.9
POLAND	1.9
ESTONIA	2.0
LITHUANIA	2.2
HUNGARY	2.4
BULGARIA	2.5
LATVIA	2.8
CZECH REPUBLIC	3.0

Mid-Transition	
MACEDONIA	3.3
SERBIA	3.3
KOSOVO	3.5
UKRAINE	3.5
ROMANIA	3.6
CROATIA	3.6
KAZAKHSTAN	3.6
KYRGYZ REPUBLIC	3.8
MOLDOVA	3.8
GEORGIA	3.8
RUSSIA	4.0
ARMENIA	4.0
TAJIKISTAN	4.1
SLOVENIA	3.8
ALBANIA	4.4
BOSNIA	4.5
UZBEKISTAN	4.5
MONTENEGRO	4.6
AZERBAIJAN	4.7
BELARUS	4.8

Early Transition	
TURKMENISTAN	5.0

Public Image

Consolidation	
SLOVAKIA	2.0
CZECH REPUBLIC	2.1
ESTONIA	2.2
POLAND	2.2
LATVIA	2.8

Mid-Transition	
HUNGARY	3.2
LITHUANIA	3.3
BULGARIA	3.4
CROATIA	3.4
BOSNIA	3.8
KOSOVO	3.9
KAZAKHSTAN	3.9
MACEDONIA	3.9
SERBIA	3.9
ARMENIA	3.9
ROMANIA	4.0
KYRGYZ REPUBLIC	4.1
MOLDOVA	4.2
SLOVENIA	3.6
UZBEKISTAN	4.3
GEORGIA	4.4
TAJIKISTAN	4.4
UKRAINE	4.4
ALBANIA	4.5
RUSSIA	4.6
MONTENEGRO	4.7

Early Transition	
AZERBAIJAN	5.3
BELARUS	5.6
TURKMENISTAN	5.9

NGO Sustainability**2003 2002 2001**

Consolidation				
POLAND	2.1	1	2	2
SLOVAKIA	2.2	2	1	1
ESTONIA	2.2	2	2	2
CZECH REPUBLIC	2.4	4	4	4
LITHUANIA	2.5	5	6	6
HUNGARY	2.7	6	5	5
LATVIA	2.7	6	7	6

Mid-Transition				
BULGARIA	3.1	8	8	8
CROATIA	3.5	9	9	8
MACEDONIA	3.7	10	9	10
ROMANIA	3.8	11	9	10
SLOVENIA	3.9	12		
UKRAINE	3.9	12	11	16
KAZAKHSTAN	3.9	12	15	16
SERBIA	4.0	15	15	12
KYRGYZ REPUBLIC	4.1	16	15	12
BOSNIA	4.1	16	17	20
ARMENIA	4.1	16	17	19
GEORGIA	4.1	16	17	10
ALBANIA	4.1	16	21	21
KOSOVO	4.2	21	21	21
MOLDOVA	4.3	22	17	14
RUSSIA	4.4	23	11	14
MONTENEGRO	4.5	24	23	25
TAJIKISTAN	4.6	25	23	25
UZBEKISTAN	4.7	26	25	21

Early Transition				
AZERBAIJAN	5.0	27	26	24
BELARUS	5.6	28	27	27
TURKMENISTAN	5.7	29	28	28

