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# 2008 NGO SUSTAINABILITY INDEX

for Central and Eastern Europe and Eurasia

12th Edition – June 2009



Cover Photo: Women of Akkel village in Turkmenistan identify village priorities during a Participatory Community Appraisal. The activity was facilitated by Counterpart International Turkmenistan under the USAID-funded Turkmenistan Community Empowerment Program (TCEP). Photo Credit: Counterpart International Turkmenistan.

# **The 2008 NGO Sustainability Index for Central and Eastern Europe and Eurasia**

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



## 2008 NGO SUSTAINABILITY INDEX SCORES

COUNTRY	Legal Environment	Organizational Capacity	Financial Viability	Advocacy	Service Provision	Infra-structure	Public Image	Overall Score
<b>NORTHERN TIER</b>								
CZECH REPUBLIC	3.0	3.0	2.9	2.4	2.2	2.9	2.5	2.7
ESTONIA	1.7	2.3	2.3	1.8	2.3	1.6	2.0	2.0
HUNGARY	1.5	3.0	3.5	3.2	2.5	2.2	3.3	2.7
LATVIA	2.4	3.0	3.3	2.3	2.5	2.4	3.3	2.7
LITHUANIA	2.1	2.7	2.8	2.0	3.3	3.0	2.9	2.7
POLAND	2.3	2.6	2.7	1.9	2.2	1.7	2.2	2.2
SLOVAKIA	2.6	2.9	3.2	2.6	2.4	2.2	2.3	2.6
SLOVENIA	3.5	4.0	4.4	3.9	3.5	3.8	3.9	3.9
<b>Average</b>	<b>2.4</b>	<b>2.9</b>	<b>3.1</b>	<b>2.5</b>	<b>2.6</b>	<b>2.5</b>	<b>2.8</b>	<b>2.7</b>
<b>SOUTHERN TIER</b>								
ALBANIA	3.7	3.9	4.5	3.4	3.7	3.9	3.8	3.8
BOSNIA	3.4	3.5	4.8	3.1	4	4	3.4	3.7
BULGARIA	2.0	4.3	4.1	2.6	3.1	3.1	3.0	3.2
CROATIA	2.9	3	4.2	3.2	3.1	2.8	2.9	3.2
KOSOVO	3.4	3.7	4.7	3.9	4.0	3.5	3.8	3.9
MACEDONIA	3.1	3.7	4.5	3.1	3.8	3.2	3.7	3.6
MONTENEGRO	3.5	4.4	4.9	3.6	4.0	3.9	4.4	4.1
ROMANIA	3.5	3.6	4.1	3.4	3.1	3.3	3.7	3.5
SERBIA	4.7	4.2	5.3	3.9	4.4	3.7	4.7	4.4
<b>Average</b>	<b>3.4</b>	<b>3.8</b>	<b>4.6</b>	<b>3.4</b>	<b>3.7</b>	<b>3.5</b>	<b>3.7</b>	<b>3.7</b>
<b>EURASIA: Russia, West NIS, and Caucasus</b>								
ARMENIA	3.9	3.9	5.2	3.6	3.9	3.5	3.9	4.0
AZERBAIJAN	4.8	4.6	5.7	4.8	4.6	4.4	4.9	4.8
BELARUS	7	5.1	6.6	6.0	5.5	5.5	6.0	6.0
GEORGIA	3.2	4.0	5.3	4.4	4.1	4.3	4.1	4.2
MOLDOVA	4.3	4.1	5.2	3.7	4.5	3.7	4.2	4.2
RUSSIA	5	4.3	4.5	4.1	4.1	3.8	4.7	4.4
UKRAINE	3.6	3.7	4.1	2.9	3.3	3.5	3.9	3.6
<b>Average</b>	<b>4.6</b>	<b>4.2</b>	<b>5.2</b>	<b>4.2</b>	<b>4.3</b>	<b>4.1</b>	<b>4.5</b>	<b>4.4</b>
<b>CENTRAL ASIA</b>								
KAZAKHSTAN	3.9	4.1	4.6	3.8	4.0	3.7	4.1	4.0
KYRGYZSTAN	3.9	4.3	5.1	3.6	4.0	3.6	4.2	4.1
TAJIKISTAN	5.0	4.7	5.6	5.2	4.6	4.6	4.5	4.9
TURKMENISTAN	6.4	5.3	6.0	6.1	5.2	5.0	5.6	5.7
UZBEKISTAN	5.9	5.3	6.1	5.9	5.4	5.6	5.6	5.7
<b>Average</b>	<b>5.0</b>	<b>4.7</b>	<b>5.5</b>	<b>4.9</b>	<b>4.6</b>	<b>4.5</b>	<b>4.8</b>	<b>4.9</b>
<b>Eurasia Average</b>	<b>4.7</b>	<b>4.5</b>	<b>5.3</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.6</b>	<b>4.6</b>



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# INTRODUCTION

USAID is proud to present the 12th edition of the NGO Sustainability Index for Central and Eastern Europe and Eurasia, covering developments in 2008.

In addition to separate reports on 29 countries, this year's Index includes two articles examining trends affecting NGO sustainability in the region. In "NGO Service Provision to the Public: Impacts on Civil Society and Democracy," Kristie Evenson explores the growing importance of service delivery NGOs. In particular, she discusses the challenges they face in retaining independence and responding to their constituencies when the majority of funds for service provision are provided by governments or foreign donors. Elizabeth Warner, in "Public Financing Mechanisms and Their Implications for NGO Sustainability," examines mechanisms that governments throughout the region are using to finance NGO activities: state funds, contracting, taxpayer designation systems, and subsidies. Country-specific examples illustrate the diverse impacts of such mechanisms on NGO sustainability.

The 2008 Index includes at the outset of each report a statistical summary showing this year's scores for each dimension, plus the overall score, as well as identification of the capital, population, and a summary of basic economic indicators. Reports include comparative information regarding prior years' dimension scores, encapsulated in easy-to-read charts. The Index further includes statistical appendices summarizing this year's dimension scores as well as scores for 1997-2008.

A publication of this type would not be possible without the contributions of many. Specific acknowledgements of the USAID field personnel and NGO implementers responsible for the Index appear on the following page. USAID would also like to thank the local NGOs who helped to organize expert group discussions and draft reports in many of the countries. We would further like to express our deepest gratitude to all of the local NGO experts, USAID partners, and international donors who participated in the expert group discussions in each country. Their knowledge, perceptions, ideas, observations, and contributions are the foundation upon which this Index is based.

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<b>Albania</b>	Suzana Cullufi and Sean Huff, USAID/Albania
<b>Armenia</b>	Anahit Martirosyan, USAID/Armenia; Alex Sardar, Counterpart International
<b>Azerbaijan</b>	Ulvi Ismayil and Joseph Taggart, USAID/Azerbaijan; Michael Kunz and Ilgar Agassiyev, Counterpart International
<b>Bosnia</b>	Dalma Cengic, Kristine Herrmann DeLuca, Selma Sijercic and Mirjana Valjevac, USAID/Bosnia
<b>Bulgaria</b>	Luben Panov, Bulgarian Center for Not-for-Profit Law
<b>Croatia</b>	Pavle Schramadei, National Foundation for Civil Society Development
<b>Czech Republic</b>	Marek Šedivý, Neziskovsky.cz (Nonprofits.cz)
<b>Estonia</b>	Urmo Kübar, Network of Estonian Nonprofit Organizations
<b>Georgia</b>	Keti Bakradze and Michelle Logsdon, USAID/Georgia; Sandro Chiaureli, United Nations Association of Georgia
<b>Hungary</b>	Levente Mura-Mészáros, Kíry Noémi Ambrus, and Balázs Sátor, the Civil Society Development Foundation Hungary
<b>Kazakhstan</b>	Jamila Asanova and Tatiana Sedova, ARGO—Association for Civil Society Development in the Republic of Kazakhstan
<b>Kosovo</b>	Luljete Gjonbala, USAID/Kosovo
<b>Kyrgyzstan</b>	Aidar Mambetov, Association of Civil Society Support Centers
<b>Latvia</b>	Rasma Pipike and Inta Simanska, Latvijas Pilsoniska Alianse (Civic Alliance-Latvia)
<b>Lithuania</b>	Jolanta Blažaitė, Community Change Center
<b>Macedonia</b>	Melita Cokrevska, USAID/Macedonia; Stephanie Rust, Institute for Sustainable Communities; Jasminka Friscik, Association for Emancipation, Solidarity and Equality of Women in Macedonia
<b>Moldova</b>	Ina Pislaru, USAID/Moldova; Laura Pavlovic, USAID/Ukraine
<b>Montenegro</b>	Ana Drakic, USAID/Montenegro; Claire O’Riordan, ORT
<b>Poland</b>	Agnieszka Rymcza, Kamila Hernik, and Marek Rymcza, Institute of Public Affairs
<b>Romania</b>	Diana Berceanu, Civil Society Development Foundation
<b>Russia</b>	Inna Loukovenko, USAID/Russia; Elena Abrosimova, Civil Society Support Program, IREX/Russia
<b>Serbia</b>	Dragana Stevanovic Kolakovic and Assia Ivantcheva, USAID/Serbia; Albert Cevallos, Institute for Sustainable Communities
<b>Slovakia</b>	Norbert Maur, Monika Smolova, and Lenka Surotchak, Pontis Foundation
<b>Slovenia</b>	Ana Matoz Ravnik, Matej Verbajs, and Tina Divjak, Legal and Information Center for NGOs
<b>Ukraine</b>	Victoria Marchenko, Kerry Monaghan, and Tatyana Siraya, USAID/Ukraine; Valeriy Oliynyk and Yulia Yesmukhanova, Institute for Sustainable Communities/Ukraine Citizen Advocacy Network
<b>Tajikistan</b>	Shamsiddin Karimov, Tajikistan Development Foundation
<b>Turkmenistan</b>	Irina Dedova, Altinay Kuchukeeva, and Sevinch Babajanova, Counterpart International

## **Project Managers**

---

Management Systems International, Inc.

Lynn Carter  
Erin Portillo  
Suzanne Kratzig

The International Center for Not-for-Profit Law

Douglas Rutzen  
Catherine Shea  
Jennifer Croft  
Elaine Scudder

## **Editorial Committee**

---

Editor-in-Chief: Claire Ehmann

Editorial Committee: Amber Brooks, Goran Buldioski, Lynn Carter, Andria Hayes-Birchler, Douglas Rutzen, Sevdalina Voynova, Caryn Wilde



# EXECUTIVE SUMMARY

In 2008, NGOs across Central and Eastern Europe and Eurasia continued to pursue their roles as key agents of change in their societies. They faced diverse and wide-ranging challenges, from basic struggles with registration to recruiting volunteers to fine-tuning favorable tax provisions. While gaps persist between the more developed NGO sectors of Central and Eastern Europe versus those of Eurasia, NGOs in more developed countries were not immune from organizational and funding problems, and NGOs in even the most repressive countries managed to make their voices heard. This report seeks to capture the complex and dynamic nature of these trends and tendencies.

## ABOUT THE INDEX

For the twelfth year, the NGO Sustainability Index for Central and Eastern Europe and Eurasia reports on the strength and overall viability of NGO sectors in each country in the region, from the Baltic countries to Central Asia. The Index highlights both advances and setbacks in sectoral development, and allows for comparisons across countries and subregions over time.

The Index is an important and unique tool for local NGOs, governments, donors, academics, and others to understand and measure the sustainability of the NGO sector. The NGO Sustainability Index analyzes seven interrelated dimensions: legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image. A panel of NGO practitioners and experts in each country assesses the sector's performance in each of the seven dimensions. A Washington-based editorial committee of technical and regional experts reviews the panel's findings.

Based on their scores, countries fall within three basic stages of development in terms of NGO sustainability: consolidation, mid-transition and early transition. More detail about the methodology used to calculate scores is provided in Sections 1 through 3 (*pages 12-19*).

## OVERALL SCORE CHANGES IN 2008

- The overall level of NGO sustainability in the Northern Tier countries (the Baltic countries, Central and Eastern Europe) was unchanged compared to 2007. Estonia and Poland both displayed overall improvement, while Slovakia was the only Northern Tier country to register a downturn.
- The Southern Tier (the Balkans states) also did not experience an overall change in the level of NGO sustainability in 2008. Overall country scores changed only in Bosnia, Bulgaria and Serbia—Bosnia and Serbia slightly improving, Bulgaria slightly worsening.
- The Eurasia region (Russia, West NIS, the Caucasus and Central Asia) retained its average score from the previous year, while the Central Asian countries experienced an overall decline in NGO sustainability during 2008. Azerbaijan and Moldova were the only countries in Eurasia to raise their overall scores, while NGOs' general situation deteriorated in Georgia, Russia, Tajikistan and Turkmenistan.

## DEVELOPMENT LEVELS FOLLOW GEOGRAPHIC PATTERNS

As in previous years, levels of NGO sustainability in the region generally correspond with subregional divides.

- With the exception of mid-transition Slovenia, all countries of the Northern Tier are in the consolidation phase of development.
- The Southern Tier countries are, on average, in mid-transition. Serbia's score, while it improved slightly in 2008, is significantly lower than that of most others in the subregion and on par with several of the Eurasian countries. Among the factors that have inhibited NGO sustainability in Serbia are the slow pace of legal reforms, political instability, donor dependence and a poor public perception of NGOs. EU member states Bulgaria and Romania, and aspiring EU member Croatia, come closest to approaching the consolidation phase in their overall scores.
- In Eurasia, the countries of the Caucasus, western NIS and Russia fall in the mid-transition phase. The exception is Belarus—once again coming in with the poorest score of all countries surveyed and remaining rooted in the early transition phase. Ukraine maintains the highest score in Eurasia and its overall score is higher than half of the Southern Tier countries as well as Slovenia.
- The average scores of the Central Asian countries place the region as a whole near the bottom of the mid-transition phase. Turkmenistan and Uzbekistan remain in early transition. Kazakhstan and Kyrgyzstan continue to have the highest levels of NGO sector development among the Central Asian countries.

## POLITICAL DEVELOPMENTS PRESENT OBSTACLES, OPPORTUNITIES

External and internal political events during the year had repercussions for the NGO sector. Kosovo's declaration of independence in February 2008 provided many NGOs with an opportunity to refocus their energies after a period of uncertainty. NGOs contributed, largely behind the scenes, to the processes that led to the declaration of independence. New NGOs were born in the post-independence period, including some that positioned themselves as watchdogs of the new government.

Kosovo's independence declaration caused shock waves in Serbia and sparked nationalist violence—highlighting the stakes in the country's presidential elections, which pitted a nationalist leader against a more western-oriented incumbent. NGOs were cautiously optimistic after presidential elections confirmed the country's decision to continue on a path toward closer integration with the West.

During Georgia's dramatic conflict with Russia in August 2008, NGOs found themselves on the sidelines of events, their voices already muffled in an environment that had grown increasingly polarized and politicized. The central government's consolidation of power since the previous year reduced opportunities for NGOs to engage in dispute resolution or other forms of dialogue.

Elections across the region offered NGOs new opportunities to participate in political processes and engage with citizens. NGOs in Slovenia and Lithuania stepped up lobbying efforts during parliamentary elections. During Armenia's presidential and local elections, NGOs seized the opportunity to participate in the political process and gained broader public recognition as a result, despite a tense environment and a twenty-day ban on public gatherings after the presidential vote.

Slovenia's presidency of the EU Council—the first time a new EU member state assumed this role—presented exciting opportunities for Slovenian NGOs to network with counterparts in other EU countries, even as they found their own government, consumed by the demands of its responsibilities, somewhat less responsive. In Romania, which joined the EU in 2007, NGOs perceive that their government is less receptive to NGO advocacy campaigns now that EU accession is no longer a motivating factor.

## TRENDS ACROSS BORDERS

Despite the widely varying conditions and circumstances in each country, some themes reverberated across the Europe and Eurasia region.

- **Fears about the future economy.** As the world economy slid deeper into crisis, NGOs across Europe and Eurasia braced for impact, anticipating that they will begin to see domestic and international funding sources shrink in the near future. It was too early to see the effects of the global economic downturn on the NGO sector in 2008. The impact will surely be felt in future years, however, as NGOs across the region struggle to achieve financial sustainability beyond project funds, to maintain or replace aging equipment, and to retain qualified staff.
- **A changing donor landscape.** NGOs across the region felt the pinch of shrinking funds as some of their traditional donors downscaled or phased out assistance programs. In some cases, new funding sources filled the gap. The decrease in available donor funds also pushed NGOs to explore other avenues such as philanthropy from the business community, even in impoverished Tajikistan. USAID closed its missions to Bulgaria, Croatia and Romania, while EU and European Economic Area (EEA) funds flowed more vigorously into these and several other countries. Some NGOs find EU funding challenging to access; cash-strapped NGOs in Slovenia and other countries consider it a hardship to cover costs up front for EU-funded projects. Some experts credit the rigorous EU procedures with helping to build up NGOs' capacity and push them to be more responsive to their constituencies. More EU funding was available to Polish NGOs in 2008, but the focus shifted to smaller-scale projects. In Eurasia, Moldova saw an expansion of EU assistance programs.
- **Government structures on NGOs.** Several governments in the region took steps to create new governmental bodies to address NGO sector issues. The year 2008 saw the launch of the Estonian National Foundation for Civil Society, an NGO affairs division within the Lithuanian Interior Ministry, a department on cooperation with NGOs in the Bosnian Ministry of Justice, and an Office for NGO Cooperation in Montenegro. A new council on NGOs in Azerbaijan also completed its first year of operation. The extent to which such bodies improve government-NGO cooperation over the long term, of course, depends on political will, resources, and NGOs' level of engagement. In Russia and Kazakhstan, new resource centers tied to local governments provide useful services to NGOs, but tend to be geared toward government rather than NGO priorities.
- **Pros and cons of government funding.** Governments throughout the region became more active in financing NGOs through grants and contracts, although not always in a way that contributed to the development of independent civil society. This issue is discussed in more detail in the article on page 33, "Public Financing Mechanisms and their Implications for NGO Sustainability." Montenegro's parliament released long-awaited NGO grant funds, but their distribution was poorly managed. The parliament in Uzbekistan created a social fund for NGOs, but its resources appeared to be aimed primarily at GONGOs (government-organized nongovernmental organizations). Kyrgyzstan adopted a new law aimed at facilitating state contracting of social services. Unclear criteria for evaluating applicants, however, may undermine the transparency of the process. Kazakhstan's level of government funding for NGOs more than doubled; the effect on the NGO sector's overall financial viability was not significant, however, because such

funding tends to be limited to short-term projects. On a positive note, the institutional support offered by the new national foundation in Estonia may result in NGOs having more flexibility to focus on long-term goals. In Albania, the government has included a line item in the state budget for NGOs to provide social services.

- **Minority NGOs' unique challenges.** Several country reports address the issue of imbalances faced by minority NGOs. Russian-speaking NGOs in Estonia and Serb NGOs in Kosovo, for example, generally suffer from weaker capacity and have less access to resources. In a different context, NGOs in the politically disputed Transnistria region of Moldova are not permitted to register in Moldova, putting them at a disadvantage in terms of accessing funding. NGOs in the Republika Srpska face greater difficulties with the local media, as a significant number of RS media outlets came under control of the ruling political party and sought to dampen criticism of the government. Such discrepancies within countries can be difficult to reflect in the scoring process, which examines a country's NGO sector as a whole, although they are discussed in the narrative reports.
- **Mixed results of percentage laws.** NGOs in many countries in the region cite a need for more favorable tax legislation to support sustainable NGO sector development. One such mechanism is the so-called "percentage law." Laws enabling taxpayers to donate part of their income taxes to NGOs now exist in Croatia, Hungary, Slovakia, Lithuania, Poland, Slovenia, and Romania. During 2008, NGOs in Armenia and Moldova lobbied for the passage of percentage laws. NGOs in Hungary and Romania reported rising contributions. Preliminary figures showed that more than 20 percent of Slovenian taxpayers made contributions in the first year of the law's implementation. In Poland, the amount of donations increased as regulatory changes made it easier for citizens to donate, but some Polish NGOs believe that the new system favors the largest and best-known NGOs. Croatian NGOs complain of receiving few donations through their country's law, which remains little-known and underutilized.
- **The power of partnerships.** Throughout the region, NGOs sought the benefits of cooperation within the NGO sector, as well with the public and private sectors. In some cases such efforts were primarily donor-driven and lacked depth, but in other cases networks and partnerships emerged from genuine common interests and shared goals. NGOs in Bosnia formed coalitions on accountability, tax reform and the disabled. In Georgia, NGOs formed a coalition to monitor the influx of foreign aid following the August 2008 conflict with Russia. In Tajikistan, a national NGO association was created to promote the sector's interests, the National Association of NGOs of Tajikistan. An alliance of business associations in Kyrgyzstan succeeded in curbing burdensome inspections of small and medium-sized businesses. Interest in corporate social responsibility (CSR) produced partnerships among NGOs and businesses throughout the region. Macedonia adopted a national CSR agenda; businesses joined efforts with an NGO network against child abuse, and donated equipment for an NGO recycling effort. In Ukraine, socially responsible businesses increasingly reach out to NGOs to help implement corporate philanthropy programs.

## REGIONAL AND COUNTRY TRENDS

The following is an examination of each subregion featured in the Index, with a closer look at developments that contributed to countries' overall scores as well as scores within specific dimensions.

### Northern Tier: Consolidated, with Room for Improvement

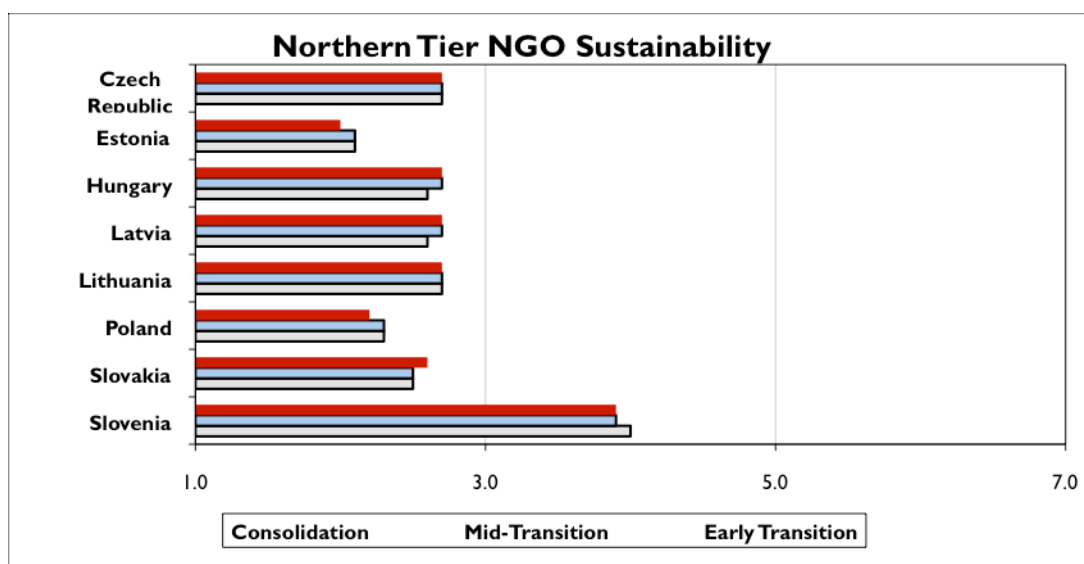
Among the Northern Tier countries, Estonia and Poland were the only two countries in the region to improve their overall NGO sustainability scores during the year. Improved cooperation between the NGO sector and the government contributed to Poland's improved scores. The opposite was evident in



Slovakia, where NGOs found the government less supportive on numerous levels and the overall NGO sustainability score suffered. Slovenia remains the only Northern Tier country in the mid-transition phase.

**Legal environment** is the strongest dimension across all countries in the region. All countries have a fundamentally supportive legal framework for NGO development, although NGOs continue to push for further improvements. The overall legal environment for NGOs changed little during the year; a slight improvement was seen in Estonia while Slovakia experienced a setback. In Estonia, the launch of the new National Foundation for Civil Society provided important mechanisms for support of NGO development. In Slovakia the government froze the legislative process regarding a key piece of draft legislation, throwing NGOs into a state of uncertainty.

**Organizational capacity** improved somewhat overall in the Northern Tier. Scores in this dimension improved in the Czech Republic, Estonia, and Slovenia, while slipping back in Lithuania and Slovakia. Slovakian watchdog and advocacy NGOs felt the pinch of dwindling international funding opportunities. Staff turnover and the need to obtain project funding prevented Lithuanian NGOs from focusing on their institutional development. NGOs in Slovenia suffered from some of the same problems retaining staff, but saw positive developments in the form of greater capacity-building opportunities and the launch of a new government program to help NGOs improve quality standards. In the Czech Republic, the implementation of EU funds helped to boost the sector’s organizational capacity.



Achieving **financial viability** remains a pressing issue for NGOs and is the region’s weakest dimension. A lack of core financing to sustain NGOs beyond project-specific funds continues to be a problem. While the overall situation in the Northern Tier did not change in 2008, conditions improved in Estonia, Hungary, and Slovenia. Both Hungary and Slovenia benefited from large injections of EU structural funds; all three countries also received generous European Economic Area (EEA) funds, financed by Norway. In Estonia, private donations to NGOs are on the increase. Financial viability scores took a downturn in Czech Republic and Latvia. Delays in government distributions of EU funds were one of the factors that adversely affected Czech NGOs. Latvian NGOs faced rising costs due to high inflation and stiff competition for the limited funds available for NGO support.

While Northern Tier NGOs tend to have a high capacity for **advocacy** and actively pursue advocacy efforts, their effectiveness varies widely and is greatly dependent on government attitudes toward NGOs. Half of the countries in the region experienced changes in their advocacy scores. Hungarian and Polish

NGOs enjoyed an improvement while their counterparts in Latvia and Slovakia faced greater difficulties mobilizing citizens. In Poland, the change was largely due to the new government's openness to NGO input. The political climate in Slovakia, by contrast, became less favorable toward NGOs, with the prime minister making negative public statements about some organizations.