DIMENSION SCORES: 1998 - 2003

COUNTRY	LEGAL ENVIRONMENT						ORGANIZATIONAL CAPACITY						FINANCIAL VIABILITY					
	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
NORTHERN TIER																		
CZECH REPUBLIC			2.0	1.8	3.0	3.0			3.0	3.0	2.9	2.9			2.0	2.0	2.0	1.9
ESTONIA			2.0	2.0	2.0	1.8			2.5	2.3	2.2	2.6			2.8	2.6	2.6	2.6
HUNGARY	1.0	1.0	1.0	1.7	1.4	1.3	2.0	2.0	3.0	2.8	2.7	2.9	2.0	2.5	3.0	2.8	3.0	3.3
LATVIA	4.0		3.0	3.0	2.8	2.6	4.0		2.6	3.3	3.0	2.9	5.0		3.5	3.5	3.5	3.3
LITHUANIA	4.0	4.0	4.0	2.0	1.6	1.6	3.0	2.5	2.5	3.0	2.9	2.6	3.0	3.5	4.0	3.0	2.9	3.0
POLAND	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.2	2.2	2.0	2.5	2.5	2.5	2.8	2.8
SLOVAKIA	3.5	3.5	2.5	2.5	2.6	2.5	3.0	2.0	1.5	1.5	1.7	2.0	4.0	3.0	3.0	3.0	3.0	3.2
SLOVENIA						3.7						3.5						3.3
<i>Average</i>	2.9	2.6	2.4	2.1	2.2	2.3	2.8	2.1	2.4	2.6	2.5	2.8	3.2	2.9	3.0	2.8	2.8	2.9
SOUTHERN TIER																		
ALBANIA	4.0	4.0	4.0	4.0	3.6	3.5	4.0	5.0	5.0	5.0	4.5	4.2	5.0	5.0	5.0	5.0	4.8	4.6
BOSNIA	5.0	5.0	4.5	4.0	3.5	3.5	5.0	4.5	4.5	4.0	3.9	3.8	6.0	6.5	6.0	5.7	5.5	5.4
BULGARIA	4.5	4.5	3.5	3.5	2.0	2.0	3.0	3.5	4.5	4.5	4.5	4.4	5.0	5.5	5.2	4.5	3.8	3.7
CROATIA	6.0	6.0	4.0	3.0	2.8	2.8	3.0	4.0	4.8	4.0	4.0	3.8	5.0	6.0	6.6	5.0	5.1	4.4
KOSOVO		3.0	3.0	4.0	3.3	3.2		4.5	4.5	5.0	4.2	4.3		6.0	6.0	6.0	6.0	5.6
MACEDONIA	3.0	3.0	3.0	3.0	3.0	2.9	4.0	4.0	4.0	4.0	4.0	3.7	5.0	5.0	5.0	4.0	4.6	4.5