**Service provision** is an area where NGOs have been relatively successful at carving out a niche in terms of responding to societal needs while contributing to their own financial sustainability. Still, NGOs struggle to recover costs for services, lack marketing skills that could expand their clientele, and perceive that service provision is often overly dictated by government priorities. The situation became more difficult for NGOs in Hungary, Latvia, and Slovakia. Delays in government payments affected Hungarian and Slovakian NGOs. The end of programs supported by EU Structural Funds was a blow to service-providing NGOs in Latvia. Lithuania and Poland both registered change in a positive direction. Polish local governments and NGOs both became better versed in social contracting procedures. More Lithuanian NGOs are being licensed to provide services and the government's contracting process has become more transparent.

While not all countries in the region have NGO resource centers, NGOs generally have access to training, legal advice and other support services. NGO **infrastructure** improved in more than half of the countries in the region: Czech Republic, Estonia, Latvia, Poland and Slovenia, and worsened only in Lithuania, where resource centers as well as local governments reduced their support services to NGOs. In Latvia, the NGO Resource Center in Riga signed a memorandum with the city government that will provide the center with greater access to municipal policymaking processes. In Slovenia seven new regional NGO resource centers will assist NGOs with developing their capacity. A campaign to clean up illegal waste disposal sites in Estonia mobilized huge numbers of volunteers and was a prime example of intersectoral cooperation, bringing together businesses, government and NGOs to achieve a common goal.

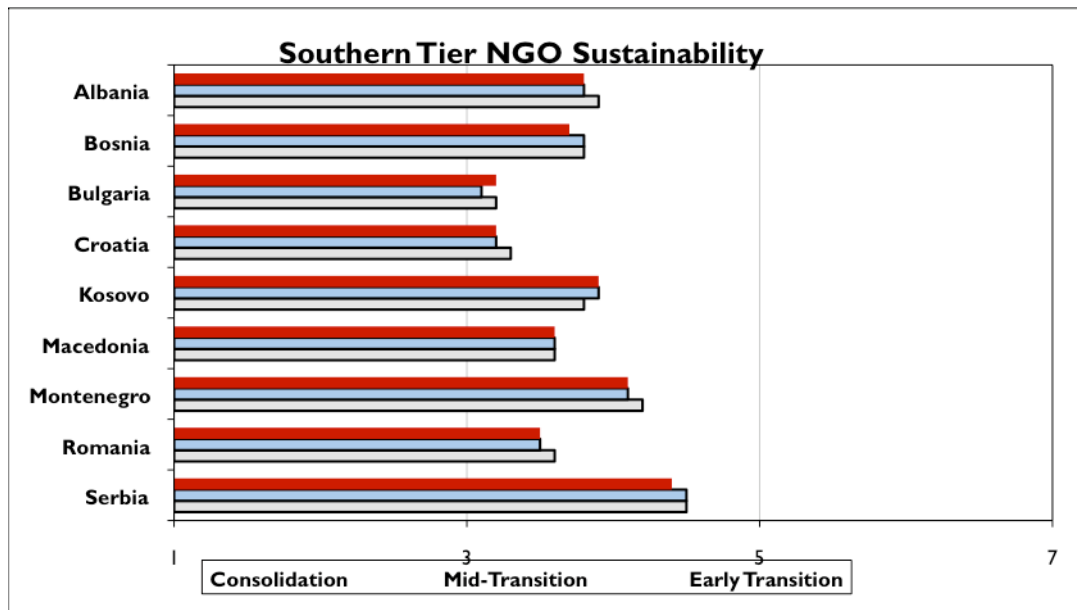
NGOs in the Northern Tier countries tend to enjoy a relatively positive **public image** and productive relationships with government and the media. Many have taken steps to make their operations more transparent. Two countries, Hungary and Latvia, experienced setbacks in public image scores in 2008. The public image of Hungarian NGOs suffered as a result of scandals involving the misuse of NGO funds, pointing to the need for improved self-regulation of the sector. The Latvian media tends to downplay the role of NGOs and some regional media still seek payment in exchange for coverage. In Slovenia, increased local media coverage, workshops aimed at improving NGOs' PR skills, and efforts to promote NGO transparency have helped boost the image of the NGO sector.

### **Southern Tier: A Steady Transition**

Bulgaria and Croatia continue to have the highest overall scores among the Southern Tier countries. Bulgaria's score worsened, however, as a result of a more difficult advocacy environment and regress in infrastructure. Bosnia and Serbia both experienced improvements in their overall scores. Serbian NGOs benefitted from heightened government and private sector support for NGOs, growing volunteerism, and an improving public image. Still, it remained the lowest-scoring country among its neighbors.

All Southern Tier countries except Serbia have reformed the basic legal framework governing NGOs, although legislation continues to evolve in both positive and negative directions. The overall **legal environment** in the Southern Tier countries deteriorated in 2008, affected by developments in Albania, Kosovo, Macedonia and Montenegro. Newly imposed taxes on NGO grants and services dealt a blow to Albanian NGOs. In Kosovo, several NGOs that criticized the government experienced harassment, and Serb NGOs faced disproportionate difficulties with registration. Hastily adopted legislation in Macedonia threatened to limit the ability of NGOs to engage in lobbying. Croatia and Bulgaria retained their positions in the consolidation phase, although specific issues in both countries remain to be addressed

such as the requirement that some types of Croatian NGOs, including advocacy organizations, pay value-added tax (VAT), a tax on consumption.



The picture brightened in the area of **organizational capacity**, which has tended to be weak in the Southern Tier. Progress in Croatia, Kosovo, Montenegro and Serbia contributed to an overall improvement for the region in 2008. The post-independence environment in Kosovo had a positive influence on NGOs’ strategic planning efforts. Leading Montenegrin NGOs advanced in building local constituencies and reaching out beyond the capital. In Serbia, government support for NGOs and public involvement in civil society increased.

A decrease in bilateral donors to the NGO sector in numerous countries was offset by the growing availability of other funding sources such as local philanthropy, government funds, and EU pre-accession or structural funds. Two countries, Kosovo and Serbia, improved their **financial viability** scores, while the general situation in the other countries did not change. In Serbia, the private sector has stepped up to become a more significant partner of NGOs, while NGOs in Kosovo benefited from a boost in government funding.

**Advocacy** is the strongest dimension among Southern Tier NGOs, who continued to launch campaigns on issues of concern to their constituencies. A common theme, however, is that NGOs’ personal contacts with politicians are often the most effective advocacy tool. Those countries that changed their advocacy scores moved primarily in a negative direction, bringing down the subregion’s overall advocacy score. The exception was Serbia, which saw an improvement as a more stable and responsive government assumed office in the second half of the year, creating a more supportive environment for NGO campaigns to promote Serbia’s integration with the EU. NGOs in Albania, Macedonia and Romania, in contrast, reported that their governments became less receptive to dialogue and cooperation. In Bulgaria, an unstable political environment during the year hampered NGO advocacy efforts. Another growing concern was that NGOs hoping for EU funding might be less active government watchdogs now that the government controls the distribution of those funds.

**Service provision** is an area that has only very slowly improved over the years as NGOs continue to face challenges recovering costs, obtaining government contracts, and developing services that meet market demands. In some countries NGOs’ potential and growing capacity is gaining recognition. Almost half of

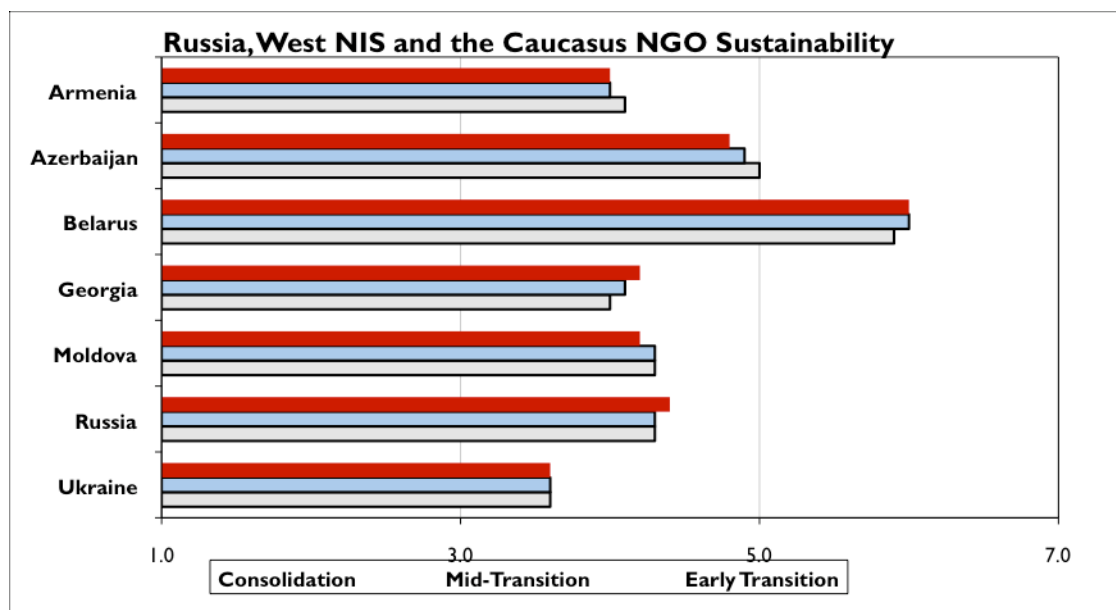
the Southern Tier countries—Albania, Bosnia, Macedonia and Serbia—improved their scores in this dimension in 2008. More than 110 Albanian NGOs received licenses to provide services. Local governments in Macedonia and ministries in Serbia increased their demand for NGO-provided services. In Bosnia, NGOs and the government cooperated to provide services to trafficking victims.

Most countries in the Southern Tier have relatively strong **infrastructure** for NGO sector development. Numerous countries in the region have resource centers and strong networks of trainers. Community foundations and other entities contribute to growing capacity in local grantmaking. In Bosnia, NGOs increased their coalition-building efforts and made greater use of resource centers during the year. The state of NGO-government cooperation improved in Montenegro with the creation of a dedicated government office. In Bulgaria, NGOs’ engagement in sector-wide coalitions and networks has waned due to their lack of interest in financially supporting such structures over the long term. Aspects of NGO infrastructure deteriorated in Kosovo as well. Local grantmaking institutions had less impact because of fewer resources, and the level of networking within the NGO sector was low.

Overall, **public image** scores held steady, although Macedonia, Montenegro and Serbia experienced some improvement. In Macedonia, media coverage of NGOs doubled compared to the previous year, and a majority of survey respondents ranked the NGO sector the most trustworthy institution in the country. NGOs’ self-regulation efforts are still a work in progress, but leading NGOs in Albania are promoting an ethics code; in Montenegro, 2008 was the first year of implementation of a national code of NGO conduct to which 145 NGOs have pledged adherence.

### Eurasia: Steps Forward and Back

The situation of NGOs remains most difficult in the Eurasia region. This was reflected in the fact that four countries in the region, Georgia, Russia, Tajikistan, and Turkmenistan, suffered backsliding during the year. Azerbaijan and Moldova, meanwhile, were the only countries to improve overall scores. In Azerbaijan, this was primarily due to the launch of a major state-funded NGO sector support mechanism. Of the Eurasian countries, Ukraine has the highest level of overall NGO sustainability; Belarus continues to have the lowest.



Legislation on NGOs continued to affect their ability to operate effectively in almost all Eurasian countries. Simply registering an NGO is extremely difficult in Belarus, Uzbekistan and Turkmenistan. In terms of **legal environment**, more countries worsened than improved in 2008, particularly in Central Asia, where the overall score deteriorated. Azerbaijan was the only Eurasian country to register an improvement in its legal environment. After Belarus, Russia has the region's least supportive legal environment and the situation grew more challenging in 2008. While NGOs were able to fight back on some negative proposals, a resolution was adopted that reduced to a handful the international grantmaking organizations whose grants will be tax-exempt. Following presidential elections in Armenia, some NGOs experienced harassment and practiced self-censorship to keep a low profile. Amended legislation on freedom of assembly and freedom of conscience in Kyrgyzstan restricted civil society opportunities to demonstrate publicly and to form faith-based organizations. In Tajikistan, 2008 was the first year of implementation of legislation requiring all NGOs to re-register, with a deadline to do so by the end of the year. A bad situation grew even worse in Uzbekistan; the number of independent registered NGOs decreased as the number of registered GONGOs expanded.

Unfortunately, NGOs in several Eurasian countries suffered in the area of **organizational capacity** in 2008, resulting in an overall drop in score. The NGO sector in Belarus has been pushed underground, inhibiting its organizational development and discouraging transparency. Remarkably, some of the strongest NGOs have managed to engage in strategic planning even in the increasingly hostile environment. In Russia, strategic planning tends to take a back seat to the short-term demands of securing funds for survival. NGOs suffered from ongoing brain drain as employees found better opportunities in the public or private sectors. Georgia, Tajikistan and Turkmenistan also declined in this dimension. As it has continued to be difficult to register NGOs in Turkmenistan, donors have shifted resources toward unregistered community groups. This resulted in fewer capacity-building opportunities for the NGOs that do exist in the country.

**Financial viability** is the greatest weakness of NGOs in Eurasia. The picture improved, however, for NGOs in Azerbaijan and Ukraine, who benefited from increased levels of government funding and private sector support for NGOs. In Azerbaijan, the new Council on State Support to NGOs provided grants to almost 200 NGOs. By contrast, the financial situation became more difficult for NGOs in Georgia and Russia. In Georgia, donors have phased out support for the NGO sector, in part because of its relatively high capacity; meanwhile, domestic sources of support have not emerged to replace international funds. In Russia private companies often channel their philanthropy into corporate foundations that pursue their own projects. Regional or federal government contracts are available to NGOs but often require an advance payment and are restricted to small, short-term projects.

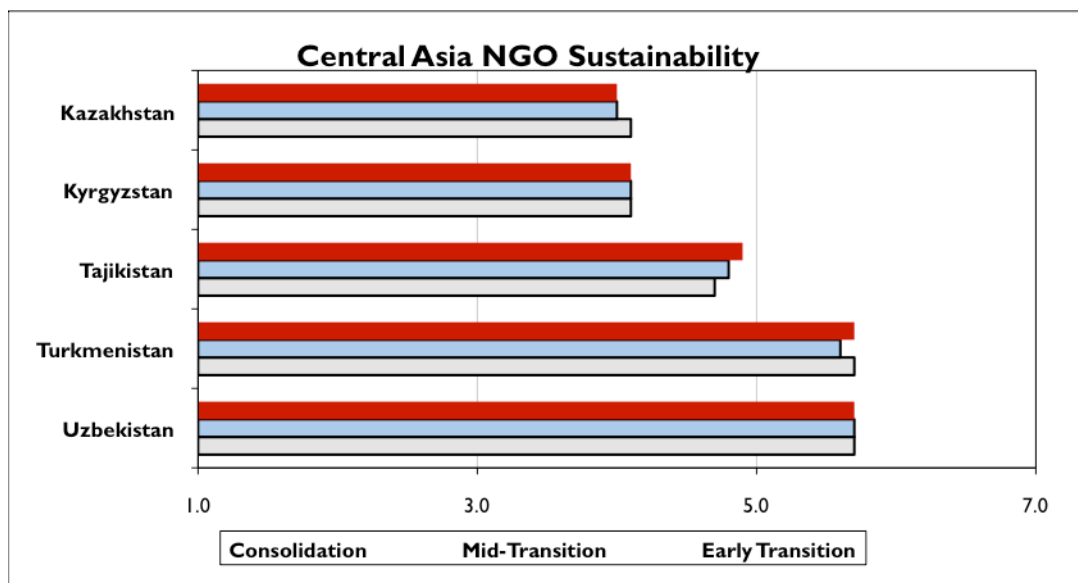
Scores in the **advocacy** dimension are wide-ranging in Eurasia. Ukraine has already achieved the consolidation phase, while in countries such as Turkmenistan and Uzbekistan, NGOs almost never engage in advocacy. In Armenia, Azerbaijan, and Moldova, NGOs more actively engaged government bodies and citizens on issues of concern to their constituencies. Moldovan NGOs worked with the government to draft an improved law on public assembly. In Azerbaijan, advocacy efforts included a campaign by a local NGO to raise awareness about the risks of early marriage. A group of eighty Armenian NGOs established a collaborative network with the country's parliament. Neighboring Georgia, however, saw a downturn in advocacy as NGOs found it difficult to make their voices heard in the increasingly polarized and politicized environment. Advocacy also suffered in Russia, Kazakhstan and Tajikistan. Tajik NGOs have been discouraged by failed attempts to influence policymaking and are less likely to attempt advocacy initiatives.

The environment for **service provision** is generally weak in Eurasia and few changes were noted in 2008. Common problems include a lack of mechanisms for the state to contract NGO services; a perception that NGO services should be free; and weak economies that constrain NGOs' abilities to recover costs. The

general situation with service provision saw change only in Uzbekistan, where some NGOs are able to cover operational costs by establishing commercial entities that provide services such as training, education and health care. A new law was adopted to encourage state contracting of social services in Kyrgyzstan, but much will depend on whether it is implemented in a transparent and effective way.

The **infrastructure** dimension tends to be relatively strong in the Eurasian countries, owing in part to generous donor financing of resource centers and intermediary support organizations. Such networks are vulnerable, however, when donor funding declines and is not replaced by local sources. Only Belarus reported an improvement in terms of NGO infrastructure, as NGOs became more open to coalition-building and managed to continue providing support services following the closure of resource centers in past years. In Kazakhstan and Tajikistan, infrastructure scores suffered as support centers cut back their services in response to decreasing financial resources.

Low levels of media independence and government suspicion of NGOs have tended to make **public image** a weak category in Eurasia. For their part, NGOs often do not make it a priority to communicate about their activities. NGOs' public image in Georgia deteriorated in 2008 as the media focused its coverage on politics and either ignored NGOs or tried to cast them in a partisan light. Kyrgyz and Tajik NGOs also suffered from the public perception—sometimes stoked by pro-government media—that they were associated with the political opposition. Another factor limiting NGOs' public outreach in Tajikistan is that NGOs' websites and electronic newsletters are inaccessible to much of the population due to poor Internet access. Public image improved slightly in Uzbekistan, but remained extremely low. In Azerbaijan, NGOs became more active in their media outreach, and the Council on State Support to NGOs issued a monthly journal about NGO activities.



## CONCLUSION

Stepping back to look at the longer-term picture provided by the Index, the subregions of Central and Eastern Europe and Eurasia are on varying trajectories. In the Northern Tier, which has the highest level of NGO sustainability, average scores have not changed in the last five years. In the Southern Tier, overall scores have slowly but gradually improved since 1999. The picture in Eurasia is one of stagnation at a low level of NGO sustainability, with a greater tendency to backslide, particularly in Central Asia. The gap between the subregions will likely persist for the foreseeable future. Financial viability, the weakest aspect of NGO sustainability across the entire region, will remain a challenge in the years to

come. In terms of their strengths, the subregions and countries will no doubt continue to display diversity, since NGOs and the people in them show a tendency to adapt and function in innovative ways, even under difficult circumstances.

Clearly it takes more than the passage of time to produce progress, and setbacks are always possible. The long-term view points to the need for NGOs, governments and donors to be proactive and persistent about attaining the conditions for NGOs to flourish, and vigilant about maintaining advances once they are achieved.

# SECTION 1: DIMENSIONS OF NGO SUSTAINABILITY

Seven different dimensions of the NGO sector are analyzed in the 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 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 fundraising activities and legitimate income-producing ventures. The legal environment dimension of the Index analyzes the legal status of nongovernmental 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? Does legislation exist that allows NGOs to earn income from the provision of goods and services? 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 nonmonetary 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 governments and/or local businesses 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 messages 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.

Questions include: Are there direct lines of communication between NGOs and policymakers? Have NGOs formed issue-based coalitions and conducted broad-based advocacy campaigns? Have these campaigns been effective at the local and/or national level in increasing awareness or support for various causes? Are there mechanisms and relationships for NGOs to participate in the political process? 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 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? Do the media provide positive analysis of the role that NGOs play in civil society? Does the 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?

# SECTION 2: 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. 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.

# SECTION 3: 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 for NGOs, open competition among NGOs to provide government-funded services, 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 on the NGO legal framework exists, and legal services and materials are available.

**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 NGO operations 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 NGOs, 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.

## 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.

**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 nonexistent, 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 nonprofit, nongovernmental 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 cover 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 that 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 grantmaking institutions, and/or organizations to coordinate local fundraising. A professional cadre of local experts, consultants and trainers in nonprofit 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 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, e-mail 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 volunteerism. 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 public and/or government are uninformed or suspicious of NGOs as institutions. Most of the population does not understand the concept of "nongovernmental" or "nonprofit," 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.

# SECTION 4: ARTICLES

## NGO SERVICE PROVISION TO THE PUBLIC: IMPACTS ON CIVIL SOCIETY AND DEMOCRACY

– Kristie Evenson

### INTRODUCTION

The steady increase in service delivery NGOs in Central and Eastern Europe (CEE) and Eurasia<sup>1</sup> has provided additional means and methods to assist vulnerable populations in the region. More NGO opportunities to engage such populations, however, have not necessarily corresponded to an enhanced civil society or a sector empowered to further democratization. While the role for NGOs focused on providing services to the public has grown, their ability to set agendas and influence societal and governmental efforts has not grown proportionately and, in some countries, may have become more diluted.

More civil society action, at least of the service delivery variety, is not necessarily a sign of higher levels of democratization, even in the most consolidated democracies of the region. Unbundling the reasons for why the service delivery growth and democratization reform trajectories correspond less than might be anticipated requires a closer look at both the manner and means by which service delivery organizations have developed and engaged with their governments.

The trends throughout the region are sobering. The twenty-nine countries of the study have vastly different democratic environments; however they all share broad concerns which are manifested in different ways. The ability of service delivery organizations to set agendas, retain independence from their governments, and achieve some level of financial sustainability is thwarted to different degrees by the current legal and funding environments of the countries under review. From the EU to Eurasia, service delivery organizations continue to grow in offerings and potential while being circumscribed in practice.

### THE NATURE OF SERVICE DELIVERY

Service delivery civil society organizations generally tend to be humanitarian in nature. They provide a concrete service to the population on behalf of the government or in some places in lieu of the government. Such organizations can fill in important gaps in a government's program of providing social services to vulnerable populations; as well as initiate new and innovative types of programs. As a result, NGOs receive a certain amount of societal acceptance and even support for their activities.

Service delivery itself is a difficult term to accurately describe. Throughout the country studies in this volume, the term is used to describe a broad set of activities and types of organizations. For example, service delivery can be the provision of free legal services, as noted in Slovenia's country report; or the contracting out of expert services to government institutions through consulting departments of NGOs as in Kosovo or Latvia. In other contexts, service delivery is seen more strictly within the traditional realm of social welfare provision and deals with issues such as homelessness in Russia, domestic abuse in Czech Republic, or education services in Azerbaijan. The trends described in this essay, primarily but not

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<sup>1</sup> This includes all Commonwealth of Independent States (CIS) of the Former Soviet Union except the three Baltic States that are now EU Members.



exclusively, refer to this more traditional set of services that benefits the public directly. These services include health, education, housing assistance, legal aid, vocational and life skills training, and the like.

## **CONFLUENCE OF SERVICE DELIVERY AND DEMOCRATIC GOVERNANCE**

The link between civil society and democratic governance is thought to be complementary, but not entirely linear. More of the former is thought to contribute to more of the latter; however, how this breaks down in terms of types of civil society activities and sub-sectors, and their influence on the larger democratic governance process, is less clear. For service delivery, the relationship is even more complex as it touches less on traditionally understood civil and political rights allowed and protected by the state than on the nexus between state capacities, legitimacy, and its relative level of democracy.

As increasing attention has been focused on how states function, or fail to function, state capacity has become a clearer component of democratic government. At a basic level, a weak state that cannot provide essential protection or services to its population is unlikely to have the ability to build a democratic state. The growing number of fragile and failing states in the world, including a number of fragile states in Eurasia, has drawn attention to the need to build governance and state capacity alongside support for democratic procedures and institutions. Governments that fail to provide services through lack of capacity, or hijack public resources for private gain, will lose legitimacy, potentially weakening their position further. Governments most clearly achieve legitimacy by providing for their populations.

The legacy of socialism, manifested in different ways throughout the region, suggests that citizens continue to closely associate the legitimacy of their governments with the latter's ability to function through the provision of basic services such as health care, education, and public sanitation. Such expectations increase both the risk and the reward that governments, and consequently civil society organizations, can expect if they can or cannot "deliver the goods." Both for governments that enjoy EU membership and those that struggle to maintain basic functions, the provision of social services is an essential measure of success and legitimacy.

The process is as important as the product. Service delivery organizations are the "face" of what the general public understands civil society organizations to be in many of the countries of the CEE and Eurasia region. How they conduct themselves helps set the standard and the expectations of the public in terms of its civil society and its government. Shoddy service delivery reflects on civil society as a whole; similarly, unclear relationships between service delivery focused organizations, government institutions, and donors do little to promote transparency and accountability practices either in the government or in the civil society. Consequently, the interaction between the sector and the government both reflects and shapes the levels of democratic governance present in the states of the region.

## **TRENDS IN EURASIAN CIS STATES: MORE PARTNERSHIPS FOR THE "RIGHT" TYPES OF SERVICE DELIVERY NGOS**

Service delivery civil society organizations, in a good portion of the countries of the former Soviet Union, exhibit growth trends. Despite less than enabling legal environments, and lack of clear commitments for partnership from government institutions, service delivery by civil society is expanding. Overall, in terms of its development and sustainability, this sector has slightly improved in 2008. Yet it is unclear if the increased willingness of the national and regional governments to work with these civil society organizations serves to enrich either the provision of services to specific populations or the larger civil society sector.

For organizations and their beneficiaries, the immediate benefits of governmental partnerships cannot be disputed; particularly when organizations manage to address the needs of vulnerable populations or

respond to other needs left uncovered by the government. Still, in many Eurasia countries, these partnerships are primarily on projects the governments deem socially appropriate. When shifting to issues that are more sensitive for the state, such as homelessness and family violence, service delivery organizations have difficulty gaining either the work space or funds needed to support these activities. Ideally, the implementing organizations would also help shape the nature of the services and advocate on behalf of their constituents, but such opportunities are still rare in the countries of the region.

Even when civil society and government partnerships exist, the long-term effects of such relationships remain a concern. Often unclear procedures for public procurement processes and cumbersome laws limit opportunities for NGOs to take on other social entrepreneurial activities. Consequently, organizations find themselves straying from their civil society oriented missions only to end up as government subcontractors, following government priorities and agendas in order to secure funding. These rather restrictive partnerships limit financial sustainability and independence; they also constrain the ability of organizations to prioritize and advocate for constituent interests, which might be different than those of the government. As a result, any effect that service delivery NGOs might have on defining public space is largely muted.

“Government service delivery organizations” is one description for the emerging set of civil society organizations that work on service delivery issues in many Eurasia countries.

To some extent, all service provision organizations follow a larger set of strategies put forth by government agencies. However, the fine line between delivering government services and playing a substantive role in developing and implementing innovative service delivery programs appears to be increasingly blurred. This conflation might be due in part to the public’s perception of jurisdiction and ownership of social issues: the government is ultimately responsible for taking on social welfare issues, and as described in this year’s Russian report, the public is generally quite pessimistic about the NGOs’ abilities to tackle social problems.

The availability of funds perhaps most clearly shows the continued convergence of civil society and government roles. The substantial increase in domestically generated funding opportunities provides optimism that the significant efforts of international donors to encourage domestic philanthropy and partnerships have taken hold. Further, the establishment of national foundations in Kazakhstan, Azerbaijan, and Russia, for example, indicates that governments recognize NGOs as a significant societal fixture. Efforts to allocate resources to grant schemes at national and regional levels represent a positive development despite the lack of notable progress in designing public procurement systems that take advantage of the service delivery benefits that the sector could provide. Even in Ukraine, laws remain remarkably complex and cumbersome and often thwart all but the most determined or potentially connected service delivery organizations from participation in the public tenders.

Even when service delivery is a possibility, NGOs face the daunting task of delivering services with insufficient funds, which are often not reimbursed by governments until later. Filling financial gaps with fee-based services is also a difficult strategy, partly due to legislative frameworks, but also due to public perceptions that such services should be provided on a pro bono basis. In Georgia or Moldova, for example, public attitudes towards fee-based services are decidedly negative; and in Eurasian countries, where civil society is even less visible, the public likely has a similar view towards such “self-financing” means of sustainability for service delivery organizations.

An exception to this trend appears to be the emergence of service delivery partnerships in several mid-sized cities and regions in Armenia. During 2008, the Armenian Government signed five service agreement contracts with civil society organizations that allowed these organizations to either take over, or take on, specific services that had previously been provided by municipal authorities. An additional six

cities have planned to sign contracts in 2009. The relative success of these efforts appears to have encouraged local and regional government interest in civil society cooperation. Whether this local government initiative was designed to improve the overall government – civil society relationship, which deteriorated in 2007-2008 due to disputed election results and subsequent government crackdown on opposition and civil society, or whether the regions are exceptions, is difficult to gauge at this stage. But such government offers do provide additional vehicles for both funding and cooperation.

At the same time, the extension of funding opportunities, whether from government or the private sector, often appears to come with strings attached. Even when domestic private businesses provide resources for, or partner with, service delivery organizations, service delivery fund objectives tend to be set by the state, rather than multiple actors. The connection between large private businesses and the state in many Eurasia countries is a complex one; as a result, it is not surprising that businesses would look to state institutions for guidance on how exactly to implement their “charity” work or at least how not to go against state wishes.

An additional trend complicating the funding picture for service delivery organizations is the increasing practice of private businesses funding and administering their own service delivery projects, whether through private foundations or directly to recipients. For example, the Center for Social Programs, established by Rusal Company in southern Ukraine, has begun its own small grants competition for NGOs for the city of Zaporizhzhia. Similarly in Russia, the railways have created the Russian Railways Fund for Social Assistance to Children. Both the Rusal Company and Russian Railways have developed substantial programs that service the target population. Allocating resources toward social services or local NGOs can only be a plus. However, given the often unclear relations between businesses and government in many of these countries, the role that such private foundations actually play in identifying and advocating for their constituencies or in expanding the space for independent civil society organizations to operate and engage with government is unclear.

In other words, service delivery in many of the Eurasia countries is by and large an exercise in state control via different means. Civil society organizations that engage in service delivery as their primary mission find themselves with more sponsors, but with surprisingly similar faces. The “management” of civil society in less democratic environments is not particularly surprising. What is noteworthy, however, are the increasing lengths to which governments go to ensure a “well-rounded” civil society. Such a society includes the requisite set of social welfare and related organizations that either complete or smoothly continue the government system of service provision. Until recently, conventional wisdom has been that such service delivery organizations, and international donor support for their development, was a rather practical way to address the twin concerns of general civil society development and gaps in social services. Good practices in civil society organizations carrying out service delivery would in turn encourage good governance practices in government agencies.

However, the trend of consolidating and creating these organizations around state institutions suggests that service delivery has also become “high politics,” in attempts by governments both to burnish their democratic credentials and to manage the international donor funds which go to such organizations. Belarus’s Department of Humanitarian Aid might be one of the most blatantly named government offices; but it is probably not the only example of how foreign donors must work with government institutions in order to engage with service provision organizations. The manner in which many of the Central Asian countries engage with donors and use international donor funds for social service provision is highly controlled. Even if NGOs are the ultimate distributors and beneficiaries of such international funds, the likelihood that these organizations are strongly linked to, or greatly limited by, the government is high.

The situation in Uzbekistan illustrates the nature of this problem. According to the Uzbek report, fewer independent organizations are allowed to register and secure legal status every year. This diminishing

trend of independent legal entities is in contrast to the continuing growth of government-organized NGOs (GONGOs).<sup>2</sup> Since international donors such as UNICEF and UNDP are not allowed to fund “illegal” organizations, their funding is limited to roughly ten organizations that can receive and use these funds. It is unclear if all of these are engaged in service delivery, but it is likely that those service delivery funds that are eventually distributed are done in a manner closely in line with government policies.

Countries with acute economic shortcomings that lack basic social safety nets rely heavily on the resources of the international community. Few would argue with the need to target resources towards basic water or health programs in Tajikistan, or maternal health in Uzbekistan. Still, if governmental incomes depend on a substantial amount of social welfare funding from international donors, their increasing ability to manage these funds should be reviewed. Clearly, international funding has the potential to strengthen the organizational capacities of governments, which is a desired goal for many countries.

The manner in which money is given and its levels of conditionality matter. Too often, international donors can unintentionally become actors in the managing of civil society and its democratic credentials.

A number of the fragile Central Asian countries are also increasingly authoritarian, which raises the larger question of whether the short-term gains in international support for specific service delivery opportunities outweigh the long-term risks of consolidating regimes rather than strengthening states. In other words, does the support of the service delivery NGOs that are allowed to function have any impact on improving the overall environment for civil society specifically, or for democratic practices, in general?

To some extent engagement of any kind is important. Openings to work with government agencies and government-affiliated organizations are often a first step in what is hoped will be a gradual opening of space for more civil society. Whether it is invitations to work with the Turkmen government to begin the process of analyzing and reforming NGO legislation, or permitting access to isolated populations, being present and attempting to influence the process is arguably useful. In addition, through this engagement, international donors and organizations have learned some lessons in how to minimize their legitimization of practices and authoritarian governments which they engage.

But such governments have also learned a trick or two; and often international pressure to “do something for the sake of humanitarian concerns” can easily outweigh donor unease at the effects such engagement might have. Short of egregious misuse of funds, or blatant human rights violations, the governments can almost guarantee some level of funding for their population and their legitimacy. More social provisions are clearly better than fewer, and a population at risk is likely to be grateful for any assistance regardless of the politics. But this formula does little for expanding opportunities for civil society development or democratic reform, at least in the short or even medium term.

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<sup>2</sup> See last year’s NGOSI for an essay on GONGOs.

## Legal Framework for NGOs and Service Delivery

**New EU states:** The legal framework still does not enable NGOs to ensure financial sustainability by maximizing income revenue potential via beneficial taxing, volunteer-related legislation, uniform public procurement procedures, or even in some cases, clear laws governing types of NGO entities. New EU members are challenged by the need to manage massive amounts of EU Structural Funds that make use of NGOs to provide services, while at the same time ensuring that these NGOs remain independent of state influence, financially viable over the longer term, and less dependent on short-term EU funds. NGO service delivery is broad in scope and diverse in its manners of engagement ranging from domestic abuse hotlines, to Roma assistance programs, to partnerships with local governments on provision of legal aid services.

**Eurasia countries:** In many Eurasia countries, the legal environment is a more overt tool used by the government to control the civil society sector. Registration of organizations is often a problem; tax laws are often far from accommodating towards service delivery income generation, and general distrust between civil society actors and government institutions creates a relationship of animosity toward the state, as opposed to a potential partnership. Funding issues reflect this legal environment dynamic. Massive outside funding, which is still available in a number of countries, poses less of a problem than working with recently available government funds in a manner that preserves some level of independence and initiative. However, even outside funds are increasingly funneled through government institutions. Service delivery organizations primarily focus on traditional social welfare issues, such as homelessness.

**Southeast Europe (SEE) countries:** In many SEE countries, legislation is in the process of harmonizing with EU standards, but it is still a mixture of laws that regulate the civil society sector. Similar to some CEE countries, lack of complementary tax laws, income generation-related standards, and clear public procurement processes vexes the development of service delivery partnerships with governments. Funding continues to grow both from a pre-EU set of funds as well as domestically; growth in both types of funding increases funding opportunities but in a way that appears to continue the process of subcontracting rather than partnering to determine and address social challenges. Services range from traditional to more diverse, for example, assistance for trafficked people as well as human rights counseling.

## EU COUNTRIES: MORE FUNDS, MORE REGULATION, AND MORE BLURRING OF CIVIL SOCIETY/GOVERNMENTAL SPACE

The environment for service delivery in the new EU member states of Central and Eastern Europe is significantly better, and the stakes may be arguably lower in terms of potential impact on vulnerable populations; however, service delivery-government relationship concerns are still present.

Service delivery organizations enjoy a considerably more open environment in which to conduct their activities. Most EU countries have introduced a predictable pattern of service delivery tenders and contracts; however, few, if any, have adopted a comprehensive legislative framework that ensures an idealized operating environment. A number of new EU countries still have confusing or incomplete legislation regarding civil society in general, and service delivery organizations in particular, as well as unclear public procurement procedures.

Perfectly compatible legislation and clear legal environments for service provision are difficult to achieve, even in the most established and democratic countries. This difficulty is partly due to the growing amount of legislation needed to regulate the relationship between the civil society sector and the government. It also reflects the underlying unease that governments might have in releasing control of basic social welfare services to civil society organizations, as well as the public's expectation that the government will

continue to provide. The Czech Republic report describes this relationship in patrimonial terms suggesting that the public – state expectations have changed little since the beginning of the democratic and economic reform in the early 1990s.

As the numbers and levels of service provision opportunities have grown at the local, regional, and national government levels, the ability of organizations to set their own agendas appears to have been reduced. Paradoxically, greater EU integration and direct public funds also appears to have weakened the decision-making powers of domestic service delivery organizations. In Poland’s 2008 report, for example, NGO analysts express a concern that dependence on public funds, whether from local, national, or EU sources, has had a negative impact on NGO – constituent relations; citing that Polish service delivery organizations are growing increasingly distant from the constituencies they claim to represent. According to the most accurate statistics available for Poland, organizations delivering social services and health care represent at least 19 percent of the sector; and catering to the government as opposed to the constituency certainly has an effect on both the types and quality of services presented to the population. In Hungary, the influence of public funds is even starker, as approximately 80 percent of government contracted services go to GONGOs.

Funding opportunities continue to increase; however, the complexity of accessing the funds and maintaining organizational independence is also increasing in a manner that has created both high entry costs and cozy NGO - government relations in the new EU states.

EU Structural Funds appear to have raised the attractiveness of being a service delivery organization. Accession to the EU has opened up a number of lucrative funding channels to the countries of the CEE. International and private donor funding, before accession, attempted to spread funds throughout the civil society sector from human rights organizations to those of a service delivery variety. These funds provided a good base for some organizations to become established, but the bonanza of funding earmarked specifically for service delivery organizations arrived with the first set of EU Structural Funds released from 2004–2007. These funds have had an impact on the growth and attractiveness of this portion of the civil society sector. In Bulgaria, for example, the ending of PHARE<sup>3</sup> funds and the beginning of EU Structural Funds has increased discussions of whether service delivery organizations could actually overtake municipal authorities in their provision of services. In the case of Romania, some public institutions have realized that partnership with service delivery organizations that have previous experience with EU funds is useful for accessing Structural Funds.

As a result, EU funding, as well as other external funding through the Norwegian or the European Economic Area (EEA), have become some of the most important sources of funding for service delivery organizations. Yet the funding programs that were designed to infuse more funds into new member states, raise overall socioeconomic standards, and enhance civil society and dialogue with government have somewhat contributed to the weakening of civil society independence in what have become relatively democratic states.

This shift is due in part to government and EU perceptions of service delivery NGOs. From the EU standpoint, service delivery organizations can provide a lower cost mechanism for increasing service delivery breadth and depth in member countries. A byproduct of this cooperation is the added effect of strengthening the civil society sector, as NGOs are forced to increase their organizational capacities in order to take on the project. From the government standpoint, civil society is welcome to assist when funding is available, particularly if involvement from NGOs minimizes government costs, but many NGO

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<sup>3</sup> PHARE (Pologne et Hongrie - Aide á Restructuration Economique) was the EU program originally started in 1989 to provide Poland and Hungary aid and economic reconstruction assistance. It then expanded to include the other CEE states until their EU Accession.

practitioners still sense a lack of true NGO – government partnerships as NGOs tend to be viewed more as subcontractors than partners.

The means by which EU Funds are distributed, first to governments and then to service organizations through a tendering process, also affects the ability of NGOs to set their own agendas. NGOs must comply with EU and governmental regulations, objectives, and priorities which leaves them very little flexibility. Similarly, even direct EU funding of service delivery organizations in the new member states tends to create a business contractual relationship of deliverables, rather than an opportunity for organizations, particularly those that are new, to either inform or influence service provision priorities.

The viability of such service delivery organizations is directly correlated to funding distribution procedures. Few service delivery NGOs have the cushion to take on financial obligations without a clear repayment schedule. Unlike businesses, most NGOs cannot take out loans to cover gaps in funding or slow donor/government reimbursement schedules. Moreover, in many countries, conflicting regulations regarding income generation prevent organizations from financing their service delivery sufficiently through fees. The Slovak government's attempt to limit self-financing activities through its amendment to the Law on Associations, introduced in early 2009, was "frozen" for the rest of the year after substantial civil society outcry. However, the government's ability to threaten to institute such a law in Slovakia, or in other countries of the region, combined with the gray area of laws or multiple interpretations over what is allowed for social enterprise, fee generation, and other financing mechanisms, puts financially fragile service delivery organizations at a disadvantage. In one sense, vague laws allow some level of "maneuverability." But unclear laws and their expectations of NGO accounting practices also mean that government agencies have a right of interpretation as they like. Such ambiguity does little to encourage transparency on either side.

Service delivery NGOs are particularly vulnerable if they are small and operate in regions where understanding of these complexities among local government administrators is even less common. Even NGOs that have a practice of collecting service fees find that such funds are insufficient to cover implementation costs, particularly those related to overhead and administration. Paradoxically, even EU funds like the EQUAL Community Initiative,<sup>4</sup> which have specifically been designed to assist the social economy, do not allow the selling of products or services produced with these funds.

At the same time, neither the governments nor the EU has strict guidelines regarding funding procedures. For example, in Hungary, the decision-making processes on service delivery grants can take six to twenty months. Reimbursement for services rendered can also be much slower than anticipated; such as in Slovakia, where overall government attitudes towards civil society has grown decidedly more wary. These issues have an adverse effect on the growth of the civil society sector, as the number of eligible service delivery organizations, and the innovative ideas that accompany them, narrows.

These financial challenges appear to be increasingly difficult to overcome as a number of the new EU countries have begun creating new legislation designed to improve regulation of service provision. In practice, these laws often constrict the space of service delivery organizations. For example, in 2008, both Slovakia and the Czech Republic have introduced new social service laws which appear to create higher costs of entry for organizations to engage in service delivery rather than regulate the sector. Similarly, the increasing overregulation of the NGO sector in Hungary is seen as doing little to improve sector standards and performance. In Lithuania, a new public procurement law, which passed in 2008, does little to empower procuring agencies to set their own standards and instead keeps most standards based on the procurement practices set for the business sector. Still, there are some examples of

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<sup>4</sup> EQUAL is the 'Community Initiative' within the European Social Fund (ESF) of the European Union. It was developed to address labor market challenges and social inclusion concerns of the EU Member states.

governments improving legislative environments to create additional opportunities for service provision relationships with governments. For example, Latvia's regional reform program, which will start in 2009, should increase local government control, in place of centralized control, over basic social services. This should presumably expand service provision opportunities at the local level. But these are still in the early stages and as of yet have provided few models of emulation.

The complexity of the EU tendering system is also a factor. While the process of using EU Structural Funds has contributed to professionalization of the service delivery civil society sector, it also has limited the sector's expansion. The need to have standardized accounting and management practices and to engage in evaluation and monitoring of the impact of service delivery has resulted in more service delivery organizations improving their standards. Yet the complexity has created exclusionary clubs of service delivery providers. Inevitably, every industry, even civil society, has growth trends and consolidates around the most successful organizations. However, it is unclear if this core group of EU implementers accurately reflects the priorities of the civil society or is just good at writing and implementing complex proposals.

The Slovenian government has partnered with a local NGO to implement a project focused on informing and assisting NGOs to understand the complexity of the EU tendering system so that more NGOs might qualify for EU funds, thus increasing competition and diversity of groups applying.

Perhaps most useful to remember when reviewing the impact of EU funding mechanisms on civil society is the fact that most such funds are still implemented by member states. For example, the previously mentioned EQUAL funds for social and economic inclusion are received after a government negotiates with the European Commission and comes to an agreement on priority areas of action. Consequently, the diversity of funding for service delivery organizations that had been thought to accompany the increase of EU funding mechanisms is partly lessened by the actual manner in which the funds are disbursed from Brussels. Detailed instructions and evaluation points for distribution and implementation of funds generally curb major misuse, but accurately spending and accounting for such funds do not ensure that they are distributed in a manner which really corresponds to social priorities. In an ideal world this should not matter; but in the context where few governments are above playing politics and new member states are still struggling to reform and retain legitimacy, the control of larger purse strings effectively creates greater, if diffused, state power over civil society service provision organizations.

Finally, the other financial factor at play is the already noted and anticipated trend of reduced corporate giving for the CEE region. Significant inroads into establishing corporate social responsibility partnerships with domestic and international firms in these countries have contributed to the growth and output of service delivery organizations. But leaner financial times, particularly in countries like Hungary, Latvia, and Estonia, have already resulted in a squeezing of corporate funds available to service delivery organizations. Consequently, dependency on public and EU funds is expected to increase in the near future.

Overall, these financial factors have created a sector that is much less straightforward, independent, and diverse than it might first appear. All of these factors have resulted in a somewhat worrisome blurring of the lines between civil society, government, and external actors which fail to adequately take into account the actual needs and interests of the constituents that civil society organizations represent. Although public trust in civil society is slowly growing, in many of these countries, trust in government is still lacking. Government control over service delivery organizations perpetuates perceptions of questionable deal-making, which thwarts public confidence in institutions and civil society organizations.



## THE STATES OF SEE – BETWEEN THE EU AND THE EAST

Countries of Southeast Europe (SEE) have already had extensive experience with EU mechanisms as part of their post-conflict or post-transition packages. This experience combined with lingering, or still very present, pathologies of socialist or authoritarian governance structures has created a general environment for service delivery organizations where possibilities for growth are good and increasing, but the process of engaging and implementing service provision activities is still quite messy.

The new “EU Instrument of support to the Western Balkan countries” is as complex as it is wordy, posing numerous challenges to effective civil society engagement in service delivery areas.

The nexus between funding, environment, and capacity determines the success of the service delivery sector and its sustainability. As SEE countries attempt to adopt good governance practices and get in line for eventual EU accession, they are learning the lessons of how to set up service provision enabling environments and funding platforms.

However, it is unclear whether SEE countries will have learned from the mistakes of the new EU member states and will be able to avoid some of the pitfalls faced by service delivery organizations in these states. It is also unclear whether the EU itself has fully considered these lessons, or the special post-conflict and state-building circumstances of the countries. For countries that are in the pre-accession stages, such as Bosnia and Herzegovina, there have been few changes to the funding package options to reflect SEE specificities. Post-conflict and new state formation contexts of the Balkan region are noted in the EU integration strategies, but not particularly factored into the actual funding mechanisms. This raises a number of questions and concerns regarding the ability of each SEE country to develop a civil society sector with vibrant service delivery components.

NGO legal frameworks throughout the region are steadily developing to establish permissive civil society environments; governmental funds for civil society, experimental contracting of specific social services and the aligning of legislation to allow fee for service is common throughout the region. However, growing pains of state-building while simultaneously implementing massive amounts of reforms geared towards EU integration processes often result in only partially completed legislation. This legal limbo affects both current and future abilities of service delivery organizations to operate as they would like.

For example, many of the governments have not reconciled tax and civil society legislation. Serbia, while working on a draft in 2008, still had neither a framework that legally defined civil society organizations, nor a tax framework that allowed income generation without business level taxes. In Albania, legislation exists for taxation of NGO income generation, but it is not consistently enforced; while in an amendment to the tax law, NGOs will also be subject to a 20 percent VAT, apparently both on grants and services. In Montenegro, a 2007 amendment to the Law on NGOs, limits tax exemption status to organizations with a total income (not profit) of up to €4,000.

Modifying and aligning laws to ensure domestic consistency, as well as adherence to EU accession requirements for an optimal NGO working environment, will take time. In the meantime, given the unstable financial environment, in which government contracts and EU funds tend to be neither timely in payment nor as large as needed, service delivery organizations will likely feel an increasing financial pinch at a time when they should be expanding their services.

Laws governing the area of social services are becoming more common. In 2008, Macedonia passed a social protection law that allows NGOs to engage in delivery of social services, and Albania has included budget provisions for NGOs to provide these services in its 2009 budget. Nevertheless, governments still lack processes for public procurement and quality assurance. Even in Croatia, where the right of NGOs to

compete for such social service contracts has already existed for a few years, still there is not a systematic method for either contracting or monitoring service provision processes that would ensure transparency and quality control. Similarly, in Montenegro, service provision organizations must have government certification in order to receive government funding; however, the government lacks a licensing system for new providers and a control monitoring system for existing service providers.

Developing a legal environment that supports the growth of civil society is especially difficult in the SEE region, where a history of violent conflicts further complicates both the political and public spheres. This history helps explain why, for example, some social services are more political than others. In Bosnia and Herzegovina (BiH) veterans' organizations receive a significant portion of the government's funding for civil society. The government's interest in funding veterans' organizations and their potential service provision is part of a complex balancing act that the state engages in to balance out ethnic constituency representation and access to resources of the state. Supporting various organizations associated with the three primary ethnic groups helps to cement together various social interests and thereby contributes to both the preservation and the development of state structures. Having such preferential targeting of resources to select service delivery NGOs is less about government influence on NGOs than such organizations' ability to actually reinforce government state-building efforts. Not funding such organizations could be construed as a hostile act and quickly take on dimensions of very high politics.

Complex political systems further complicate already ambiguous legal environments. In BiH, efforts to pass laws on personal and company taxes are being considered in the Federation, while Republika Srpska adopted a Law on Volunteerism in 2008. Both entities, however, do not necessarily have similar or complementary laws. Similarly, in Kosovo, the parallel governments within many Kosovo Serb-dominated municipalities make the issue of service provision fraught with political as well as basic logistical challenges. With whom do NGOs contract? Likewise, how does this environment affect NGOs comprised primarily of another ethnic group? At the very least, Kosovo Serb civil society organizations that engage in service delivery often have to engage in at least two sets of bookkeeping systems in order to comply with their various government requirements.

Another contextual issue that needs to be considered is the legacy of civil society versus the state. Civil society's role in bringing about eventual democratization is not unique to SEE. Throughout CEE, civil society has played a vital role in the democratization process of society and the governments. Efforts to play a similar role have been more difficult in many of the Eurasian countries, but the intent has been similar, with a few of the countries seeing a markedly influential role played by civil society.

What sets SEE apart in this positioning is the *degree* to which civil society played a part in the democratic transformations and the *freshness* of its effects on the still reforming governments also attempting to recover from war legacies and shape national identities. Civil society had significant resources and actors, particularly in the areas of civil and political rights, and maintained a high, if controversial, profile. Views of human rights groups in Serbia, Croatia, BiH, Macedonia, and other states within the region often contradicted those of their governments on such essential topics as the justification for war and the (re)construction of national identity. As such, civil society organizations were branded, and to some extent are still perceived, as being in opposition not only to the government, but to the state itself.

This reputation has created a certain amount of reservation, even among reform-minded governments and institutions, about the role of civil society. Competition to dominate the public consciousness is ongoing in many of these countries and civil society organizations, even those that focus on very concrete socio-economic issues and provisions are still somewhat seen as "competition" for the state. Even when service delivery results reflect positively on the government, or when both the government and civil society are framed in a pro-Europe light, governments have a lingering concern over allowing civil society actors

(even service delivery organizations) to become too popular in an environment where governments have low public satisfaction and history still tends to dominate the present.