MONTENEGRO		3.5	3.5	3.7	3.7	3.4		5.0	5.0	5.0	4.8	4.8		5.5	5.5	5.5	5.5	5.4
ROMANIA	3.5	3.5	3.0	3.0	3.0	4.0	3.5	4.0	5.0	4.5	4.0	3.8	4.5	5.0	5.5	4.5	4.5	4.3
SERBIA	5.0	6.0	5.0	5.0	4.5	4.5	5.0	5.0	4.5	4.0	3.9	3.8	6.0	6.0	6.0	6.0	5.5	5.4
<i>Average</i>	4.4	4.6	3.7	3.7	3.3	3.3	3.9	4.3	4.6	4.4	4.2	4.1	5.2	5.6	5.6	5.1	5.0	4.8
EURASIA																		
ARMENIA	5.0	4.0	4.0	4.0	3.8	3.8	5.0	5.0	5.0	4.0	3.9	3.6	6.0	6.0	6.0	6.0	5.6	5.5
AZERBAIJAN	7.0	6.0	5.0	5.0	5.0	5.0	6.0	5.8	5.2	5.0	5.0	4.8	6.0	6.0	6.0	6.0	6.0	5.8
BELARUS			7.0	7.0	6.5	6.8			5.0	4.8	4.7	4.8			6.0	6.0	5.7	6.2
GEORGIA	3.0	3.5	3.0	4.0	3.9	3.7	4.0	3.5	4.0	4.0	4.0	4.0	4.0	4.5	6.0	5.0	4.9	4.6
KAZAKHSTAN	4.9	5.0	4.5	4.5	4.2	4.0	4.0	4.5	5.0	4.2	4.0	3.8	4.4	5.5	5.5	5.0	4.8	4.7
KYRGYZ REPUBLIC	3.9	3.5	4.3	5.2	3.7	3.9	3.9	4.0	4.0	4.0	4.3	4.3	4.2	5.5	5.5	5.5	5.0	5.0
MOLDOVA			3.0	3.0	3.3	3.7			4.5	4.5	4.5	4.2			5.5	5.3	5.2	5.3
RUSSIA	3.0	4.0	4.0	4.2	4.0	4.3	3.0	3.5	4.0	4.4	3.9	4.3	4.0	5.0	5.0	4.7	4.4	4.9
TAJIKISTAN	6.5	6.0	5.0	4.8	4.6	4.3	6.0	6.0	5.5	5.0	4.5	4.6	7.0	7.0	6.0	6.0	5.5	5.7
TURKMENISTAN		7.0	6.5	6.5	6.5	6.7		6.0	5.8	5.5	5.3	5.3		7.0	6.0	5.5	5.3	6.0
UKRAINE	4.6	5.0	5.0	5.0	4.5	4.0	3.7	3.5	4.0	4.0	3.5	3.9	4.6	5.0	5.0	5.0	5.0	4.8
UZBEKISTAN	5.6	6.0	5.4	4.4	4.3	4.2	4.2	5.5	5.3	4.8	4.5	4.4	4.4	5.5	5.5	5.1	5.5	5.5
<i>Average</i>	4.8	5.0	4.7	4.8	4.5	4.5	4.4	4.7	4.8	4.5	4.3	4.5	5.0	5.7	5.7	5.4	5.2	5.4