On a more positive note, relationships between service delivery organizations and private business seem to be less affected by the recent history. By partnering with the private sector, NGOs in Macedonia, for example, have managed to separate themselves within an increasingly partisan NGO environment. While businesses are also likely to have their political interests, the link between businesses and government parties or interests is not nearly as strong as in places further to the east. Concerns clearly remain over both government and corporate interests in supporting NGOs in countries like Serbia; but an increasing number of NGOs, including service delivery organizations, are learning to distinguish which common interests to pursue.

## **FURTHER CONSIDERATIONS AND CONCLUSIONS**

Civil society service delivery organizations have grown in importance as they have grown in numbers in CEE and Eurasia. Their influence on society goes beyond the specific services that they deliver. Whether considered more efficient means of targeting vulnerable populations; procurers of innovative programming; useful for diffusing socio-economic tensions in societies; or even as good business opportunities, service delivery NGOs have become significant players, partners, and pawns in governments' efforts to provide basic services to their populations and gain or maintain their legitimacy as democratic governments.

Even in the most democratic countries of the study, civil society organizations that engage in service delivery face continuing challenges in carrying out their missions in a manner that maintains independence, represents constituents, and addresses financial sustainability concerns. Manifestations of these challenges are different, but concern over the independence of such agencies is only slightly less marked in Hungary than it is in Armenia.

This suggests a number of things:

First of all, with new circumstances come new challenges. The rise of EU Structural Funds and related funding is positive, but the manner in which they are distributed in these newly developing societies is not always straightforward and free of error. The opportunities for civil society organizations to engage in service delivery have grown tremendously, but these opportunities contain nearly as many challenges to retain independence as they provide to increase and improve service provision.

These challenges also affect donors. For those donors committed to developing civil society without a heavy donor-driven footprint, the manner of engagement is just as important as the distribution of funds. Whether it is strategizing to improve Roma children's access to schooling in Slovakia, or enhancing community medical services in Tajikistan, donors need to ensure that their funding mechanisms and social service provision objectives encourage as much local ownership as possible.

On the whole, civil society development strategies require some reexamination. Most civil society proponents encourage governments to partner with civil society organizations in some key service delivery areas. Similarly, most strategies for general civil society sustainability and service delivery organizations, in particular, reveal the need for government support of the sector. The slightly paradoxical nature of this strategy – to become an independent and vibrant civil society while diversifying funding that likely includes substantial government and/or EU funds – is wrought with contradictory tendencies, perhaps most sharply in service delivery. A discussion of the potential impacts of public funds, outside donor funds, self-generating funds, and social partnerships will help bring more clarity and honesty to the

sector. A clearer picture of what is both possible and probable will assist civil society organizations, donors, and governments to position themselves accordingly.

Finally, the balance between civil society and government is never perfect. Legal and funding environments are the most obvious determinants, but these only reflect a greater tension at play in the ever evolving relationship between civil society organizations that engage in social service provision and their governments. Tensions will exist as long as both claim to speak on behalf of somewhat similar constituencies and share funds from similar pots. Service delivery is no longer a straightforward exercise in humanitarian assistance, if it ever was; it increasingly reflects the power relations that govern civil society and governments. The quest for legitimacy – be it of a democratically defined variety or in terms of power to run the state – inevitably comes into contact, and to some extent clashes, with expectations of service provision, rights of representation, legitimacy of actions, and government capacities to perform. This tension is unlikely to disappear even in states that have “made it” to becoming consolidated democracies.

The effects of the global economic downturn are apt to exacerbate some of these tensions. Even in relatively wealthy states of the region, tighter state budgets (Latvia already has instituted a 10 percent across the board cut) and increased pressure on governments to provide services to larger vulnerable populations will cause actors on both sides to try to do more with less. For the countries where social safety nets have been far from adequate for many years, the stakes in procuring and delivery social services will grow. Incapable or chronically corrupt governments will have less latitude on spending than in the past, and the threshold for public discontentment in the more authoritarian states of the region is likely to fall.

The stakes for service provision to the public, consequently, can only increase. Whether service delivery NGOs and their supporters can take up the challenge will depend on their ability to clarify both the obstacles and opportunities such dynamics provide. Civil society prospects to expand and improve such services will continue to grow; how this will correspond with increased vibrancy in civil society or encourage greater democratization efforts is uncertain.

## **PUBLIC FINANCING MECHANISMS AND THEIR IMPLICATIONS FOR NGO SUSTAINABILITY**

– Elizabeth Warner<sup>5</sup>

### **INTRODUCTION**

Financial viability remains one of the most difficult challenges for NGOs in the regions covered by the NGO Sustainability Index (NGOSI). As foreign funding declines, NGOs are increasingly looking to domestic sources of support. This paper examines various aspects of domestic financing. It considers four common methods by which public funds have been disbursed to the NGO sector: state-sponsored vehicles dedicated to the support of civil society; contracting; taxpayer designation systems (so-called “one percent” laws); and subsidies.<sup>6</sup>

Governments have diverse motivations for financing NGO activities. Among other motivations, some governments recognize that NGOs are well-positioned to deliver social services, and funding enables them to “outsource” service delivery. Governments may also wish to finance NGOs to promote “public goods”—such as culture, art, or scientific research. In addition, a government might procure services for its own use—for example, a government might contract with an NGO to conduct a poll, write a draft law, or evaluate a government program. Less benevolently, some governments in the region remain suspicious of NGOs (particularly foreign-funded NGOs). In these countries, independent NGOs often have restricted access to public funding, or funding is used as a mechanism of control, financially tethering certain NGOs to the state.

A threshold issue is how to generate revenue to finance NGO activities, and countries in the region have developed a number of innovative funding sources. For example, in Hungary, the Cultural Fund is financed from a tax on artifacts and pornography; the Environmental Fund is financed from a tax on gas and fines paid by polluters; and the National Civil Fund is funded from the general treasury in an amount equivalent to the funds designated to NGOs by individual taxpayers under Hungary’s famous “one percent” law.<sup>7</sup> The Czech Republic utilized 1 percent of privatization proceeds to endow foundations working on human rights, culture, environmental protection, and other fields. Additional sources of funding have included car registration fees (Macedonia) and lottery proceeds (Montenegro and Croatia).

Perhaps the ultimate “sin tax” can be found in Kazakhstan. The Bota Foundation, established in 2008, is technically a private foundation but is jointly governed according to an agreement among the Kazakh, Swiss, and United States governments. It is funded by \$84 million in frozen funds that were allegedly to be paid as bribes by various Western oil companies for extraction rights. The foundation’s resources will be used to provide stipends to poor families as well as grants to some NGOs under procedures currently being developed.

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<sup>6</sup> Other mechanisms also exist, including per capita payments, voucher systems, in-kind contributions, etc., but these forms of financing are beyond the scope of this paper.

<sup>7</sup> This law, discussed in detail below under “Taxpayer designation systems,” permits individual taxpayers to direct that 1 percent of their income taxes be remitted from the government treasury to one or more designated public benefit NGOs.

## FUNDING MECHANISMS

Once funding sources are identified, the next question relates to the funding mechanisms through which they are distributed.

### 1. State-sponsored funds or vehicles dedicated to the support of civil society – examples from three countries

#### Croatia

One of the best-known funds in the region is the Croatian National Foundation for Civil Society Development (“Foundation”),<sup>8</sup> established in 2003. In addition to grantmaking, the Foundation is charged with providing training, technical assistance, and capacity-building assistance to NGOs; it views programs that encourage sustainability to be a key component of its core mission. The Foundation also conducts extensive research on the state of civil society organizations, including their financial health, relationship with donors, and the legal environment in which they operate. It is governed by a nine-member board appointed by the government: five members are civil society representatives, three are from state ministries, and one is from local/regional government.

The Foundation was originally supported by a revenue stream derived from the national state lottery, and it has grown in stature over the years, receiving funding from Western aid organizations such as USAID, the British government’s Department for International Development, the European Commission and the Charles Stuart Mott Foundation

Between 2004 and 2007, the Foundation provided \$15 million in civic initiatives, projects, programs, and institutional support of civil society organizations. Much of this support was provided through grants, some of which were multi-year awards. The maximum grant amount is approximately \$63,000. The Foundation also provides institutional support grants to NGOs working in areas such as human rights, the development of democratic institutions, sustainable development, and the rule of law.

As a result of some challenges it faced in the first year of its operation, the Foundation has implemented a number of measures to promote the transparency of its operations.<sup>9</sup> Its website posts announcements of tenders, application forms, results of the tender process, and other key information. The Foundation developed evaluation grids that guide both NGOs and evaluators in making funding decisions. It also has established clear conflict of interest rules to avoid allegations about NGOs supporting their own peers. In addition, bidders may appeal adverse decisions to the Foundation’s Management Board, and the Management Board is obliged to respond to the appeal within fifteen days.

The Foundation is committed to decentralizing in an effort to provide more closely tailored financing to local activists and organizations. To that end, in 2007 the Foundation delegated grantmaking responsibilities to four regional foundations established by local governments with whom it signed cooperative agreements. The first regional tenders were announced in October 2007. The implementation of this initiative is based on two fundamental principles: regional action and partnership with local/regional community foundations, as set forth in the Foundation’s Strategic Action Plan for

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<sup>8</sup> The Foundation’s website is at <http://zaklada.civilnodrustvo.hr/frontpage>.

<sup>9</sup> Because selection criteria were not clear, NGOs accused the government and their own peers of bias after the first round of grants was published. The Foundation did not at the time have conflict of interest rules and had a hard time fending off these allegations. Conflict of interest issues have proven an even greater challenge to overcome in the case of Hungary’s National Civil Fund, where to date there are no satisfactory regulations to prevent NGO representatives in a decision-making position from providing preferential support to their own and affiliated NGOs.

2008–11. Also in 2007, the Foundation entered into partnerships with five regional civil society networks to provide training, information, and consultation to local associations (both registered and unregistered).

Over the years, the National Foundation has had a significant impact on NGO financial sustainability in Croatia. Five structural elements have contributed to this outcome:

- *Procedures and criteria.* The Foundation operates pursuant to clearly defined, transparent procedures and criteria.
- *Decision maker.* Funding decisions are made by a cross-sectoral board, with civil society representatives holding five of nine seats.
- *Funding levels.* The Foundation has disbursed a relatively large amount of funding (\$15 million from 2004–07) through a relatively large number of beneficiaries (878 grants from 2004–07).
- *Use of funds.* The Foundation will explicitly fund programmatic and institutional support for a range of organizations including those engaged in activities such as human rights, the rule of law, and the development of democratic institutions.
- *Duration of support.* Awards can be made on a multi-year basis, and grantmaking is expected to continue in future years (albeit through different intermediaries).

Other countries in CEE have also established funds, including Estonia, Czech Republic, Poland, and Hungary. Albania established a new fund last year that is expected to commence operations sometime in 2009. Dedicated funds are not, however, limited to CEE. In the NIS, several countries have established funds, and the following sections examine two of the most recent examples.

## Azerbaijan

In December 2007, Azerbaijan established a new Council on State Support to NGOs (“Council”). The Council consists of eleven members, eight of whom are NGO representatives nominated by NGOs and then approved by the president. There are also three government representatives on the Council. The Council is supported in its work by an NGO Experts’ Board that consists of local and international experts.

The Council established competitive rules for soliciting grant applications and awarding funds, and the first call for applications was launched in early 2008.<sup>10</sup>

In August 2008, the Council awarded grants worth more than \$1.2 million to local NGOs working in areas including human rights protection, capacity building, public health, social services delivery, and refugees’ rights. Three hundred and sixty-one projects were submitted, and 191 were selected for grants. The grant maximum was

approximately \$25,000. Awards could be used to cover program costs, including expenditures that support institutional capacity (such as staff training, participation in conferences, etc.).

Over 2 million AZN (equivalent to \$2.45 million) have been budgeted for NGO financing in 2009, and as of March 2009, approximately 561 proposals have been submitted and are currently going through the selection process.

Most of the government-sponsored dedicated funds for support of civil society are run by a board or council whose members are selected by the government, albeit with input from the NGO sector and other stakeholders. But the National Civil Fund in Hungary is run by a series of local boards, all of whose members are publicly elected. Prospective board members campaign for votes like members of parliament and other elected public officials.

<sup>10</sup> Some NGOs expressed concerns about the complexity of the application forms, and the Council is currently considering simplification of the process.

During the development of the Council, there was concern that the government might use the availability of new domestic funding as a partial excuse to prohibit foreign funding. Importantly, this did not come to fruition. Reflecting this significant outcome, the presidential decree establishing the Council explicitly states, “Carrying out state support to non-governmental organizations by the Council does not limit the possibilities of rendering assistance to non-governmental organizations by the state authorities and international organizations.”

Noteworthy elements of the Azeri model include:

- *Procedures and criteria.* The Council established and published procedures for making awards—though some argued that the procedures were overly complex and amendments are now under consideration.
- *Decision maker.* The decision maker is a cross-sectoral Council that includes eight NGO representatives nominated by NGOs but approved by the president;
- *Funding levels.* 191 grants were approved in the first round, and the maximum grant size was approximately \$25,000.
- *Use of funds.* Awards were made to a broad range of NGOs including groups engaged in human rights and other advocacy issues.
- *Duration of support.* Short-term awards were made in the pilot phase, but grantmaking is expected to continue in 2009 and beyond.

The Council’s operations are still at an early stage, and it is still working through the first round of grants. While the Council has established transparent procedures, and its initial steps look promising, it is still too early to determine how it will impact NGO sustainability in the longer term.

## **Uzbekistan**

In 2008, Uzbekistan also established a new fund to support civil society.<sup>11</sup> Structural elements—or the lack thereof—mitigated the impact of this fund on the sustainability of independent civil society in Uzbekistan. Contrasting these elements with the attributes of the Croatian and Azeri models illuminate factors that help determine the extent to which such funds actually promote NGO sustainability in a given country.

Following the “color” revolutions and popular uprisings in Eurasia and Ukraine in 2003–05, Uzbekistan expelled most foreign NGOs from the country and effectively banned foreign funding, which led to termination of between two-thirds and three-fourths<sup>12</sup> of Uzbek NGOs. Today, the legal environment for NGOs in Uzbekistan remains very restrictive. For example, all NGOs must obtain an advance permit from the Ministry of Justice in order to carry out any “event,” even if it is just a meeting of members. NGOs are also subject to burdensome monthly reporting requirements, even if they have no activity.

Against this backdrop, the Uzbek government passed a law “On State Guarantees of NGO Activities” in 2007, which among other things provides that the state can provide financial support for the activities of NGOs through grants, subsidies and contracts. The new law also purports to grant NGOs the freedom to conduct their activities, receive information from the government, and protect their property interests. However, nearly every provision is qualified by such phrases as “according to law” or “unless prohibited

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<sup>11</sup> The Public Fund of Support for Non-Governmental Non-Commercial Organizations and Other Institutions of Civil Society of the Oliy Majlis of the Republic of Uzbekistan (“Public Fund”).

<sup>12</sup> U.S. Department of State, Bureau of Democracy, Human Rights, and Labor, “2006 Country Reports on Human Rights Practices: Uzbekistan,” March 6, 2007, <http://www.state.gov/g/drl/rls/hrrpt/2006/78848.htm>.



by law,” thus effectively reducing the law to a declarative status that would not supersede any other restrictive or conflicting legislation.

During 2006–2007, an informal mechanism for distributing government grants had existed through the government-organized and controlled National Association of Nongovernmental Noncommercial Organizations (NANNOUZ). Approximately \$350,000 was distributed through a series of tenders that were relatively open and transparent, resulting in ninety-four grants being issued to local NGOs working in such areas as social services, women’s education and culture. However, overtly “political” organizations such as human rights advocates were not successful applicants.

In 2008 a Decree of the Uzbek Parliament established a formal legal entity—the Public Fund—to be managed by a parliamentary commission comprised of members of various ministries, parliamentary deputies and NGO members whose selection is based on unknown criteria. The list of members of the council is confidential (including the list of NGO members), but unofficial reports indicate that all the NGO representatives are members of NGOs established by—or otherwise closely connected to—the government. At present, there is no publicly known procedure to apply for Public Fund resources, nor is one expected to be implemented this year.

The Public Fund’s purpose is to promote programs to enhance the material and technological potential of NGOs, providing them with legal, advisory, technical, and other support. The Public Fund’s charter expresses a commitment to “the principles of transparency and openness.” In 2008, the Uzbek government allocated an estimated \$1.5 million for distribution to NGOs through this mechanism.

Despite the commitments in its charter, however, none of the parliamentary commission’s records were made public, in stark contrast to the Croatian Foundation. No forms or procedures for applying for assistance were published, nor is there a public list of those organizations that received funding. According to this year’s Sustainability Index report, all governmental funds for NGOs were distributed to GONGOs.<sup>13</sup>

Essentially, the Uzbek Public Fund includes the following components:

- Unknown procedures and criteria for funding;
- A politicized decision maker;
- Unknown recipients of funding;
- No evidence that independent NGOs were able to access any of the 2008 funding; and
- No evidence that the Public Fund will develop appropriate procedures in 2009 to enable independent NGOs to access resources available to the Public Fund.

## Summary

Comparing the Croatian, Azeri, and Uzbek funds reveals that mechanisms similar in name have dramatically different implications on NGO sustainability based on their structural components. To assess whether a fund contributes to NGO sustainability in a particular country, the foregoing analysis suggests that the following factors should be considered:

- The extent to which there are reasonable and transparent funding procedures and criteria, including conflict of interest rules that limit the ability of governing board members to

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<sup>13</sup> The term “GONGO” is an acronym for Government-Organized Nongovernmental Organizations. In essence, they are legal entities established under private law, but funded and controlled by the government to an extent that they are not considered independent.

- participate in decisions benefitting organizations with which they are affiliated. These measures enable NGOs to determine eligibility for awards, access the system efficiently and structure their applications to maximize their chances of success;
- The extent to which a nonpolitical, independent entity implements the procedures and makes funding decisions, which increases the chances that funding will reach a range of organizations broader than those whose goals are closely aligned with government policies;
  - Funding levels (both overall funding and the maximum size of grant);
  - The number of awards and whether decentralization would afford greater outreach to smaller NGOs or greater responsiveness to local needs;
  - The duration of the awards (one year or multi-year as is possible in Croatia);
  - Permitted/prohibited use of funds (for example, allowing institutional support not linked to specific outcomes, which can have a profound effect on the ability of NGOs to remain operational and retain office space and staff during gaps between specific programs); and
  - The likelihood of future grant rounds, providing for a longer term mechanism for sectoral sustainability.

It is clear that the more sizeable, transparent and independent the dedicated fund, the more it can contribute to the sustainability of NGOs overall. However, these funds may not be the most suitable vehicles for ensuring sustainability of certain types of NGOs. In particular, some advocacy and human rights organizations may have policies that prohibit them from accepting public funding even through an intermediary mechanism. Furthermore, as noted above, the overall political and human rights situation of a country needs to be examined when assessing the impact of a dedicated fund on NGO sustainability.

## 2. Contracting

Recognizing that concepts and terminology differ throughout the region, this paper uses the term “contracting” to refer to the government’s purchase of services, goods, or property, either to provide a state function or service or to provide a direct benefit to the government. At a functional level, a government might use contracting to acquire services that it might otherwise provide directly—for example, health care, education, and support to vulnerable populations (the elderly, orphans, war veterans, women with young children).<sup>14</sup> A government might also acquire goods, property, or services for its direct use or benefit. In the NGO context, examples might include a government contract to conduct a poll, to undertake research, or to conduct an evaluation of a governmental program.

Although the precise procedures and terminology vary, most of the countries covered by the NGOSI engage in some form of contracting with NGOs. Contracting therefore serves as a potentially important source of funding for the NGO sector. For example, Poland’s laws encourage NGOs to compete for social service contracts in open tenders<sup>15</sup> organized by local government units and also to form partnerships with public administration bodies to deliver services on a cooperative basis. When deciding to offer a service, local governments are required to consider proposals from NGOs. In addition, local governments are required to put out a tender if an NGO submits an unsolicited bid to provide a service that is currently being provided solely by the government, resulting in situations where public administration bodies actually compete against NGOs for contracts. The rationale for this open competition is to avoid the risk that the third sector will only receive contracts for activities that are unwanted or ignored by other administration bodies. The effect is to give NGOs broad opportunities to

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<sup>14</sup> A comprehensive discussion of NGO service delivery is presented in a separate essay. This paper therefore presents a more limited analysis of the impact of contracting mechanisms for service delivery on NGO sustainability.

<sup>15</sup> The term “tender” means a publicly announced process identifying the services to be contracted for and soliciting bids or proposals from potential contractors.

develop innovative ways of providing social services and to encourage governments to be responsive to NGO proposals.

At the same time, contracting has limitations as a source of third sector financing. Many of these limitations are similar to those addressed in the section on dedicated funds (e.g., the transparency of the process, the extent to which there is an independent decision maker, etc.). The following therefore focuses on illustrative issues specifically linked to contracting laws:

*Barriers to entry.* In some countries, it is impossible for NGOs to directly engage in procurement contracting. In Ukraine and Armenia, for example, public associations are precluded from engaging in any economic activities. This has been interpreted by tax authorities and other government officials to preclude these NGOs from entering into procurement contracts. In addition, until 2007, the Kazakh constitution prohibited state funding of public associations (the primary NGO form in Kazakhstan), which was broadly interpreted to prohibit any financial relations—including contracting—between the state and any NGO.

In many countries, income from procurement contracts is subject to taxation, especially in situations where NGOs compete alongside commercial companies for those contracts. In some cases, however, NGOs are exempt from a certain amount or certain categories of income received through economic activity. In addition, some countries explicitly exempt income earned by NGOs on procurement contracts. For example, in Kazakhstan, NGOs are exempt from income taxes on procurement contracts designated as “social contracts.” In Kyrgyzstan, a new law adopted in 2008 states that social contracts will be awarded as grants, thus exempting them from income under existing tax law.

*Restrictions on activities.* In other countries, certain activities are off-limits. For example, in Bulgaria, NGOs are prohibited from providing health services. In other countries, barriers are more subtle. In Ukraine and Montenegro, NGOs must obtain a license or attain a certification by the state to provide certain services. While reasonable at first glance, NGOs have complained the licensing procedures are often opaque and expensive, creating a barrier to entry into certain fields. In many countries, NGOs may engage in economic activity only “to the extent necessary for” or “closely related to” their statutory goals (e.g., Belarus, Kyrgyzstan, Russia, Romania, Tajikistan). The meaning of these phrases is usually not articulated by government officials, but often discourages NGOs from entering into contracts for fear of being accused of engaging in illegal activity

Conversely, some countries have created set-asides for NGOs, precluding businesses and other entities from bidding on certain kinds of agreements (often cast as “social contracts”). For example, Kazakhstan forbids commercial organizations, trade unions, political parties and religious organizations from bidding for contracts designated as social contracts under the Budget Code. Similarly, Hungary sometimes favors bidders that have been designated as “public benefit organizations” when awarding social contracts. However, in many other countries, the primary goal of procurement contracting is not to provide support to NGOs. Rather, governments are seeking to provide the lowest cost for the service tendered, and they open the competition to commercial companies, NGOs and others (this is the case, for example, in Croatia, Montenegro, Russia, and Ukraine).

*Subsectoral impact.* Even if the foregoing barriers can be overcome and a valid project tendered, contracting has a disparate impact on different parts of the NGO sector. By definition, the primary purpose is to provide a state function/service or to provide a direct benefit to the government. Therefore—and most obviously—contracting favors NGOs working in fields aligned with governmental priorities and disfavors groups that challenge state policies or work in areas not prioritized by the government.

*Bias toward well-capitalized organizations.* Even within the subset of organizations working in prioritized areas, financial requirements have a disparate, negative impact on small organizations. Many procurements require the contractor to cover all or a significant portion of costs up front and then seek reimbursement for expenses paid. In Russia, for example, the Budget Code explicitly withholds 70 percent of payment for services until after the work is complete.<sup>16</sup> Some tenders also require security deposits or bank guarantees that most NGOs cannot afford.<sup>17</sup> Since NGOs in the region have limited access to credit, these rules often bias procurement contracts toward larger, well-capitalized service delivery NGOs (or GONGOs). Indeed, in Kazakhstan, the majority of social contracts awarded between 2004–07 went to organizations established by or closely connected to the government.

*Duration of award.* In addition, some procurements are funded on an annual cycle. In practice, this means that contracts are often not awarded until the middle of the year and must be completed before the end of the year (e.g., Kazakhstan and Romania). Funding restrictions of this type limit the ability of an NGO—particularly smaller NGOs with limited ability to reassign staff to other funded programs while awaiting funds—to build capacity and retain qualified staff.

*Use of funds.* Even if these challenges can be overcome, further sustainability challenges arise. In some countries, funds can only be used to carry out program-specific activities, and rules restrict or prohibit the use of funding for other legitimate expenses. In Kazakhstan, for example, funds awarded through a social contract may not be used to cover expenses relating to operating an office or acquiring equipment. Moreover, NGOs often have little role in the design of tenders, requiring them to produce largely pre-determined deliverables, leaving little room for innovation—a critical component of long-term organizational sustainability.

In summary, contracting has limitations, but it remains an important source of revenue for many NGOs, particularly those engaged in service delivery aligned with governmental interests. For example, in 2007, government contracting with NGOs in Hungary amounted to \$196 million.<sup>18</sup> Government contracts with NGOs in Kazakhstan grew from just \$400,000 in 2003 to \$10 million in 2008 supporting organizations providing vocational training, drug addiction prevention programs, orphanages, and so forth. A newly launched social contracting program in Kyrgyzstan began with the distribution of \$125,000 in 2008, albeit under rather secretive conditions, and will distribute some \$500,000 next year under newly adopted regulations which provide a greater measure of transparency.

### **3. Taxpayer designation systems**

One of the more innovative financing mechanisms in the CEE region are the so-called “designation” schemes, whereby individual taxpayers may direct that a certain percentage of their income taxes be remitted from the government treasury to one or more designated public benefit NGOs (in some countries, from a list developed and maintained by the government). Although a popular name for this mechanism is “percentage philanthropy,” this type of funding mechanism diverts money that has already been paid to the government by the taxpayer and does not cause the taxpayer to incur any additional cost (nor, for that matter, does the taxpayer obtain any sort of refund or other benefit if he or she chooses *not*

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<sup>16</sup> In others, final payment is conditioned on approval of the final project report, which is at the discretion of the government (Kazakhstan).

<sup>17</sup> To address this situation, some countries such as Kazakhstan have enacted special provisions to exempt NGOs from security deposits, but this is the exception rather than the rule throughout the region.

<sup>18</sup> Although this amounted to only 4.3 percent of total nonprofit sector income in that year, it is still a large sum of money. Furthermore, in Hungary, many NGOs receive financing for social services through so-called “normative” financing, which is distributed on a per-capita basis according to the number of recipients of the services; this amounted to an additional \$377.4 million. Together, these two forms of financing accounted for about 12.5 percent of total nonprofit sector income.

to designate). Therefore, it is more properly considered a public financing mechanism than a form of philanthropy.

Hungary was the first country in the region to adopt such a mechanism (in 1996), permitting taxpayers to designate 1 percent of their income taxes to be paid to civil society organizations, and an additional 1 percent to churches. Other countries followed with similar mechanisms: in Slovakia, 2 percent of income taxes may be designated (corporate as well as individual taxpayers may designate under this law); Slovenia 0.5 percent; Romania 2 percent; Poland 1 percent; and Lithuania 2 percent. Designation rules have not yet taken root in Eurasia.

The amounts of money distributed and numbers of recipients under tax designation schemes demonstrate their popularity. In Hungary, for example, the amount distributed more than doubled in real terms from 1997 to 2006 (from EUR 7.1 million to 29.7 million—a fourfold increase in nominal terms). Close to half of all eligible taxpayers participated and over one-third of eligible organizations received designations (from approximately 8,400 organizations in 1997 to 20,000 organizations in 2006). In Slovakia, where NGOs have to be registered beforehand to be entitled to receive designations, 97–99 percent of registered organizations are beneficiaries. The number of beneficiaries grew from 3,827 to 7,062 between 2002 and 2006, representing around 9 to 15 percent of the entire sector.

Key aspects of the tax designation schemes, compared with the other mechanisms considered in this paper, include the following:

1. *Ease of administration; low cost to the taxpayer/decision maker.* To participate, taxpayers fill out a short form; the government does the job of remitting the designated amounts to the NGO beneficiary. Taxpayer-designators do not have to spend any money out-of-pocket, as the designation is made from tax dollars already remitted.
2. *Broad array of NGOs that are potential recipients.* In Hungary and in Romania, the beneficiaries can be associations, foundations and other institutions seen as pursuing or promoting the public good.<sup>19</sup> In Slovakia, where beneficiaries have to be registered in advance, about 15 percent of the NGO sector is listed, but 97 percent of those listed are beneficiaries.<sup>20</sup> NGOs that might otherwise lack capacity to compete for financing through other mechanisms can still receive designations with potentially very little effort.<sup>21</sup>
3. *Broadly distributed support.* Empirical evidence from Hungary, which has had the longest experience with a designation scheme, indicates that over one-third of all eligible NGOs received some designations in 2006, which is almost certainly more than would have received direct financing from the government under grants or other programs with higher administrative costs. The ability to donate to more than one organization at the same time, as in Slovakia, increases the potential number of NGO recipients. The fact that the taxpayer makes the designations also increases the likelihood that some level of support reaches NGOs who may be critical of government policies or are otherwise not likely to be favored when a government agency is the decision maker.
4. *Broad array of potential designators.* In most designation systems, virtually any taxpayer with a certain minimum income may make a designation. In Slovakia, the law was amended in 2004 to permit designations by business entities as well as individuals. However, only those persons who

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<sup>19</sup> The list of eligible beneficiaries also includes some public bodies (e.g. the Hungarian Academy of Sciences), government-funded institutions (e.g. the Hungarian State Opera House), and government-backed funds (e.g. the Hungarian Scientific Research Fund).

<sup>20</sup> Environmental and human rights organizations that are actively involved in politics are unable to apply. There have been some proposals to restrict the use of tax designations to organizations involved in social and health care, culture and sports.

<sup>21</sup> Further information on designation schemes can be found at [www.onepercent.hu](http://www.onepercent.hu).

actually pay taxes may make a designation, thus eliminating from consideration large numbers of people such as pensioners, students and those whose income is not high enough after taking into account various tax benefit measures.

From a sustainability perspective, designation schemes have been most effective in fostering a closer relationship between NGOs and the public. In order to capture designations, NGOs have had to devote greater resources to serving the community, increase public awareness of their work, and build public support. Because a designation does not involve a financial sacrifice on the part of the designator, it has been easier, in cultures that do not have a strong tradition of private donations, for NGOs to reach out to people and explain what they do and why people should support them. In addition, the designation process made it easier for taxpayers to become aware of the existence of NGOs. These links between NGOs and the public encourage NGOs to build their capacity for fundraising in general, which is a key component of sustainability. At the same time, however, designations are anonymous, so NGOs have difficulty forging long-term links with their supporters and accordingly engaging in more targeted fundraising efforts.

In one sense, designation schemes are very popular (aggregate amounts designated continue to increase) and are highly effective in distributing support to a broad array of NGOs, generally more NGOs than would have been able to receive other forms of direct funding. However, evidence in Hungary and Slovakia also indicates that the amount designated per NGO has not increased significantly (about \$1,500 per NGO in Hungary in 2007; slightly less in Slovakia). While the aggregate amounts designated have risen, the numbers of potential and actual beneficiaries have also risen, leaving the average designation about the same, and even decreasing over the past couple of years. Furthermore, the percentage of taxpayers making designations has not increased appreciably since the system was inaugurated and is now slightly below 50 percent, suggesting that the system “plateaus” after a few years. In Hungary in 2008, 52 percent of recipients received designations less than HUF100,000, or \$476, and 95 percent received less than HUF 1 million, or \$4,760. Only 5 percent of all NGOs receiving designations took in more than US\$4,760 from the 1 percent mechanism, and there were only fourteen NGOs altogether which received more than HUF 50 million or \$238,000.

The system also seems to favor NGOs with popular causes, such as child cancer, animal welfare or hospital foundations—organizations which also tend to receive significant state support through other mechanisms. Designation systems have yet to prove themselves as significant new funding opportunities for human rights NGOs or those representing difficult causes such as HIV/AIDS prevention and treatment or support for marginalized ethnic minorities.

Another drawback to this type of system is that some governments have perceived that designation laws are sufficient to support the third sector and have scaled back other programs or eliminated other tax benefits. For example, donations that could be deducted from otherwise taxable income have been eliminated in Slovakia and Lithuania. There were also fears that individuals would find designations a sufficient form of support for NGOs and might curtail other donations. However, recent evidence suggests that fears of widespread reductions in government or private support have been unfounded.

On balance, in countries with more developed tax administrations but less developed philanthropic cultures, the percentage mechanism may serve to help introduce more links between citizens and NGOs, and it may also assist in building public relations and fundraising capacities of NGOs, including smaller NGOs. However, due to the inherent limitations of tax designation systems, in the long term they can fail to keep up with sectoral growth, or even hold back development of a healthy private fundraising environment.

#### 4. Subsidies

For purposes of this paper, a “subsidy” is general support from a government to an NGO. Unlike procurement contracts, subsidies are not typically tied to any particular deliverable or program purpose. Rather, funding can be used to cover general operating support of an organization. Often, the recipients and amounts are written directly into the national or municipal budget.

Among other countries in the region, Hungary, Romania, Bulgaria, and Russia provide subsidies to select organizations. Beneficiaries include organizations supporting youth, sports, pensioners, and people with disabilities. In some cases, these groups are successors to social support or trade organizations that in Soviet times were considered part of the government or were run by the Communist party and which successfully lobbied for continued support after transition.<sup>22</sup> In other cases subsidies are provided to organizations perceived to be the premier representative of a certain segment of the population—for example, associations representing veterans of the recent Balkan wars. Subsidies are also given to local chapters of recognized humanitarian organizations such as the Red Cross. Local government units that do not have the capacity to conduct open competitions for grants may provide noncompetitive subsidies instead.

Typically, subsidies are given by various Ministries and often the name of the recipient NGO and the amount provided are written directly into the budget. In recent years, as new organizations form with missions similar to those of organizations receiving subsidies, governments have been forced to evaluate whether they should provide subsidies to all such organizations or shift to a competitive grantmaking process. For example, in the early 1990s Hungary provided a subsidy to a women’s association that had formerly been controlled by the Socialist party. As new, independent organizations dedicated to promoting women’s rights began to form, the subsidy was increasingly seen as anachronistic and eventually was discontinued. On the other hand, an organization representing the physically disabled continues to receive a subsidy even though many other organizations with similar missions have since formed. One very interesting recent phenomenon in some new European Union member states has been the formation of organizations dedicated to international development. In Hungary, an association of international development NGOs known as “Hand” receives a subsidy from the Ministry of Foreign Affairs.

Since subsidies can often be used to cover operating expenses of an organization, including overhead and administrative expenses, they are important sources of financial sustainability for the organizations that receive such subsidies. At the same time, subsidies are typically provided to a small group of organizations through a noncompetitive process, so the impact of subsidies on overall sector sustainability is rather limited. Figures on actual subsidies, and the process for obtaining subsidies (if indeed one exists) are very difficult to come by, making it extremely difficult for NGOs to access the system or evaluate their prospects for obtaining financing in this manner.

#### CONCLUSIONS AND OBSERVATIONS

The funding mechanisms studied all have important implications for NGO sustainability in differing respects. Given these differences, one important conclusion to draw at the outset is that no single mechanism is preferred or should be thought comprehensive. Indeed, countries with more developed NGO sectors employ a variety of mechanisms to meet different policy objectives and NGO needs.

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<sup>22</sup> Many of these organizations might have had roots as independent organizations before the Communist takeover, e.g., in Bulgaria, when virtually all CSOs came under the state-controlled system.

For example, contracting can work well for the procurement of certain kinds of services. Nearly every country has procurement laws already in place that can be adapted for social contracting by means of well-developed model legislation (e.g., along the UNCITRAL model<sup>23</sup>) or other means. By contrast, a grantmaking mechanism, as employed by the dedicated funds for civil society, can work well as a discovery mechanism to determine the programs that each NGO is most capable of providing and can enable the government to benefit from innovative proposals for addressing important social problems.

Below are characteristics of the mechanisms studied that influence NGO sustainability.

*Transparency: clear, published, objective rules for establishing eligibility, selection procedures and evaluation of applications.* Transparency is a cornerstone concept for an effective financing program. In terms of dedicated funds, transparency is most evident in the operations of the Croatian National Foundation. Most procurement laws have some notions of transparency built-in, enabling NGOs to prepare responsible bids. Where transparency is lacking, as with the Uzbekistan Public Fund and most subsidy programs, independent NGOs may have little if any ability to access resources. In the case of the taxpayer designation systems, it is important that taxpayers understand how the system works so they can make designations, and for NGOs to know how to become eligible for designations so they can solicit support. It is also important that the tax administration system be seen as efficient and trustworthy in allocating designated funds properly. For subsidies, the decision making is often fairly opaque, with terms developed without transparent procedures or criteria.

*Decision-making authority.* The mechanisms studied vest financing authority in very different bodies. In the case of the dedicated funds in Croatia and Azerbaijan, these bodies include representatives from the NGO community, which—depending on the independence of the NGO members and the general political environment—may help balance the tendency of government representatives to make awards that directly further government interests. For example, awards for programs that monitor government activity might have a greater chance of being funded by a board that is independent of the governmental unit to be monitored. In the case of procurement contracting, the authority is very often given to line ministries and local government units, thus providing a decentralized scheme that can target support more effectively in specific sectors and local communities. In this regard, it is important also to note that the Croatian Foundation has delegated some of its grantmaking authority to four regional bodies. In the case of subsidies, decision makers can include parliament, the government as a body, or various government agencies or bodies individually. In the case of designation programs, a multitude of taxpayers make the decisions among designated public benefit organizations, which tends to spread financing to a much larger number of organizations who might otherwise lack the capacity to bid for awards under a more structured mechanism. In contrast, subsidies are often decided through political channels—whether the government or the parliament.

*Recipients.* We have seen that taxpayer designation systems reach a wide variety of recipients, including small NGOs. At the other end of the spectrum, procurement contracting laws often favor the largest, most sustainable organizations and are not the best tool for providing a lifeline to small and struggling NGOs. A dedicated fund mechanism lies somewhere in the middle, depending on how it is structured. It can provide smaller awards to a greater number of organizations if it wishes, and it can be more flexible in structuring its programs, so that, for example, in the same tender process it might issue a number of different awards of varying sizes. Subsidies, for those organizations which are in a privileged position to get them, may be the most secure source of funding for a time, but they tend to be awarded to only a few organizations on the basis of highly subjective criteria.

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<sup>23</sup> UNCITRAL stands for United Nations Commission on International Trade Law, which among other things develops model legislation in compliance with World Trade Organization standards.



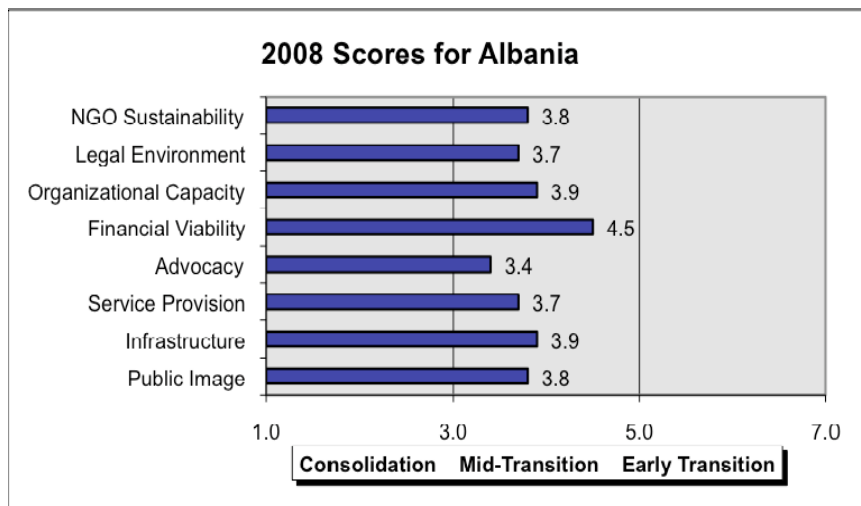
*Size of awards.* Larger awards are seen to contribute more to an NGO's ability to survive for a given term, all other things being equal. Of course, program awards are usually keyed to a specific timeline, and it is possible to spend a large amount of money over the same timeframe as a smaller amount, depending on the nature of the program. Taxpayer designation schemes, with their extremely broad reach, tend to provide funding to the greatest number of NGOs, but the other side of the coin is that awards tend to be quite small and usually not enough to sustain many organizations without additional support. But these designation schemes also are a great public awareness tool and encourage NGOs to be more responsive and sensitive to public needs and preferences when evaluating their own missions and programs. In that sense, designation schemes probably have a more profound effect on sustainability than would be the case if equivalent awards were made by a dedicated fund or government body, at least in the medium term.

*Uses to which funding may be applied.* As noted earlier, one of the severe difficulties with some funding mechanisms is that they often restrict the use of funding for operational or administrative expenses. (This is not limited to contracting laws; it can occur in grantmaking mechanisms as well.) These types of restrictions can constrain an NGO that might otherwise be willing and able to implement a given program, because the NGO might not have sufficient resources to fund non-programmatic costs. Restrictions of this type also can compel an NGO to suspend operations between funded programs, which can have a devastating effect on any organization if it cannot fund basic costs such as staff salaries, office space, and so forth. By contrast, some of the dedicated fund mechanisms provide not only programmatic and institutional support but also a variety of technical support programs designed specifically to assist NGOs in their efforts to become sustainable.

In sum, public financing of NGOs is playing an increasingly important role in the countries covered by the Sustainability Index. Nearly all the countries studied in the Index have employed at least one of the types of public financing mechanisms considered here, and more are currently under consideration in a number of countries. Careful consideration of the factors listed above can have a profound effect on the efficacy of a mechanism, for better or worse, in terms of helping NGOs to become more sustainable.

# SECTION 5: COUNTRY REPORTS

## ALBANIA



**Capital:** Tirana

**Polity:**  
Emerging Democracy

**Population: \***  
3,639,453 (July 2009 est.)

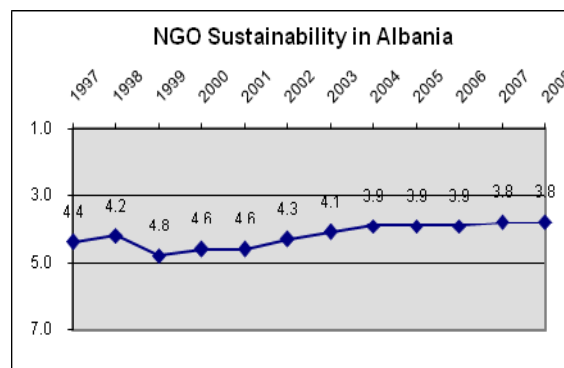
**GDP per capita (PPP):**  
\$6,000 (2008 est.)

### NGO SUSTAINABILITY: 3.8

Approximately 450 active NGOs are registered in Albania. The Albanian NGO sector experienced slight improvements in its sustainability during 2008, but significant constraints remain.

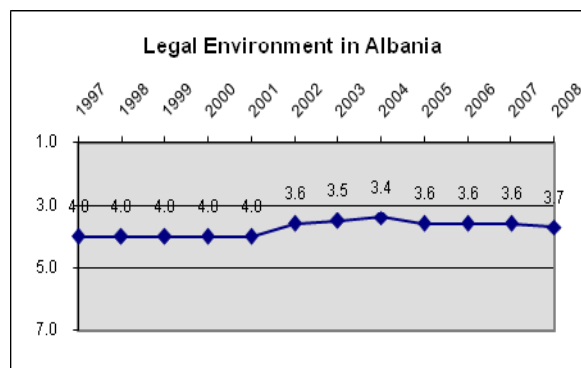
Albania's NGO sector is small and the enabling environment is constrained. NGOs continue to remain heavily dependent on donor funds. Access to government or private funding is limited. As a result, most NGOs orient their operations to match available funding rather than operating under their own strategic approaches. Individual NGOs showed improvement, but overall the NGO sector is weak. Greater economic growth in Albania is

increasing the amount of potential domestic funding for third sector activities, but this investment remains insufficient to meet the sector's needs.



\* Population and GDP figures in all reports are drawn from Central Intelligence Agency, The World Factbook [<https://www.cia.gov/library/publications/the-world-factbook/>].

## LEGAL ENVIRONMENT: 3.7



The legal environment deteriorated during 2008. The government made important changes to the law without any consultation with the NGO sector. An amendment to the Tax Code requires all tax offices to apply 20 percent VAT to NGO grants and service contracts. This legal action is not consistent with the NGO law and has

prompted NGOs to advocate strongly for its reversal.

NGOs are permitted to earn income from economic activities, but this income is subject to taxation. As of February 2009, the prime minister agreed to create a working group involving NGO representatives that will examine the issue of taxation of NGO grants and earned income.

The NGO registration process remained largely the same. NGOs located outside the capital are still required to come to Tirana to complete the registration procedure.

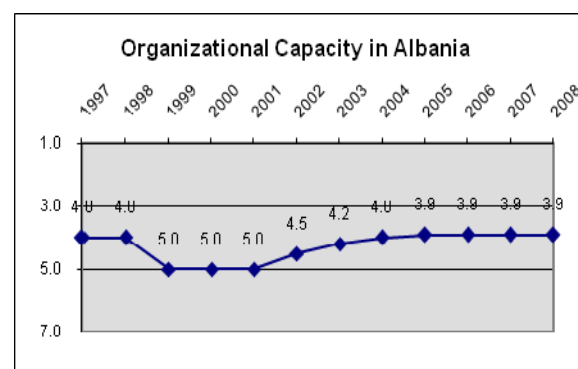
Lawyers trained on NGO legal issues continue to be located primarily in the capital and are quite limited in number. As a result, NGOs in most of the country lack adequate legal assistance.

## ORGANIZATIONAL CAPACITY: 3.9

NGOs with constituents, such as the Citizen Advocate Office and the Mjaft! Movement, are limited. In general, NGOs function with volunteers and temporary staff, and few have members.

Organizational capacity is strong in only a handful of NGOs. Most NGOs lack solid management structures and do not conduct strategic planning. Some small, ineffective NGOs that lack stable management systems and financial resources have been unable to survive the decrease in donor funding. A few NGOs have outlined a clear strategic vision, possess well-established structures and policies, and have a recognized division of responsibilities between the decision- and policymaking bodies and the executive body. Even strong NGOs, however, often adapt their strategic visions to be consistent with those of donors. Usually permanent, paid staff is limited and NGOs hire additional staff on an as-needed basis for specific projects that are donor-funded.

Some large NGOs applied for funds through the European Commission, but they have had limited success in receiving EC funding. NGOs complain that the procedures are extremely bureaucratic and that it is difficult to meet the eligibility requirements.



NGOs have basic information technology, but their resources do not allow for upgrading their IT equipment. A limited number of NGOs, such as Mjaft!, Institute for Development and Research Alternatives (IDRA), Partners/Albania,

Co-Plan, and Helsinki Committee have a permanent presence on the Internet and

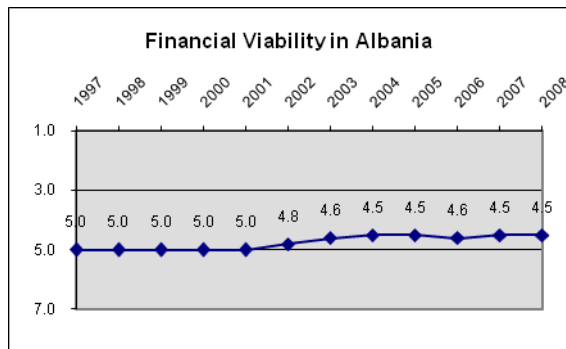
publicize their successes and achievements on a regular basis through newsletters or other means.

### FINANCIAL VIABILITY: 4.5

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NGOs' financial viability is still very dependent on donor funding. The decrease in donor funding makes it difficult for NGOs to maintain financial viability. A well-coordinated strategy on donor cooperation in the NGO sector is lacking. NGOs also face difficulties in accessing funds due to donors' differing and bureaucratic procedures.

Only a handful of NGOs have sound financial management systems in place and are receiving funding from a variety of sources. These few organizations are becoming quite influential in the public sphere.



In general, the NGO sector's overall resources are insufficient to meet its financial needs. Only rarely do NGOs charge fees for their services or engage in economic activities to support their work. In addition, NGOs generally do not

engage in fundraising, and Albania has no culture of philanthropy.

Businesses have no incentives to sponsor NGOs. NGOs have taken initial steps to develop and promote the concept of corporate social responsibility (CSR) within the business community, aiming to increase business support to the NGO sector. In 2008, a survey and report by the Albanian Disability Rights Foundation (ADRF) entitled "Corporate Social Responsibility and Communities in Need" identified a low level of recognition of CSR concepts among businesses as well as NGOs, and a lack of legislation to promote corporate or individual philanthropy. UNDP also identified this issue in a roundtable at which it presented a draft report on CSR in selected Balkan countries.

The government of Albania has increased its support to NGOs by including a line item in the state budget for contracting NGOs to provide social services. These funds will be managed by a new Civil Society Fund, which is expected to become operational in 2009.

The level of cooperation between NGOs and local government bodies continues to be a positive development. Local governments are increasing their support to NGOs that provide services. Despite this improvement, the funding is still limited.

### ADVOCACY: 3.4

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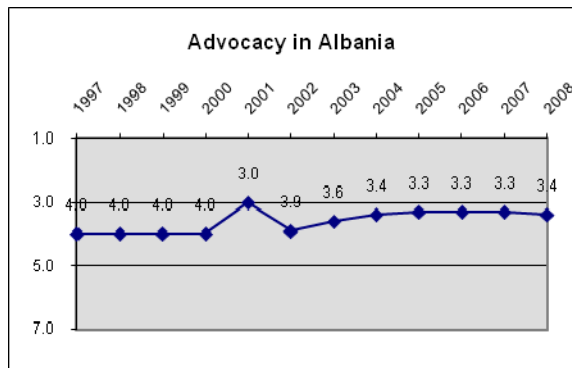
In 2008, NGOs focused on advocacy primarily because donor funds were channeled towards advocacy-related projects. Cooperation with the government declined, however, and positive initiatives from previous years did not continue. For example, the government made the decision to apply the 20 percent VAT to grants and service contracts without any process of consultation with civil society. This affected the positive relationship between the NGO sector

and the government. The donor community repeatedly urged the government to foster a better climate of cooperation with the NGO sector. NGOs are usually affiliated with political parties, worsening the situation.

Some positive developments occurred over the last year, however. NGO advocacy efforts largely targeted legislative improvements and monitoring the implementation of laws and

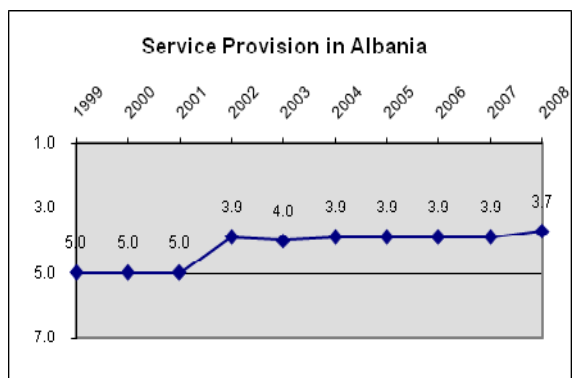
policies. NGOs participated actively in public forums and advocated for legal reforms such as adoption of the Gender Equality Law and the Law on Changes in the Electoral Code, both of which provide for a minimum 30 percent female

representation in parliament. Civil society organizations representing environmental NGOs and business associations succeeded in lobbying efforts.