DIMENSION SCORES: 1998 - 2003

COUNTRY	ADVOCACY						SERVICE PROVISION						INFRASTRUCTURE					
	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
NORTHERN TIER																		
CZECH REPUBLIC			2.0	1.8	1.8	2.0			2.0	2.0	2.2	2.2			3.0	3.0	3.0	3.0
ESTONIA			2.0	1.8	2.1	2.0			2.5	2.3	2.5	2.5			2.5	2.0	1.9	2.0
HUNGARY	1.0	1.5	3.0	3.5	3.5	3.3		2.5	2.0	2.3	2.3	2.3		2.5	2.0	2.5	2.5	2.4
LATVIA	4.0		3.0	2.2	2.0	2.0			2.5	2.4	2.5	2.5			3.0	3.0	3.0	2.8
LITHUANIA	2.0	1.5	2.0	2.0	1.8	1.6		3.5	3.5	4.0	3.8	3.4		3.0	3.0	2.5	2.3	2.2
POLAND	2.0	2.5	2.0	2.0	2.2	1.9		2.0	2.0	2.0	2.1	2.0		2.0	2.0	2.0	1.9	1.9
SLOVAKIA	2.0	1.5	1.5	1.5	1.6	1.6		2.0	2.0	2.0	2.2	2.2		1.5	1.5	1.5	1.7	1.9
SLOVENIA						3.0						3.0						3.8
<i>Average</i>	2.2	1.8	2.2	2.1	2.1	2.1		2.5	2.4	2.4	2.5	2.6		2.3	2.4	2.4	2.3	2.6
SOUTHERN TIER																		
ALBANIA	4.0	4.0	4.0	3.0	3.9	3.6		5.0	5.0	5.0	3.9	4.0		5.5	5.0	5.0	4.6	4.4
BOSNIA	6.0	5.5	4.5	4.2	3.9	3.6		5.0	4.5	4.2	4.5	4.4		5.0	5.0	4.8	4.5	4.5
BULGARIA	2.8	3.0	3.0	3.0	2.5	2.5		4.0	3.0	3.0	2.8	2.9		3.0	3.0	3.0	2.5	2.5
CROATIA	4.0	4.0	2.5	3.0	3.0	3.0		5.0	4.4	4.0	3.7	3.4		4.0	4.0	4.0	3.9	3.6
KOSOVO		5.0	4.5	5.0	4.1	3.8		4.0	5.0	4.0	5.0	4.8		5.0	5.0	4.0	3.7	3.5
MACEDONIA	5.0	4.5	4.5	4.0	3.6	3.3		5.5	5.5	5.0	4.8	4.0		5.0	5.0	4.5	3.7	3.3
MONTENEGRO		3.5	3.5	4.5	4.7	4.3		4.5	4.5	4.0	4.2	4.2		5.0	5.0	5.0	4.6	4.6
ROMANIA	3.5	4.0	3.5	4.5	4.0	3.8		4.0	4.0	3.5	3.1	3.1		4.0	4.0	4.0	3.6	3.6
SERBIA	6.0	6.0	4.0	3.5	3.3	3.2		4.0	4.0	3.8	4.2	4.1		5.0	4.0	3.0	3.4	3.3
<i>Average</i>	4.5	4.4	3.8	3.9	3.7	3.4		4.6	4.4	4.1	4.0	3.9		4.5	4.4	4.1	3.8	3.6
EURASIA																		
ARMENIA	6.0	5.0	5.0	4.0	4.2	3.8		5.0	4.0	4.0	4.0	4.0		5.5	6.0	4.5	4.2	4.0
AZERBAIJAN	6.5	6.0	5.5	5.0	5.0	4.8		4.5	4.5	5.0	5.0	4.8		5.5	4.5	3.0	4.6	4.7
BELARUS			6.0	5.5	5.4	5.7			5.0	5.0	4.9	5.1			5.0	4.5	4.5	4.8
GEORGIA	4.0	3.5	2.0	4.0	4.3	4.0		4.0	5.0	4.0	4.2	4.4		3.5	3.0	3.0	4.0	3.8
KAZAKHSTAN	4.5	4.5	4.5	4.3	4.0	3.6		4.5	4.7	4.0	4.0	3.9		5.0	4.5	4.1	3.9	3.6
KYRGYZ REPUBLIC	3.5	3.5	3.5	3.0	3.3	3.8		4.0	4.5	4.3	3.9	3.8		4.5	4.0	3.8	3.7	3.8
MOLDOVA			5.0	4.2	4.2	4.1			5.0	4.5	4.4	4.5			4.0	3.8	3.8	3.8
RUSSIA	3.0	3.5	4.5	4.9	4.2	4.5		4.5	4.5	4.3	3.7	4.1		3.5	3.5	3.4	3.2	4.0
TAJIKISTAN	6.5	6.0	5.5	5.0	4.5	4.5		5.5	5.5	5.0	4.5	4.3		6.0	5.0	4.8	4.1	4.1
TURKMENISTAN		6.5	6.3	6.3	6.1	6.1		6.0	5.3	5.0	5.0	4.8		6.5	5.7	5.5	5.2	5.0
UKRAINE	4.4	5.0	4.0	4.0	3.5	3.4		2.5	4.0	3.0	3.0	3.3		3.5	4.0	4.0	3.5	3.5
UZBEKISTAN	4.6	5.5	5.2	5.1	4.9	5.1		4.5	4.5	4.0	4.4	4.6		5.0	5.0	4.6	4.7	4.5
<i>Average</i>	4.8	4.9	4.8	4.6	4.5	4.6		4.5	4.7	4.3	4.3	4.3		4.9	4.5	4.1	4.1	4.1