The Law on Local Borrowing was adopted unanimously by the Albanian parliament in February 2008 due to a strong advocacy campaign organized by the Albanian Association of Municipalities. Some think tanks and disability NGOs have successfully advocated for a barrier-free environment by participating in urban planning reform. In addition, these organizations have worked with business associations to promote licensing reform.

### SERVICE PROVISION: 3.7



The number of NGOs providing services to their constituents is gradually increasing. NGOs are providing a growing range of basic social goods and services that reflect the needs of their constituents and stimulate NGOs' capacities as service providers. These services are mainly in the areas of social services, health, education, training, and social rehabilitation.

information centers, centers for elderly people, and rehabilitation and integration centers. Despite the increase in number, the quality of services provided leaves much room for improvement. NGOs charge small amounts for services and never recover their full costs.

A network of NGOs provides services to victims of domestic violence and victims of human trafficking. This network is primarily supported by the donor community. To date the government has not supported it, despite repeated promises.

Central and local government bodies increasingly recognize NGOs as service providers. During 2008, more than 110 NGOs were licensed by the central government to offer a range of services for disabled people, abused women, abandoned children, the elderly, and youth. These NGOs' services included day care centers, counseling, community services,

The Ministry of Labor and Social Affairs in cooperation with the World Bank has implemented a major project in the area of social services in Albania. The main objective of the project is for ministry-licensed NGOs to deliver services in communities. This project has supported the creation of forty-five new centers that offer social services in communities in eight regions throughout Albania. The ministry's social services inspectorate conducts monitoring in order to guarantee the quality of the services delivered by NGOs.

The Albanian government has started a process of decentralizing social services to better target

vulnerable groups. Some social services for vulnerable groups have been transferred to the

local level, where NGOs and local government structures are managing them.

### INFRASTRUCTURE: 3.9

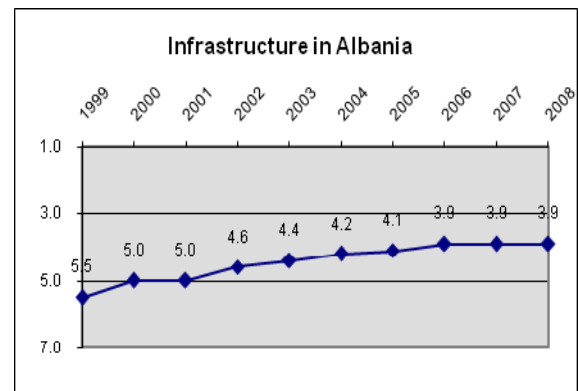
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NGO infrastructure generally deteriorated during 2008, but coordination and collaboration between NGOs began to increase. The Civil Society Development Centers that used to provide support to local organizations throughout the country closed due to shrinking donor funds. These organizations were widely recognized for the provision of a broad range of support services, such as computer usage and Internet access, and served as training providers and sources of information for local NGOs. Despite this loss, active NGOs such as Partners/Albania Resource Center and ADRF provide trainings and consulting services to local NGOs. These organizations are mainly located in the capital city, however, and it is difficult for NGOs from remote areas to access their services.

No local grantmaking organizations exist in Albania to address locally identified needs and provide assistance to local NGOs to implement community projects.

Despite the challenges mentioned above, NGOs are becoming increasingly aware of the benefits of working together and having stronger communication with one another. Several coalitions, such as Disability and Development Coalition Albania and Together against Human

Trafficking, are strongly supported by the donor community and their future sustainability is questionable. Usually NGOs operate in isolation, but they are increasingly aware of the necessity to target and involve all relevant stakeholders at the national and local levels. ADRF operates at the district level through a network of lawyers, offering free legal aid to people in need, while attempting to establish networks to address issues of importance for the community.



These networks include all relevant stakeholders, public and private. In 2008, the central and local governments in five districts requested ADRF's technical support to complete local action plans on implementation of the national disability strategy.

### PUBLIC IMAGE: 3.8

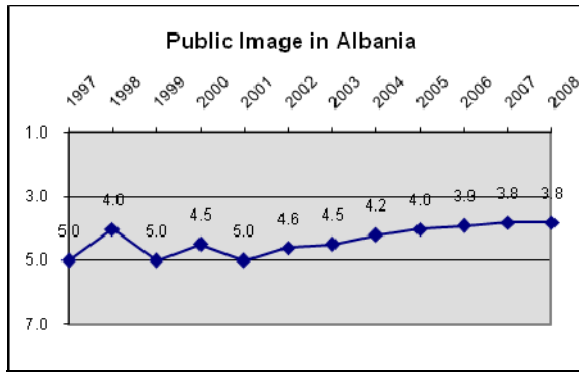
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NGOs have increased their visibility in the media and obtained wider coverage of their events and press releases, but not in a systematic way. The media generally portray positively NGOs' role in civil society. The media-NGO relationship depends on the personalities of NGO leaders, however. Some NGOs appear quite often in the press due to their strong personal ties with the media.

The media widely covered the release of the Transparency International report on corruption in Albania, as well as the release of the

"Corruption Perception Survey" by IDRA, a reputable NGO. The public also has a high level of trust in these organizations. According to the 2008 "Corruption Perception Survey," nearly 40 percent of the public is aware of the role civil society plays in the fight against corruption, versus 30 percent in 2007.

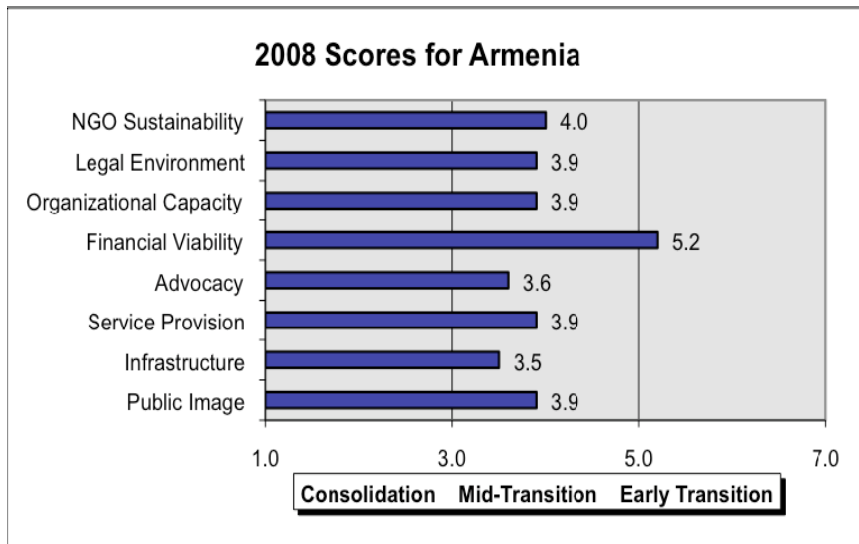
The government often invites business associations to participate in roundtable discussions as sources of expertise. Reputable NGOs, such as the Helsinki Committee, Transparency International/Albania, and the



Mjaft! Movement, regularly publicize their activities and promote their public images. The leaders of these NGOs have become more sophisticated in delivering strong messages to the public and playing their roles as advocates for change.

Some leading NGOs are in the process of adopting a code of ethics. Only a handful of NGOs publish annual reports to demonstrate transparency and accountability in their operations.

# ARMENIA



**Capital:** Yerevan

**Polity:**  
Republic

**Population:**  
2,967,004 (July 2009 est.)

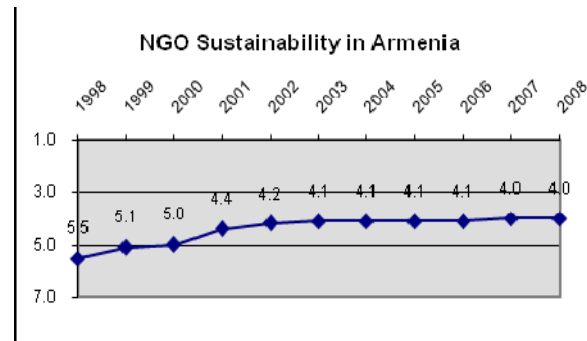
**GDP per capita (PPP):**  
\$6,600 (2008 est.)

## NGO SUSTAINABILITY: 4.0

The estimated number of registered public organizations in Armenia, including membership NGOs, foundations, and associations, is upwards of 4,000. By most estimates, however, only 10 to 15 percent of these registered organizations are actively pursuing their missions at any given time.

The overall sustainability of Armenian NGOs remained largely unchanged in 2008. Certain positive trends emerged, in addition to certain setbacks. The post-presidential election unrest in Armenia in March 2008 and the ensuing state of emergency and greater security controls had a notable, albeit indirect, impact on the mobility and activities of NGOs. Because of stringent state-of-emergency rules, NGOs were not able to carry out their regular activities in the capital Yerevan, and had to significantly reduce or cancel public events. After the state of emergency was lifted, well-established and strong NGOs bounced back and resumed their activities with a greater sense of common purpose.

Armenia has typically been a funding-rich environment for NGOs, but the prospects for international funding are dwindling as a result of new demands on foreign assistance and donor



insistence on impact and greater public or private cost-sharing. This decrease in funding has led to a gradual weeding out of weaker NGOs and those focused on ever-shifting donor agendas, leaving stronger, mission-oriented NGOs room to broaden their service and advocacy portfolios. Many NGOs improved their financial and organizational structures, and revised their human resource, financial and programmatic management policies to introduce greater functionality and formality in their operations. NGO training providers noted greater demand for training addressing these issues.

NGOs are pushing harder on both open and closed doors in national and municipal government through focused advocacy

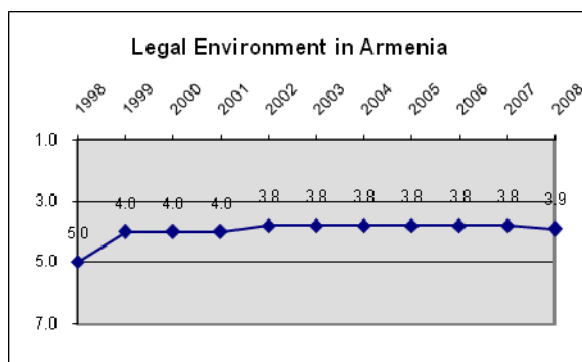


initiatives. The public perception of NGOs remained generally positive. This was a result of their active participation in 2007 parliamentary elections and presidential and local elections in 2008, as well as the visibility of informal youth movements in the run-up to and aftermath of the national elections. NGOs were also successful in developing cooperative relationships with the Armenian government, especially in the regions.

In 2008, sixty Armenian NGOs initiated a new collaborative network with the National Assembly.

NGO sustainability is still adversely affected by the prevailing legal framework, which does not allow for the growing diversity and complexity of the non-state sector.

### LEGAL ENVIRONMENT: 3.9



The NGO sector is regulated by three laws: the Law on Public Organizations, the Charity Law, and the Law on Foundations. The majority of NGOs are registered under the Law on Public Organizations, which requires new organizations to register with the State Registry based in the Ministry of Justice. The process is somewhat expensive and burdensome, particularly for groups that have to travel from the provinces. While there are no plans to change the process, there have been some minor improvements. For example, offices that issue required seals have opened in the provincial centers, allowing newly registered organizations to order and receive their official seals locally.

NGOs claim that the registration process is corrupt and difficult in practice. Some NGOs reported that they were asked to pay “fees” to accelerate the process. Officials eventually

registered NGOs, although with delays and additional bureaucratic obstacles.

There were numerous cases of administrative impediments to NGO operations in the aftermath of presidential elections in Armenia. The government banned all public gatherings and discussions under a twenty-day state of emergency. A number of NGOs found it impossible to regroup and work with their communities for as long as six months after the presidential elections because of a fear of government harassment. NGOs practiced self-censorship, a new phenomenon in the post-Soviet Armenian NGO sector, out of fear of government targeting. In addition, tax inspection officers visited several national-level, politically active NGOs on an ad hoc basis in the weeks following the elections, but none of the NGOs reported prolonged or unfair treatment.

The legal framework prevents NGOs from generating income and fails to provide beneficial tax exemptions. NGOs registered under the Law on Public Organizations are prohibited from engaging in direct income-generating activities, although foundations may. In addition, the law only permits NGOs to register as general membership organizations, which prevents the adoption of organizational structures such as boards of directors or advisory councils.

### ORGANIZATIONAL CAPACITY: 3.9

NGOs continued to improve their organizational capacities in response to the increasingly competitive environment created by the decline in grant opportunities. Many NGOs are engaged

in strategic planning and are making efforts to identify and advocate for their constituents and beneficiaries. At the same time, however, NGOs demonstrated little to no capacity to mobilize

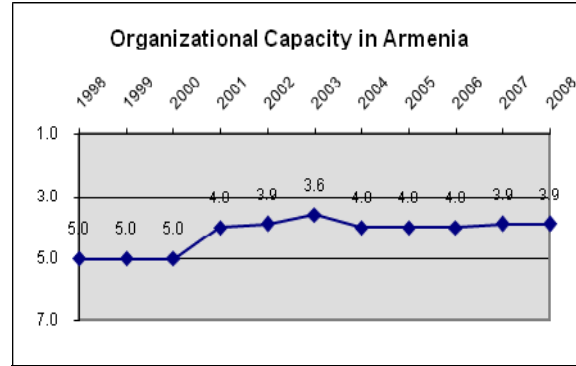
their constituencies or the broader public in the aftermath of the presidential elections. During the elections, NGOs mobilized around the common cause of free and fair elections.

The decline in funding has nevertheless led to certain positive changes in planning and strategic programming practices, which have become institutionalized in stronger national-level NGOs. NGOs placed greater emphasis on actively soliciting funding from corporations and the national government. Three government social service contracts were granted to national NGOs in 2008, and a leading telecommunications company and IT sector organization funded three strategic partnerships. The quality of NGO personnel has improved and, as a result of donor requirements, a number of NGOs now have clearly defined staff responsibilities.

Though many continue to be driven by a single charismatic leader, more NGOs, especially youth-led groups, are adopting a more inclusive approach toward management and leadership within the organization and across coalitions.

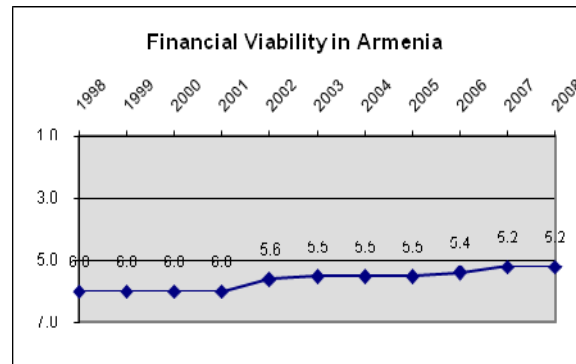
## FINANCIAL VIABILITY: 5.2

As a result of the overall decline in grant opportunities, many organizations are surviving from grant to grant or seeking alternative funding sources. NGOs now actively seek private funding as well as support from international donors that have not had a strong presence in Armenia in the past. Local sources of NGO funding are still limited, although there are some positive developments. The government continues to provide small-scale funding to NGOs, primarily in the areas of social services for vulnerable populations, public awareness, and health campaigns. Recipient organizations tend to be pro-government and noncontroversial. NGOs have new, although limited, opportunities to receive funding from local self-governing bodies. Local businesses and individuals have increased their support of NGOs over the past two years. Such funding is still very modest, however. Businesses lack tax breaks or other incentives to engage in philanthropic activities.



The overly simplistic Law on Public Organizations and the Soviet legacy of normative interpretation of legislation prevent organizations from adopting a more effective model of NGO management with boards of directors. NGO boards continue to be poorly integrated into organizations and do not contribute to improved accountability and impact.

Most organizations have adequate equipment for their operations. Access to the Internet, however, is spotty throughout the country.



Discussion between the government and the NGO community on a 1 percent law that would earmark public funding for the NGO sector was tabled in 2007. In 2008, a national NGO, Professionals for Civil Society (PFCS), used the post-election environment as an opportunity to revive a discussion with government agencies on sector-wide legislative reforms, including the 1 percent law. PFCS along with the Foundation for Small and Medium Business, NGO Center,

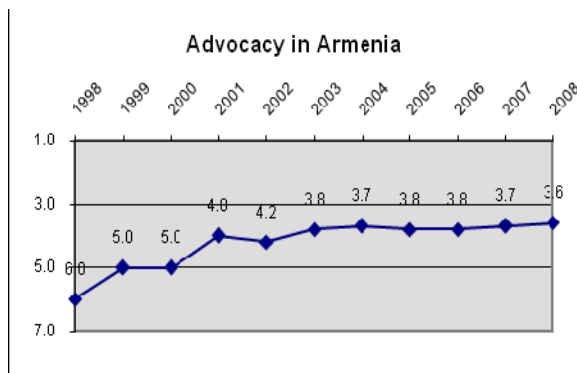
Mission Armenia, and ARAZA Benevolent NGO successfully advocated for the development of social partnership frameworks to provide municipal budget allocations for NGO activities and social services in five large and midsize municipalities. Most of these social partnerships were funded out of the 2009 municipal budgets and only recently became operational.

Many organizations fear that they will be targeted by the tax authorities if they engage in economic activities, although in the last year an increasing number of NGOs began establishing affiliated for-profit entities that were used to

generate income from entrepreneurial activities. The government justifies its restrictions on economic activity by claiming that nonprofit organizations will evolve into de facto for-profit organizations hiding behind their nonprofit status.

NGOs' financial management systems have noticeably improved and more NGOs have effective systems in place. NGOs often fear that by providing accurate records, they will attract excessive attention from the tax authorities. As a result, their financial disclosures may not always reflect reality.

### ADVOCACY: 3.6



NGO advocacy campaigns resulted in important impacts on the community and national levels during 2008. NGOs continued to be articulate in engaging the government at all levels and became savvier about targeting their advocacy initiatives. In general, there is broader cooperation between NGOs and local governments. While many NGOs take part in decision making at the community and regional levels, they are more passive at the national level and have less access. This may be because national government agencies do not recognize NGOs' capacity to contribute to the process, or because the NGOs are unable to demonstrate their added value. Nevertheless, NGOs make regular, substantive contributions to legislation and ongoing policy issues. A noteworthy example in 2008 was in the area of consumer protection rights. NGOs challenged the circumvention of consumer safety standards

by importers and chain markets owned by government-affiliated business entities. NGOs, led by consumer rights groups, succeeded in removing expired consumables from chain supermarkets at the importers' and market owners' expense.

The executive branch is taking NGOs more seriously in the implementation of public policy. In mid-2008, two national NGOs, Community Cooperation and Dialogue Initiatives and Professionals for Civil Society, successfully lobbied the Ministry of Social Security and Labor to include provisions in its revised charter mandating NGO feedback mechanisms and consultations on policy issues such as pension reforms and disabled services.

The new presidential cabinet began mandating greater transparency in operations at the ministerial level, both as a result of increased pressure from civil society and political forces and as a means of engaging NGOs. The government working group charged with revision of the anti-corruption strategy reached out to Transparency International Armenia for its expertise, even though TI had quit monitoring the last strategy to protest government inaction and former officials' inflammatory remarks.

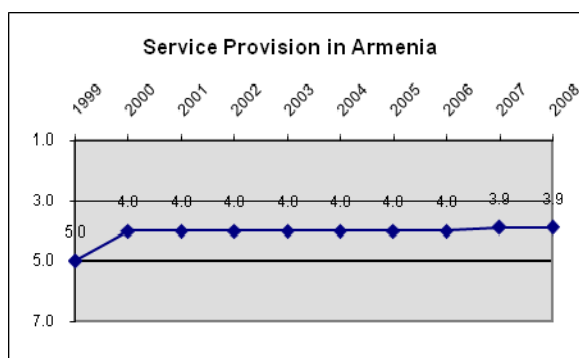
At the end of 2008, a group of sixty organizations began formalizing a collaborative network to work with the National Assembly.

The network started working with parliamentary standing committees on organizing public hearings and developing policies.

Municipal government bodies have also been active in soliciting NGO input on policy and program implementation. After the successful

adoption of social partnership policies and budget allocations in five cities in 2008, six more cities, Kadjaran, Meghri, Agarak, Noyemberian, Masis and Artashat, made local budget disbursements to NGOs and sought NGO participation in government grant selection committees.

### SERVICE PROVISION: 3.9



Service provision by NGOs has continued along a trajectory of consistent growth, better quality and greater transparency. NGO services range from soup kitchens and medical assistance to the elderly and vulnerable, to legal advising, capacity building and grant management. NGO services enjoy broad public recognition.

To some extent, NGOs are developing social partnerships with government ministries. After the appointment of the new cabinet and at the urging of the new prime minister, ministries began tapping into the wealth of NGO expertise. The government took advantage of NGO capacity in areas such as consumer safety (particularly food safety), pension distribution, and small and medium enterprise development. The prime minister included verbatim proposals from the USAID-supported Foundation for Small and Medium Business in his SME

development programs and budget requests to parliament, which approved the proposals.

Even though the national government greatly limits the authority and budgetary independence of municipal governments, the period leading up to local elections in fall 2008 was used by a number of NGOs to push forward service-oriented programs at the local level. Examples included grantmaking efforts on behalf of local government to disability organizations. NGOs also cooperate with the Ministry of Social Security. The ministry contracted out the operation of one of its disabled day care centers to the Mental Health Foundation. Three new soup kitchen operations were contracted out to Mission Armenia, and Meghvik NGO in Gyumri received a major government grant to renovate and rebuild its children’s service center to provide *marz* (province) level services to socially vulnerable children.

NGOs and coalitions provided citizens with services such as legal consultations and advice on consumer and electoral issues. One national coalition, the 2008 Legal Initiative, provided legal representation on electoral fraud cases.

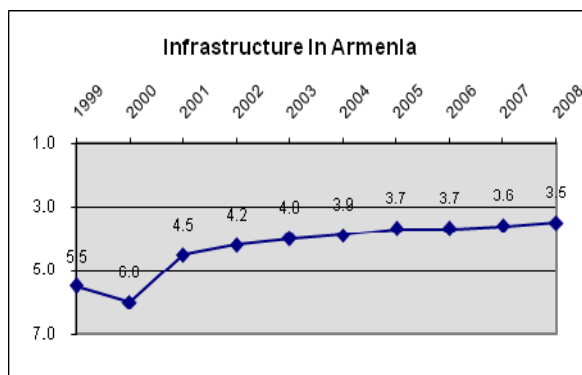
Discussions between the government and NGOs on issues related to the legal environment governing service provision, including fees for services, licensing and procurement, resulted in little movement.

### INFRASTRUCTURE: 3.5

Intermediary support organizations (ISOs) operate throughout Armenia with donor funding, and continue to bolster their service portfolios. Services provided by ISOs supported by USAID, UNDP, OSI, and the EU grew in

quality and quantity. ISOs’ client bases diversified to include small business, local government and international organizations, as well as Armenian diaspora entities.

ISOs' incomes increased more than threefold compared to the previous year, confirming a change in NGO culture as more NGOs are willing to pay for the services of Armenian ISOs and experts. Of the total income generated, 81 percent—about \$50,000—was money paid for services, independent of donor funds. Nevertheless, not all NGOs are able to pay for services without donor assistance. Legal limitations on income generation prevent ISOs from becoming sustainable in the long term without continued donor funding or the



### PUBLIC IMAGE: 3.9

Media coverage and public perception of NGOs has improved, especially after NGOs' active role in the 2007 and 2008 elections. NGOs are becoming increasingly sophisticated in their media outreach efforts and the media shows more interest in their activities. NGOs are no longer defamed as "grant-eating" organizations. Generally NGOs continue to conduct public relations in a reactive mode, rather than proactively building relationships.

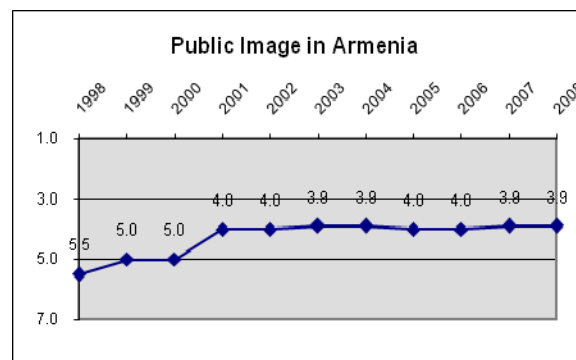
During the post-election turmoil there was a media blackout and no NGO-organized events were covered, even outside of Yerevan, where the state of emergency did not extend. Regional NGOs, including human rights and media freedom groups in the northern towns of Gyumri and Vanadzor, defied informal local blackouts and continued their activism in the post-presidential election period.

In one national advocacy campaign, which pitted environmental and transparency NGOs against

establishment of for-profit subsidiary organizations.

The number of NGO coalitions has increased and there is anecdotal evidence of long-term coalition planning. Although coalition initiatives are increasingly driven more by NGOs rather than dictated by donors, their sustainability still depends greatly on donor funding. At least eight coalitions formed and began operating as a result of a USAID-supported grants program for election outreach and advocacy campaigns. Of these eight coalitions, three transformed into permanent networks, including an anti-corruption advocacy network, a network working on legal reforms to facilitate NGO sector sustainability, and an election observation and reform network in the southern provinces of Armenia, which parlayed a major election observation program into a permanent network of electoral and governance reform activists. At the end of 2008, this coalition began operating anti-corruption centers in the politically volatile southern region.

government agencies and big business, NGOs were regularly labeled by the media as foreign agents and spies in an effort to discredit their efforts.