DIMENSION SCORES: 1998 - 2003

COUNTRY	PUBLIC IMAGE						FINAL SCORES					
	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
NORTHERN TIER												
CZECH REPUBLIC			3.0	2.5	2.3	2.1			2.4	2.3	2.3	2.4
ESTONIA			2.5	2.0	2.0	2.2			2.4	2.1	2.1	2.2
HUNGARY	2.0	2.0	2.0	2.8	3.0	3.2	1.6	2.0	2.3	2.6	2.6	2.7
LATVIA	4.0		2.0	2.7	3.0	2.8	4.2		2.8	2.9	2.9	2.7
LITHUANIA	3.0	2.5	3.0	4.0	3.8	3.3	3.0	2.9	3.1	2.9	2.9	2.5
POLAND	2.0	2.0	2.0	2.0	2.3	2.2	2.0	2.1	2.1	2.1	2.1	2.1
SLOVAKIA	1.5	1.0	1.5	1.5	1.8	2.0	2.8	2.1	1.9	1.9	1.9	2.2
SLOVENIA						3.6						3.4
<i>Average</i>	2.5	1.9	2.3	2.5	2.6	2.5	2.7	2.3	2.4	2.4	2.4	2.5
SOUTHERN TIER	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
ALBANIA	4.0	5.0	4.5	5.0	4.6	4.5	4.2	4.8	4.6	4.6	4.6	4.1
BOSNIA	6.0	5.0	5.0	4.5	3.8	3.8	5.6	5.2	4.9	4.5	4.5	4.1
BULGARIA	2.8	4.5	4.0	4.0	3.5	3.4	3.6	4.0	3.7	3.6	3.6	3.1
CROATIA	4.0	4.0	4.0	3.8	3.5	3.4	4.4	4.7	4.3	3.8	3.8	3.5
KOSOVO		3.5	4.0	4.5	3.9	3.9		4.4	4.6	4.6	4.6	4.2
MACEDONIA	5.0	5.0	5.0	4.5	4.0	3.9	4.4	4.6	4.6	4.1	4.1	3.7
MONTENEGRO		5.0	5.0	5.0	4.8	4.7		4.6	4.6	4.7	4.7	4.5
ROMANIA	4.0	4.0	3.5	4.0	3.8	4.0	3.8	4.1	4.1	4.0	4.0	3.8
SERBIA	5.0	5.5	4.0	3.5	4.0	3.9	5.4	5.4	4.5	4.1	4.1	4.0
<i>Average</i>	4.4	4.7	4.3	4.3	4.0	3.9	4.5	4.6	4.4	4.2	4.2	3.9
EURASIA	1998	1999	2000	2001	2002	2003	1998	1999	2000	2001	2002	2003
ARMENIA	5.5	5.0	5.0	4.0	4.0	3.9	5.5	5.1	5.0	4.4	4.4	4.1
AZERBAIJAN	6.5	6.0	4.5	5.0	5.5	5.3	6.4	5.7	5.0	4.9	4.9	5.0
BELARUS			6.0	5.5	5.2	5.6			5.7	5.5	5.5	5.6
GEORGIA	2.0	4.0	5.0	4.0	4.4	4.4	3.4	3.8	4.0	4.0	4.0	4.1
KAZAKHSTAN	4.0	4.5	4.5	4.1	3.9	3.9	4.4	4.8	4.7	4.3	4.3	3.9
KYRGYZ REPUBLIC	3.8	4.0	4.5	4.5	4.1	4.1	3.9	4.1	4.3	4.3	4.3	4.1
MOLDOVA			5.0	4.3	4.2	4.2			4.6	4.2	4.2	4.3
RUSSIA	4.0	5.0	4.5	4.5	4.4	4.6	3.4	4.1	4.3	4.3	4.3	4.4
TAJIKISTAN	7.0	6.0	5.0	5.0	4.5	4.4	6.6	6.1	5.4	5.1	5.1	4.6
TURKMENISTAN		7.0	6.2	6.0	6.0	5.9		6.6	6.0	5.8	5.8	5.7
UKRAINE	3.9	4.0	5.0	5.0	5.0	4.4	4.2	4.1	4.4	4.3	4.3	3.9
UZBEKISTAN	4.8	5.0	4.8	4.5	4.4	4.3	4.7	5.3	5.1	4.6	4.6	4.7
<i>Average</i>	4.6	5.1	5.0	4.7	4.6	4.6	4.7	5.0	4.9	4.6	4.6	4.6