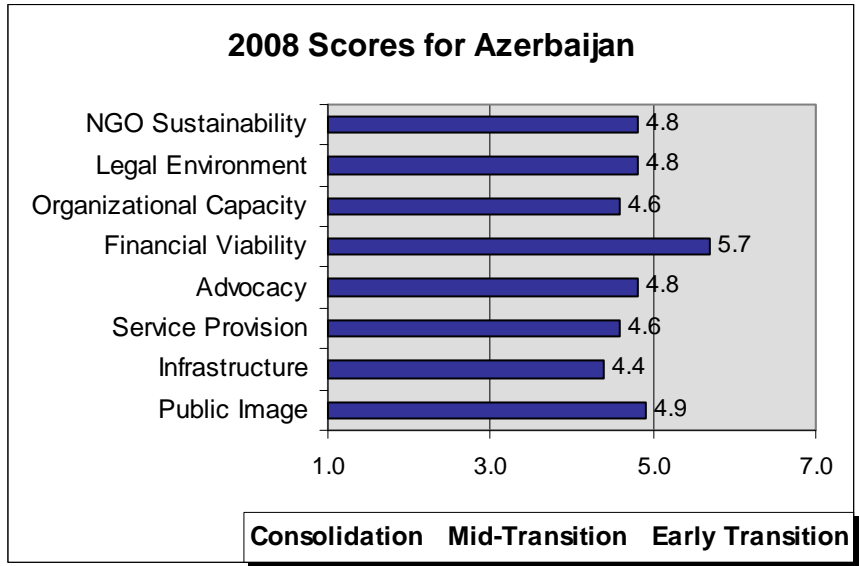


The government's perception of NGOs has improved and government entities recognize that NGOs can be an asset in their policy agendas, as evidenced by greater efforts to turn NGOs into GONGOs or PONGOs (NGOs created or co-opted by political parties to give political activities the appearance of civic activism).

NGOs lack effective self-regulation and publish annual reports only in isolated cases. They operate in a regulatory vacuum and an environment in which accountability is not

regularly demanded by members, beneficiaries or public authorities. When authorities demand accountability, this is usually linked with politically motivated objectives.

# AZERBAIJAN



**Capital:** Baku

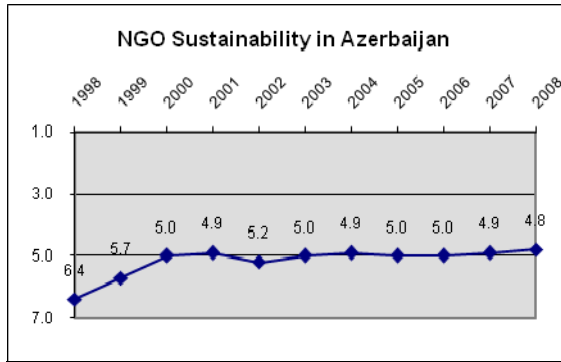
**Polity:** Republic

**Population:** 8,238,672 (July 2009 est.)

**GDP per capita (PPP):** \$9,500 (2008 est.)

## NGO SUSTAINABILITY: 4.8

During 2008, the sustainability and capacity of the NGO sector was slightly higher than in 2007. NGOs made modest increases in their efforts to mobilize their constituencies, engage in policy dialogue, monitor and evaluate government effectiveness, and improve service delivery in communities. The number of registered NGOs in Azerbaijan is approximately 3,100.



Despite progress in some areas, the NGO sector in Azerbaijan is still restricted due to government interference, increased competition for limited financial resources, weak constituent relationships, and a lack of public awareness of civil society’s work and relevance.

Noticeable progress has been made towards sustainable cooperation as a result of the president’s initiative to create the Council on State Support to NGOs. USAID led the initiative to bring together Baku-based international partners and addressed a joint letter to the presidential office with recommendations of international best practices in this field. Most of these recommendations were accepted upon creation of the council. The council was established by presidential decree and has eleven members—eight NGO representatives and three governmental representatives. The NGO representatives were nominated by NGOs and approved by the president. The president appointed the governmental representatives. In August 2008, the council awarded grants worth more than \$1.2 million to 191 local NGOs. The government plans to issue \$3 million in grants to NGOs in 2009.

In spite of the legislative framework regarding registration, some NGOs have experienced unreasonable constraints as officials found fault with the names of organizations, required organizations to change their charters, denied registration with limited explanation, and demanded multiple submissions of registration

documents. International and local NGOs combined efforts to create a more favorable legislative environment for NGO sector development. NGOs prepared several draft laws, including a draft Law on Volunteers, which were submitted to the parliament.

A majority of NGOs still depend heavily on funding from international donors, although NGOs are making serious attempts to raise funds in support of ongoing projects. NGOs have started actively submitting project proposals to local businesses and adding cooperation with them as a component of new projects.

## LEGAL ENVIRONMENT: 4.8

On December 13, 2007, the President of the Republic of Azerbaijan signed a decree establishing a Council on State Support to NGOs. The decree incorporated recommendations prepared by international organizations. Among the council's primary responsibilities is the creation of an enabling legal environment for NGOs.

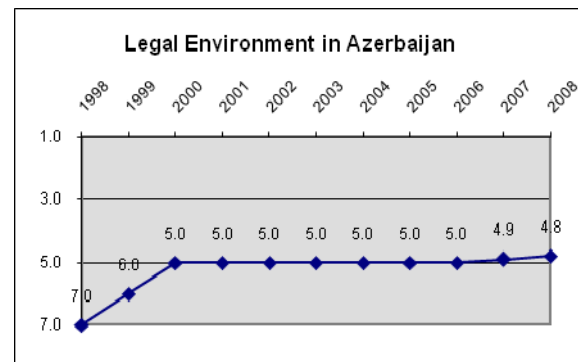
While the law on NGO registration is in force, the process itself remained burdensome and there were frequent and lengthy delays in obtaining certificates of registration from the Ministry of Justice. In 2008, 276 NGOs were registered.

NGOs feel that their activities are closely monitored and controlled. Most NGOs believe that a list of "favorable" and "unfavorable" NGOs exists among local and executive authorities. Local NGOs that are considered to be engaged in political activities are believed to be on the list of unfavorable NGOs. Several of these NGOs received government funding through the State Council on Support to NGOs, however.

There were some reported cases of NGOs being dissolved. The government has stated that these NGOs had technical issues with their registration documents and will be re-registered

NGO experts are invited to parliamentary discussions related to legislation, demonstrating growing government recognition of the third sector. This process tends to be ad hoc, however.

Cooperation between local authorities and NGOs in the regions outside the capital is still poor. In some cases, local officials attempt to control the activities of NGOs and create obstacles if NGOs fail to inform authorities in advance about their activities. NGOs based in the regions demonstrated more activity in 2008 as a result of support from international donors and the central government. NGOs cooperated successfully with municipalities to increase budget transparency and civic engagement.



when the problems are corrected. The most notable case was the Election Monitoring Center, which receives support from USAID, the British government, OSCE, and other international donors.

Local NGOs pay 22 percent of their consolidated payroll to the State Fund of Social Insurance. If a bilateral agreement exists between Azerbaijan and a donor country, then the donor's NGO grantees are exempted from this tax. The employees of such NGOs are still required to pay income tax and social insurance tax on their salaries, however.

On December 16, 2008, the Milli Mejlis (parliament) of Azerbaijan adopted an amendment to the Code of Administrative Offences increasing from AZN 20–25 (\$25–\$31) to AZN 200–2500 (\$2500–\$3100) the fine if

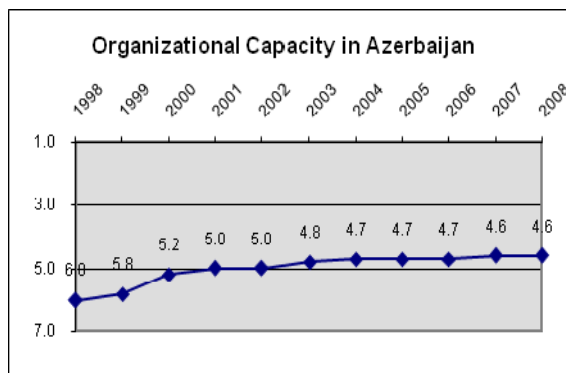


NGOs do not report about grants they have received within one month of signing a donor contract. Some NGOs think that this will make NGOs more responsible in terms of reporting, while others consider the amendment a tool for strengthening governmental control over NGOs. NGOs complain that companies they approach for services make no distinction between business entities and nonprofit organizations. NGOs believe that tax incentives for companies to offer discounted services to NGOs would support their efforts to achieve financial sustainability. For instance, NGOs and businesses pay the same rate for placing an advertisement, installing a telephone line or subscribing to Internet service.

A coalition of local NGOs developed a draft Law on Charity and submitted it to the parliament, but the draft has not been discussed or approved. The law would enable local and international businesses to receive tax incentives for funding charitable activities. A draft Law on Voluntary Activity was prepared with assistance provided by the USAID Civil Society Project and the Not-for-Profit Law Advocacy Coalition, and was submitted to parliament in October 2008. It has passed two readings and is scheduled for a third and final reading in 2009.

NGOs are legally allowed to apply for government tenders, but the tender process lacks transparency and few NGOs compete successfully.

## ORGANIZATIONAL CAPACITY: 4.6



Local NGOs improved their constituency outreach. NGOs organized thematic roundtables and forums involving their constituents and other stakeholders at the national and local levels. For example, the Center for Economic and Social Development held a series of roundtables on the topic of public control over health sector expenses in Baku, Salyan, Terter and Shamkir. The Education for Youth Center conducted a number of successful seminars for students and youth. The Public Finances Monitoring Center held discussions on participatory budgeting at the state level in Baku, Guba and Sheki.

Due to the demands of international donor agencies, increased numbers of NGOs restructured their internal management and

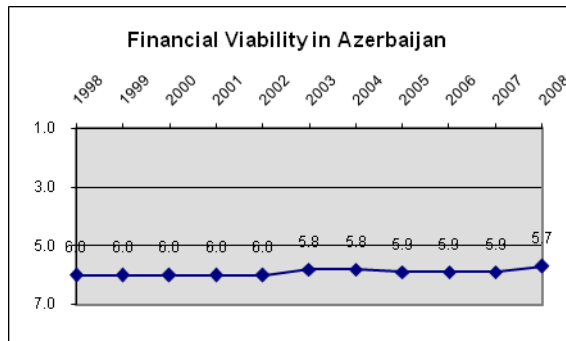
adopted international best practices. During the past year most NGOs have improved their reporting techniques and increased access to information about their programs and financial reports. Many NGOs still lack transparency in their internal management, however. Though many NGOs are increasingly professional and focused on well-defined missions, many continue to engage in activities outside of their missions to secure additional funding. Some NGOs, especially those based in the regions, still lack an internal management structure and understanding of the importance of strategic planning.

A major problem facing NGOs is their ability to retain qualified and professional staff after completion of a grant project. Sometimes an NGO is composed of only one permanent staff member. Usually employees are recruited based on the immediate demands of current projects and grants.

Generally, NGOs in Baku have better technology and equipment than their counterparts outside the capital. Many NGOs, particularly newly established NGOs, complain that most donors do not allow the purchase of equipment within project budgets.

## FINANCIAL VIABILITY: 5.7

Most NGOs, especially in the regions, lack efficient financial management systems and internal control policies. Despite a presidential decree applying international accounting standards to NGOs, no designated program trains NGOs regarding the application of those standards. NGOs complain that it is difficult for them to organize training sessions for appropriate staff on bookkeeping and to retain a professional accountant after the completion of a project. This often leads to a situation where one accountant works for four or five NGOs at the same time, limiting their ability to put sound financial systems in place. Some local NGOs that are engaged in longtime partnerships with international donors have good financial management policies. Most NGOs cannot afford to hire an external auditor unless it is funded and required by the donor.



The Council on State Support to NGOs awarded 191 NGOs with grants in August 2008. Many of the grantees are either newly established or have limited experience managing grant funds. To build NGOs' financial viability, the Council on State Support to NGOs is undergoing an effort with the support of the USAID Civil Society Project to institutionalize international best practices for grantmaking, financial management, and project management.

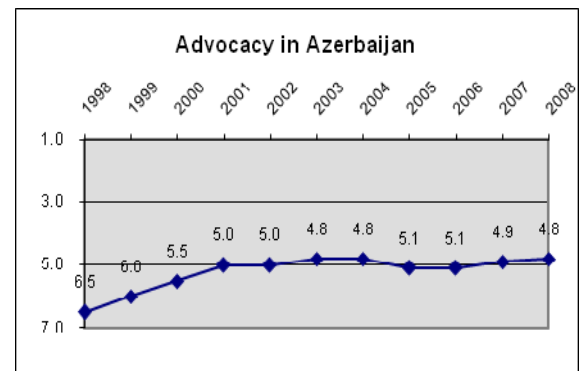
The Council on State Support to NGOs is funded from monetary reserves; NGOs specializing in public financing believe that these funds are secure through 2010. The council is seeking partnerships with bilateral and multilateral donors to continue long-term public financing.

Local philanthropy is at the same level of development as it was in previous years, but NGOs and municipalities cooperated with local businesses and Azerbaijanis working abroad. In one example of an NGO-business partnership, the Alliance of NGOs on Children's Rights cooperated successfully with Azerbaijan's major mobile telecom operator, AZERCELL, in implementing two projects.

## ADVOCACY: 4.8

Local NGOs' efforts to build effective coalitions for advocating on issues important to their constituencies visibly increased. During 2008, several advocacy coalitions began working on a number of important issues. NGOs gained skills working together in coalitions.

A coalition led by the Association of Women with University Degrees and the Ganja Regional Women's Center conducted an advocacy campaign on prevention of early marriages. The campaign included legal assistance to young women, educational training sessions for constituent groups, community meetings, and training for local government service providers



and social protection and health department employees.

The Economic Research Center began implementing a project on an alternative poverty assessment methodology. The assessment, analysis of findings, and policy recommendations will be provided to key government ministries to help the government design targeted poverty alleviation interventions.

In general, NGOs feel there is increased cooperation between NGOs and the government.

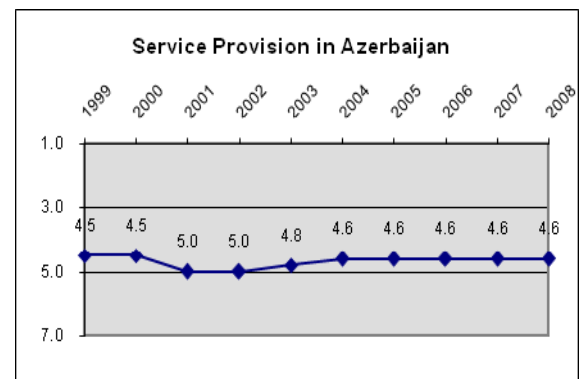
NGOs and NGO coalitions are allowed by law to work on legislative initiatives and present them to parliament. Significant work has been undertaken towards improving budget transparency of local municipalities and increasing the public role in local decision making. Among the most successful municipalities in this regard are Jil in the Lenkoran region and Ahsagi Tala in the Zagatala region.

### SERVICE PROVISION: 4.6

The spectrum of services provided by the NGO sector was largely unchanged, covering the areas of humanitarian relief, environmental protection, gender, youth, human rights issues, civic and legal education, health, and economic development. Although NGOs are increasingly trying to focus on issues that are consistent with their missions, NGO leaders report spending more time implementing donor priorities. Donors' emphasis is primarily on preschool and secondary education facilities, primary health clinics, elections, humanitarian support, social and economic development, human rights protection, water supply systems, and environmental activities.

NGOs continue to organize and facilitate seminars, workshops, trainings, and public education and awareness projects. They are involved in state development programs, such as the State Program on Socio-Economic Development of Regions. NGOs are involved in increasing dialogue between the government and citizens, and conducting policy research.

Some NGOs charged fees for their services to support the basic needs of their organizations.



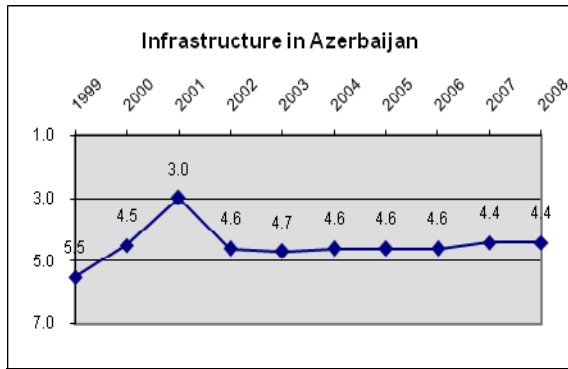
However, most of them provide free services with donor support, such as legal services to internally displaced persons and vulnerable segments of the population. Some NGOs offer traditional fee-based services, such as training in computer skills, English language, and accounting.

Grants made by the Council on State Support to NGOs hold some potential for improving NGOs' capacities in service provision. The council's requests for applications reflect the results of needs-based analysis and demand performance accountability from grantees.

### INFRASTRUCTURE: 4.4

Although most NGOs have passed through their early start-up phase of development, many still need improvement in terms of access to electronic communications between rural NGOs, government, and international agencies operating in the country and overseas. Some specialized NGOs publish literature related to NGO management and legal and tax issues. The

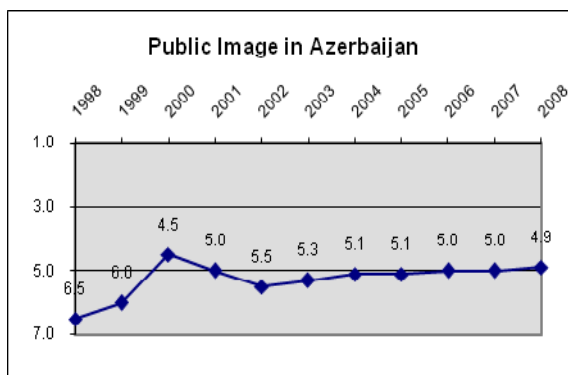
number of publications issued by NGOs specializing in such subjects as legislation, taxation, economic development, and human rights has increased. A small number of NGOs subsidize their operations with basic fee-based services. Some NGOs offer training courses such as computer skills, accounting, and languages.



The NGO Resource and Training Centers in several regions of the country, including Gabala, Mingechevir, and Ali-Bayramli, continue to organize free capacity building trainings and information services for NGOs, as well as conduct regional roundtables with the

#### PUBLIC IMAGE: 4.9

In 2008, media coverage of the NGO sector visibly increased. Local NGOs actively worked with mass media, prepared press releases, and organized press conferences about the launch or completion of their projects. A number of NGOs maintain high-quality, up-to-date websites, such as Economic Research Center ([www.erc-az.org](http://www.erc-az.org)), Public Finance Monitoring Center ([www.pfmc.az](http://www.pfmc.az)), Praxis ([www.praxis.az](http://www.praxis.az)), and Center for Economic and Social Development ([www.cesd.az](http://www.cesd.az)).



The Council on State Support to NGOs has begun issuing its own monthly journal about the activities of NGOs in Azerbaijan. The journal *Civil Society* is distributed to ministries, departments of the presidential administration, international organizations, and local NGOs

participation of NGOs, government officials and the donor community.

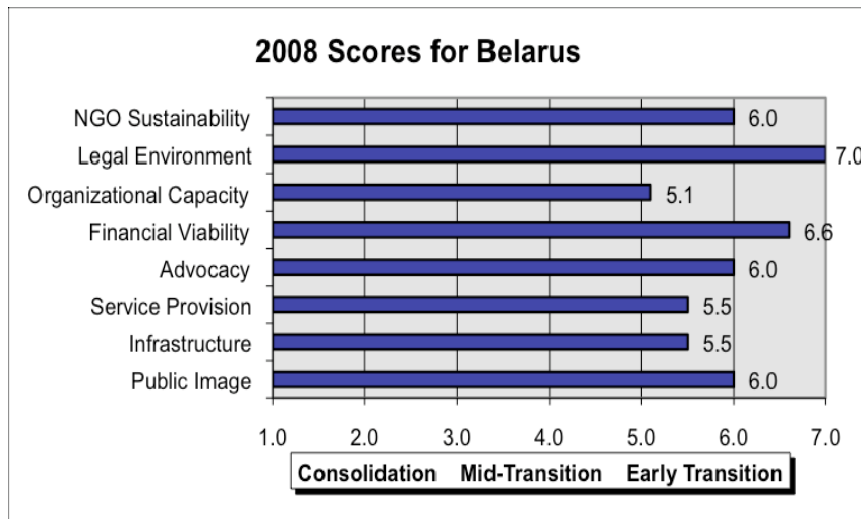
A number of NGOs working in the same fields are operating joint websites, such as [www.ngoalliance.net](http://www.ngoalliance.net) (Azerbaijan NGO Alliance for Children's Rights), [www.nbg.az](http://www.nbg.az) (National Budget Group), [www.anticorruption.az](http://www.anticorruption.az) (Young Lawyers against Corruption), and [www.gender-az.org](http://www.gender-az.org) (Azerbaijan Gender Information Center). In addition to the popular online resource for development and humanitarian NGOs, Azerweb ([www.azerweb.com](http://www.azerweb.com)), the site [www.mqfheber.az](http://www.mqfheber.az), operated by the National NGO Forum of Azerbaijan, is also a useful resource for NGOs. These sites provide information on vacancies and trainings as well as virtual space for debates and exchanges of views.

through the National NGO Forum and various NGO coalitions. Interested readers can also download the journal from the official website of the council, [www.cssn.gov.az](http://www.cssn.gov.az). The journal contains valuable information about the future plans and current activities of the Council on State Support to NGOs, gives updates on projects implemented by local NGOs, and features interviews with NGO leaders and government officials.

NGO experts are frequently invited to talk shows and radio debates. Newspapers print detailed information about NGO activities in Azerbaijan. Some newspapers, news agencies and online journals such as AzerPress, Turan, Azeri-Press Agency, Day.Az, Zerkalo, and Today.az cover NGO sector activity on a regular basis. NGOs that work on human rights are the most recognized by the public, whereas those working on social projects are known only by their constituencies.

In some cases government officials rely on NGOs as a community resource or as a source of expertise and credible information. NGOs working on human rights and democracy issues are often obstructed by central and regional authorities.

## BELARUS



**Capital:** Minsk

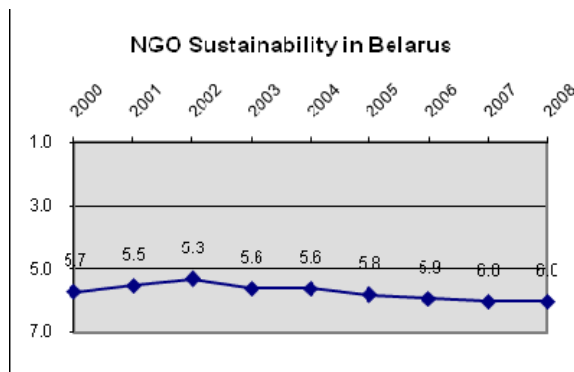
**Polity:**  
Republic in name

**Population:**  
9,648,533 (July 2009 est.)

**GDP per capita (PPP):**  
\$12,000 (2008 est.)

### NGO SUSTAINABILITY: 6.0

The NGO sector in Belarus remained at the same level of sustainability over the past year, though the situation showed a gradually worsening tendency.



About 2,300 NGOs, seventy-three foundations, and twenty-one associations are registered in Belarus. According to statistics from the website [www.pravo.by](http://www.pravo.by), as of November 14, 2008, sixty-nine national NGOs were newly registered in 2008. The number of registered local NGOs is 1,350, and fifty-three registered in 2008. Nine foundations registered, as well as two NGO associations and many branches of political parties, trade unions, and NGOs. The registration of 7,628 new NGO branches suggests that it is easier to register branches of

existing NGOs than to register a new organization.

Many NGOs have failed to register, or have lost their registration. The number of unregistered NGOs is close to the number of officially registered NGOs, an indication that the sector has increasingly moved underground in order to keep functioning.

Registration continues to be problematic for NGOs that are not openly pro-government and for those that are blacklisted for their activities. Movement for Freedom, led by former presidential candidate Alexander Milinkevich, was denied registration three times before it obtained its formal status in 2008. The NGO Nashe Pokolenie, uniting senior citizens and pensioners, was also denied registration.

The legal environment has been hostile to NGOs for several years. NGOs are adapting to the difficult legal situation in order to carry out their activities.

Advocacy skills of some NGOs, such as women's NGOs, entrepreneurs' associations, and NGOs for people with disabilities, improved. A coalition of women's NGOs led an advocacy campaign which in September 2008

resulted in government approval of the National Action Plan on Gender Equality for 2008–2010. Overall, NGO advocacy efforts are impeded by the environment.

NGOs remain dependent on foreign donors. Service provision by NGOs varies according to the amount of funds raised from foreign donors. NGO infrastructure has slightly improved due to NGOs restructuring their functions. Some NGOs assumed the functions of resource centers and grantmaking intermediary support organizations (ISOs). NGOs' public

### LEGAL ENVIRONMENT: 7.0

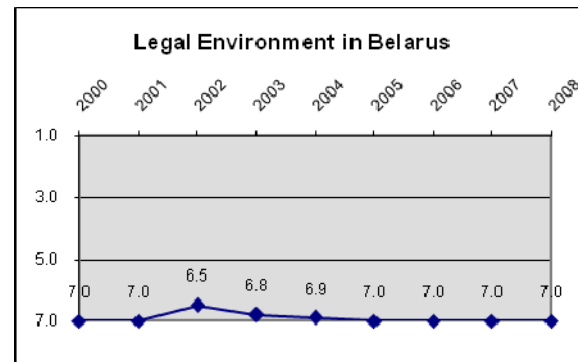
Registration of new NGOs depends on the will of the relevant government bodies. For example, during the last year only five out of ten groups that received legal assistance with registration from the Assembly of Democratic NGOs of Belarus and the Foundation for Legal Technologies Development were able to register. Organizations such as Belaruskaya Khristianskaya Demokratia (Belarusian Christian Democracy), Malady Front (Young Front), and Movement Za Svabodu (Movement for Freedom) were refused registration several times. Their members are potentially criminally liable for participating in the activities of an unregistered organization and could be charged and imprisoned.

The law obliges NGOs to have a legal address at rented premises. NGOs are not allowed to have offices in privately owned apartments or houses, and must register at nonresidential premises, most of which are owned by state agencies or state-controlled companies. In April 2008, Presidential Edict no. 533 came into effect introducing new rules on state property rentals and putting NGOs on the same rent scale as commercial entities. This measure has increased rents for NGOs tenfold and forced many NGOs whose activities are not of a "humanitarian nature" to dissolve.

Belarusian laws limit NGO fundraising and use of particular sources of funding. To receive and use foreign assistance, NGOs need to register

image, however, is worsening. NGOs are constantly marginalized and state-controlled media intensively promote GONGOs. New GONGOs like Belaya Rus, which has over 12,000 members, have been registered.

While NGO experts considered NGO sustainability to be deteriorating, the overall score remains the same as last year only because of the fact that the situation in the sector is uneven. The most mature Belarusian NGOs, however few, continue functioning and reaching their tactical and strategic goals.



the funds and activities through highly bureaucratic procedures. NGO Novye Litsa (New Faces) has failed for four years to register any of its five projects. NGOs can obtain sponsorship from local businesses only for the goals set by Presidential Edict no. 300 or with the president's personal approval. Even acknowledged social service organizations providing assistance to children with disabilities witnessed a sharp decrease in donations from business. The law forbids NGOs to generate income from service provision. Funding of NGOs from the state budget is also forbidden, with the exception of a number of youth and children's NGOs that are on a special government register.

Belarusian legislation restricts the territory of an NGO's operations. Depending on their registration status, NGOs can operate at the national, regional or local level. Local youth NGO Focus Group, registered in Minsk, was

given a warning in 2008 for operating outside Minsk.

The administration is ready to find any excuse to hamper NGOs' activities. Visa denials of foreign experts invited by Belarusian NGOs have increased. NGOs cannot officially rent space for planned events.

NGOs who conducted advocacy campaigns against construction of a nuclear power station

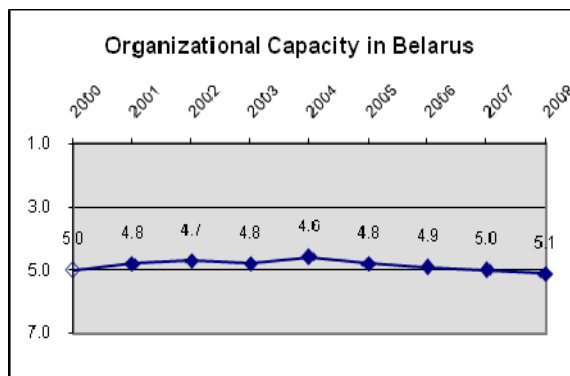
in Belarus and in favor of the amendment of electoral legislation were subject to harassment.

Professionals in NGO law and related legislation are few and Belarusian higher education institutions do not train noncommercial law specialists. Few lawyers are eager to work in the NGO sector because such work does not offer prestige or attractive pay.

## ORGANIZATIONAL CAPACITY: 5.1

The number of NGOs that have to operate in violation of the law is growing in Belarus and includes social service NGOs as well as those conducting pro-democracy activities. Activities of unregistered groups are prohibited by Belarusian laws and such groups can be administratively and criminally prosecuted, as can NGOs spending unregistered funds. The state has designated only a few priority development areas for which NGOs are allowed to raise and register foreign funds. International donors continue funding Belarusian NGOs, however.

In the current environment, NGOs avoid transparency. They abstain from publicly announcing their events and reporting their activities. As a result, NGOs do not build local constituencies. They involve new people into their activities through personal contacts and referrals.



Experienced NGOs managed to adapt to the unfavorable economic and political environment

and plan strategically. Strategic planning has become a response to the aggressive environment and a tool towards sustainability. Examples of NGOs and networks that have strategic plans are the Association of Youth NGOs RADA, the Belarusian AIDS Network, and the Assembly of Democratic NGOs of Belarus.

Local grassroots NGOs and unregistered civic initiatives have neither clearly defined missions nor strategic plans. Their plans are short-term and reactive, following the opportunities offered by donors or big national NGOs.

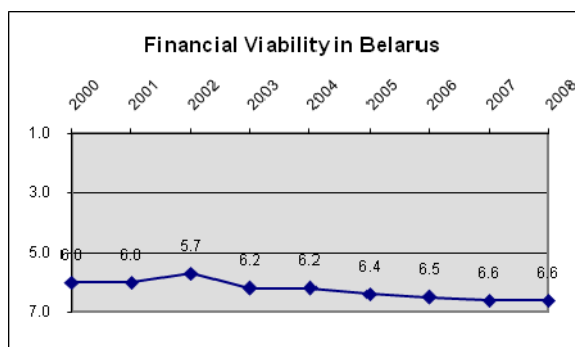
NGOs' internal management and decision-making systems are becoming less transparent in the unfavorable environment. The year 2008 was marked by numerous internal organizational conflicts caused by money issues and lack of transparency. Registered NGOs submit annual reports to state registration bodies, but they do not make them public.

Most NGOs had to move from their offices to smaller ones or decided to forego office space because of the tenfold increase in rent. It is difficult to find even commercial space for NGO meetings, as property owners who rent out space to NGOs are often harassed by authorities. Leaders of NGOs keep office equipment in their own apartments, thus limiting members' and volunteers' access to equipment and information. Low salaries and lack of benefits resulted in a low number of qualified professionals working for NGOs.

## FINANCIAL VIABILITY: 6.6

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Financial viability of NGOs is weak because of the restrictive legislation and administrative environment. Funds raised must be officially approved and registered, and used for presidential priorities such as mitigation of the Chernobyl accident, social support, and humanitarian aid to disadvantaged groups. Other methods of fundraising lead to penalties including closure.



On May 29, 2008, Presidential Decree no. 10 and Decree no. 24 were issued to enhance control over usage of foreign grants. Now, before applying for registration of a grant with the Department of Humanitarian Aid (a substructure of the presidential administration), NGOs have to get approval for project activities from the relevant ministry.

Leading NGOs are successful in obtaining financial support from international donors. Inexperienced, regional NGOs have limited access to international funding and their financial viability depends on re-granting programs implemented by well-developed NGOs. The majority of NGOs understand

## ADVOCACY: 6.0

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The decision-making process in Belarus has limited potential for NGO participation because all key decisions are made by the presidential administration. There are no locally elected governments. Still, even in such an environment NGOs find opportunities to advocate for their target populations.

financial diversification as getting funds from more than one international donor.

The majority of Belarusian NGOs underestimate local resources. Only a few leading NGOs that provide services for vulnerable populations, such as Mothers against Drugs, BelARDA, and Belarusian Children's Hospice, allocate resources to local fundraising. Belarusian AIDS Network launched a fundraising campaign at Slavyanski Bazaar Music Festival in Vitebsk. Though they invested more money than they collected, the campaign was a rare effort by NGOs to raise local funds. Some social service NGOs managed to get in-kind contributions from local authorities. For instance, regional branches of the Belarusian Association of Assistance to Disabled Children and Young People use office space in state Territorial Centers for Social Services. On the other hand, such NGOs risk becoming controlled by and dependent on the state.

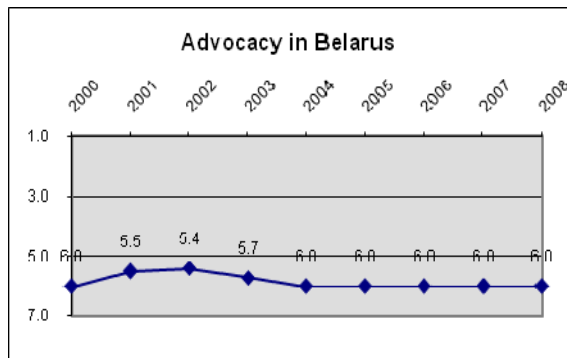
NGOs are prohibited from conducting revenue-generating activities. Their only option is to set up an independent commercial enterprise, such as the enterprise of the Association of People with Disabilities, which has existed since the Soviet era.

NGO financial systems are vulnerable to potential mismanagement. Executive responsibility and financial authority are concentrated in the hands of the NGO leader. The leader and at most a few close associates control all the resources and details of the annual budget and programs. NGOs practice separate accounting systems for the authorities and for international donors.

A coalition of women's NGOs led an advocacy campaign that resulted in government approval of the National Action Plan on Gender Equality for 2008–2010. Business associations consistently campaign to change public opinion in favor of entrepreneurship and market economy-oriented legislation. Some results have



been achieved, such as the simplification of administrative procedures for registration of commercial companies. The rule of the “golden share,” which allowed the government to maintain a single share in a privatized company, was abolished, limiting the state’s opportunities to interfere in the activities of joint stock companies.



For three years, NGO ACT has actively promoted the concept of social contracting. Donors provided funding for research on social contracting in 2009, and the social contracting mechanism was made a part of the National Program on HIV Prevention for 2009–2010. The Belarusian Association of Assistance to Children and Young People with Disabilities successfully advocated for the interests of children with disabilities, retaining their benefits despite government attempts to abolish them, and securing state funding for new services for disabled children. NGO Our House has been successful in advocating for changes to the regulations on keeping detainees in

## SERVICE PROVISION: 5.5

Service provision has not improved in Belarus. One of the significant factors is the lack of a mechanism for social contracting of NGO services by the state. Efforts of Belarusian NGOs to promote such a mechanism have not succeeded so far, though the government provides financial support for GONGOs like Belarusian Republican Youth Union, Republican NGO Belaya Rus, and Belarusian Republican Pioneer Organization.

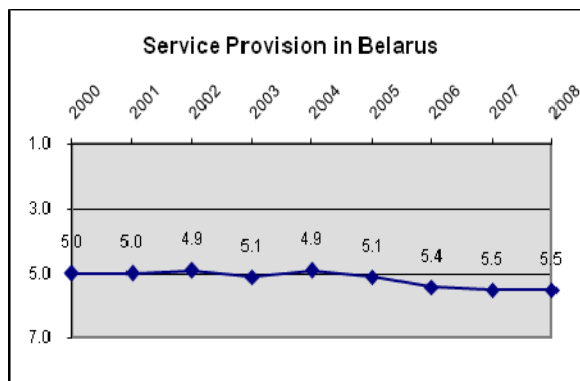
temporary detention centers. A coalition of ecological NGOs advocated for certification of organic agricultural products. NGO advocacy efforts lack solidarity, however. Most successes have been achieved by single NGOs, not coalitions.

Collaboration between NGOs and state bodies is problematic. Effective communications are based on personal relationships. Administrative bodies tend to use NGOs’ resources rather than build partnerships with NGOs. For example, the Public Coordination Committee, a consultative body of governmental and nongovernmental experts, has been operating for seven years at the Ministry of Natural Resources and Environmental Protection. The ministry uses the committee as a tool for reporting on the implementation of the Aarhus Convention and for raising international donor funds. NGO attempts to stimulate public debate about environmental concerns, such as the nuclear power station or logging, are suppressed, however.

Though a number of NGOs have improved their advocacy skills, most NGOs are extremely skeptical about the potential for lobbying campaigns to succeed.

Due to NGOs’ lack of media skills and the unwillingness of state media to cover NGO activities, the general public does not perceive NGOs as significant actors in political and social processes.

NGOs cannot legally charge fees for their services according to the law. The complicated financial reporting system in Belarus discourages NGOs from collecting membership fees unless they can afford an accountant to ensure that amounts are reported correctly to the tax department. But many NGOs collect membership fees and rely on them for financial survival.



Social service NGOs that implement officially registered projects offer a range of services, but only for target groups mentioned in state programs. These include people with disabilities, orphans and vulnerable children, and people living with HIV/AIDS. Pro-democratic, human rights and civic education NGOs are either unable or unwilling to promote their services

## INFRASTRUCTURE: 5.5

The NGO community of Belarus does not have an infrastructure to ensure broad access to support services, although the situation has improved slightly. In past years some resource centers and ISOs were forced to close. Regional administrations block efforts of resource centers to operate or to create new resource centers. While other NGOs and their networks have assumed some of their information sharing and training functions, these services are neither regular nor consistent. Some NGOs consider resource centers unnecessary in Belarus because in their experience resource centers and re-granting ISOs often manipulated other NGOs.

Some support functions are carried out by other NGOs and networks. GreenBelarus provides web resources with ecology-related information and consulting. The Assembly of Democratic NGOs of Belarus provides legal services, surveys, publications, and an e-mail information network exchange. RADA Association of Youth NGOs conducts surveys and research in youth policy, and provides training, re-granting, and consulting, as well as intermediary services

openly and to use different technologies to reach their target populations.

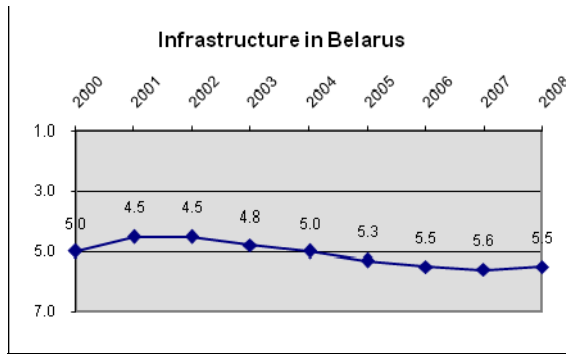
NGOs try to find alternative ways to reach their target populations by registering other forms of noncommercial, nongovernmental organizations. Homeowners' associations, for example, promote local self-governance.

NGO services are often of high quality and in great demand by other NGOs and even state bodies. Unfortunately, such products and services cannot be produced in sufficient quantities. For example, popular publications such as the NGO magazine *Aducatar* are issued in limited editions. Social services in high demand are provided only for a group of clients for as long as donor funding lasts. Services provided by NGOs are based less on the identified needs of clients and more on available funds for specific projects. Most such projects lack a longer-term sustainability component.

between Belarusian and European umbrella NGOs and programs. Each oblast capital has NGO centers that provide NGOs with access to office equipment, training, and re-granting of foreign funds to local grassroots NGOs.

Local trainers are few, there is no accessible database of such trainers, funding is insufficient, and no new cadre of trainers is emerging. Still, Belarusian NGOs have good training opportunities, as well as capable local trainers and consultants in management and other NGO-related fields. Trainings and materials are provided to NGOs in Russian and Belarusian, but the variety of training topics is narrow.

Awareness of the advantages of coalitions is slowly growing within the NGO community, and antagonism between NGOs operating in similar spheres is not as evident as in previous years. Examples of existing coalitions are the Assembly of Democratic NGOs of Belarus with 234 NGO members, the Association of Civic Education with nineteen participating NGOs,

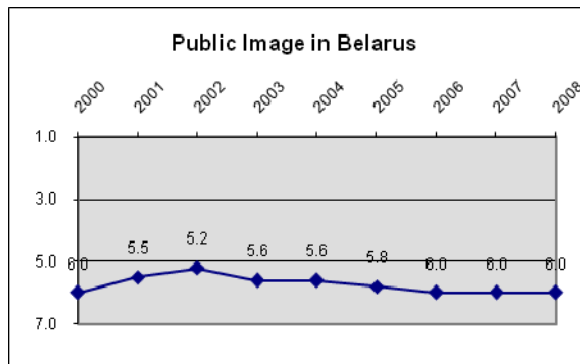


and the Belarusian AIDS Network with ten AIDS service NGOs.

Examples of NGOs working in formal or informal partnership with local business, government, and the media are fewer than last year. Some positive examples did occur in the fields of agritourism and informal education. Intersectoral partnerships are more successful in local communities, though in general they are dependent on personal contacts.

## PUBLIC IMAGE: 6.0

Due to the hostile environment, many NGOs avoid publicity. For security reasons they limit their constituents to people they trust. NGOs are becoming disconnected from the public.



assess, but it seems to be an effective tool in building an alternative NGO space.

The government makes enormous efforts to marginalize NGOs and minimize their recognition in society. Business does not consider NGOs as valuable resources or potential partners unless NGOs are very proactive and consistent in their outreach efforts.

NGOs generally lack resources to employ professional public relations specialists. A number of leading NGOs are aware of the importance of a positive public image. There are examples of long-term and well-designed public awareness campaigns to promote civic education and private entrepreneurship. For example, a leading business association developed the National Business Platform to involve businessmen and entrepreneurs in lobbying the government for legislative and administrative changes. Many of their suggestions were incorporated into new regulatory measures. Such successful examples are still few and do not characterize the sector in general, however.

NGOs are poorly aware of the importance of having and implementing an ongoing communications strategy. Some NGOs use national and regional mass media occasionally, but state-controlled media omit NGOs' names, overemphasize the significance of GONGOs, and occasionally feed negative information about NGOs to the public.

NGOs use alternative channels of communication such as websites, e-mail lists, list serves and publications. Most NGO websites are poorly designed and few are regularly updated. The Internet and e-mail are very popular tools and sources of information about all kinds of civic initiatives. Despite their virtual absence in the official print and electronic media, NGOs are a tightly knit community and news spreads fast. The importance and density of this communication and networking is hard to

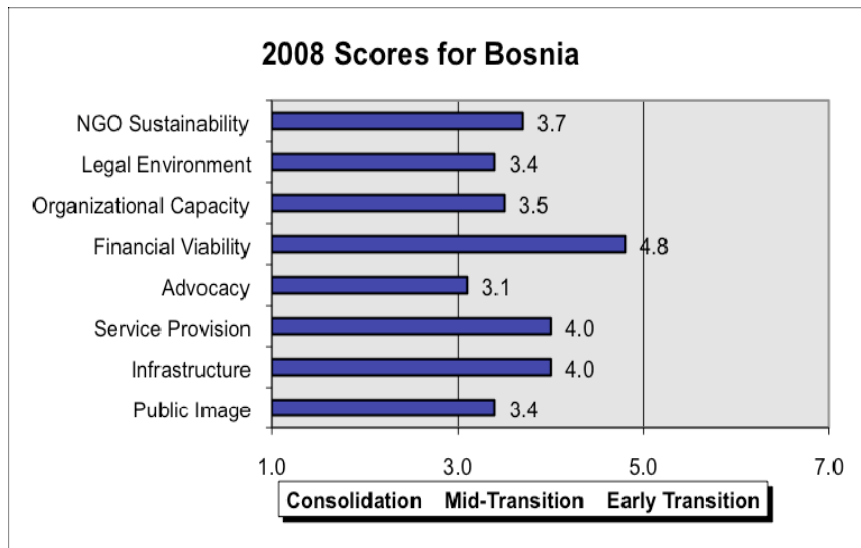
It is sometimes easier for social service NGOs to improve their public image. In 2008, a group of NGOs dealing with HIV/AIDS issues made an effort to promote its public image and developed a professional code of ethics of HIV/AIDS trainers. The initiative was donor-driven, however, and the code has not yet gained broad support.

Annual reports, which are required by the Ministry of Justice, do little to build NGOs'

public image. The reports are formal and do not reflect the real picture of NGOs' activities and budgets. NGOs see annual reports as a tool of

state control over NGOs rather than a tool to promote transparency.

## BOSNIA AND HERZEGOVINA



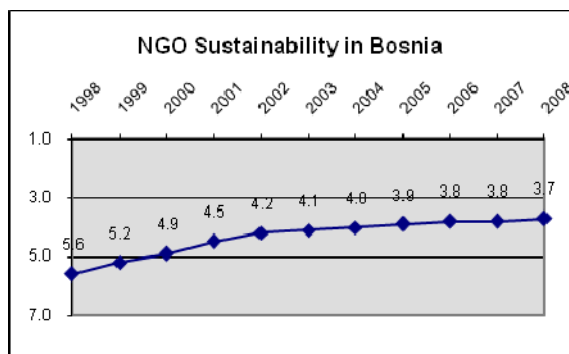
**Capital:** Sarajevo

**Polity:**  
Emerging Federal Democratic Republic

**Population:**  
4,613,414 (July 2009 est.)

**GDP per capita (PPP):**  
\$6,600 (2008 est.)

### NGO SUSTAINABILITY: 3.7



The overall level of NGO sector sustainability in Bosnia and Herzegovina slightly improved in the last year. This was due to gradual improvements in several areas. The Department for Cooperation with the NGO Sector was established within the BiH Ministry of Justice. Though still not fully functional, the department provides an important mechanism for NGO participation in dialogue with the government regarding issues related to the NGO sector and in policy development on important economic and social reforms. In 2008, twenty-five municipal mayors committed to long-term cooperation with civil society by signing agreements with NGOs, and over 160 NGOs and municipal officials expressed determination to implement these agreements. Twelve additional

municipalities requested similar assistance in developing effective mechanisms of intersectoral cooperation. The Law on Volunteerism was adopted in Republika Srpska (RS) in July 2008, alleviating barriers related to the legal status of volunteers.

The year 2008 also recorded quite a few successful advocacy initiatives, as well as several successes related to cooperation between government and NGOs. One such success was in the sphere of service provision; five organizations signed a memorandum of understanding with the BiH Ministry of Security regarding anti-trafficking efforts.

The emergence of several new NGO coalitions, as well as increased cooperation and partnership among NGOs on particular project activities, was a positive development, as more and more NGOs utilized the benefits of networking. NGOs also increased their level of visibility and benefitted from a generally positive public image, though more work needs to be done to increase citizen involvement and support. Initial signs pointed to the emergence of corporate social responsibility schemes and business efforts to provide support to NGO activities.

Financial viability remains the most difficult obstacle to overall NGO sustainability. The country is experiencing a gap between the gradual departure of foreign donors and the establishment of local support mechanisms. The latter still has much room for improvement, given the general lack of efficiency and

transparency in government allocations of funds to NGOs.

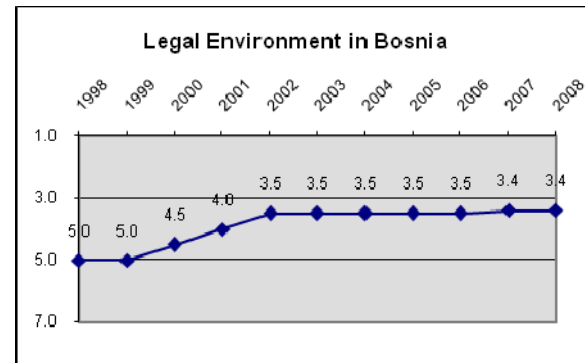
There are 9,095 registered NGOs in BiH, out of which 4,629 are estimated to be active, according to a 2005 survey by the Independent Bureau for Humanitarian Issues.

### LEGAL ENVIRONMENT: 3.4

In 2008, the legal environment related to the NGO sector remained mostly unchanged, with some steps forward in legislation at the entity level.

Following the 2007 signing of the Agreement on Cooperation with the NGO Sector by the Council of Ministers, 2008 saw the establishment of the Department for Cooperation with the NGO Sector within the BiH Ministry of Justice. This department serves several important functions, including (1) leading efforts to create a sustainable institutional network for NGO participation in the development of reforms relevant to the sector, especially those related to the new EU instrument of support to the Western Balkans countries; (2) being a focal point for the implementation and monitoring of regulations issued by the Council of Ministers on the participation of citizens in the lawmaking process; and (3) supporting efforts to increase the capacity of the civil society sector. The department is still insufficiently staffed and its activities are only just being developed, so it remains to be seen whether it will succeed in fulfilling its mandate.

Implementation of the new Law on Personal Income Tax and the Law on Company Profit Tax adopted in each entity in 2007 was delayed until 2009 in the Federation BiH. The laws will likely bring some improvements in local NGO support, as they will enable tax deductions on donations constituting up to 1.5 percent of personal earnings and 3 percent of corporate earnings.



Probably the most important shift forward in the legal environment was the adoption of the Law on Volunteerism in Republika Srpska in July 2008. The law defines clearly what constitutes volunteer work in the nonprofit and other sectors, alleviating previous obstacles regarding the legal status of volunteers. In the Federation BiH, a similar law was drafted but not yet adopted.

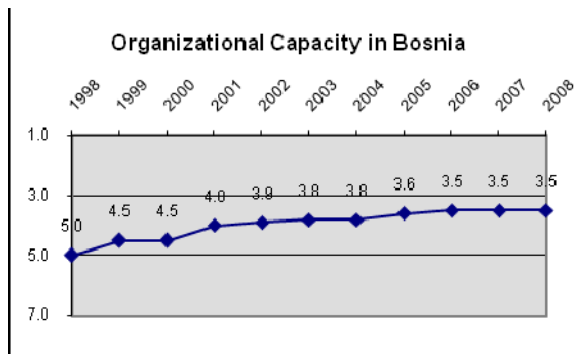
Problems related to the NGO registration procedure persist, with many organizations facing difficulties in either registering or changing their statute on the national level. The process requires a considerable time investment, taking significantly longer than what is prescribed by legislation. This is a result of the inefficient work of the registration authorities rather than a flaw in the administrative procedure itself.

### ORGANIZATIONAL CAPACITY: 3.5

Most organizations have a clearly defined mission and access to modern equipment. In many cases, however, they lack strategic

planning skills. Due to their inability to focus activities and plan their steps strategically, many

organizations still end up closing down. Furthermore, volunteers are still underutilized.



The continuing decrease in donor funding has propelled competition among NGOs, with only the most competent remaining in operation. While weeding out less capable NGOs, the funding decrease has an overall negative effect on the sector because local funding mechanisms are still underdeveloped. In the context of the EU integration process, some new sources of funding are appearing such as the IPA (Instrument for Pre-accession Assistance), which places greater emphasis on strategic planning. The increasing importance of EU funding puts pressure on organizations to work on their strategic planning and project writing capacity. The donor withdrawal has pushed some organizations to shift their focus from donors to their constituencies. NGOs have started to respond to the real needs of their communities. Certain organizations are taking over the role of service providers and training other organizations on how to access new funding mechanisms.

### FINANCIAL VIABILITY: 4.8

Financial viability remains the most difficult aspect of NGO sustainability in Bosnia and Herzegovina, as has been the case in other countries that faced gaps between the departure of foreign donors and the development of local support mechanisms. Government allocation of funds to NGOs has been extremely weak on all governance levels. For example, the City of Banja Luka allocated only 200,000 BAM (about \$128,000) to local NGOs out of its 165 million BAM (about \$106 million) annual budget. This

Bosnian NGOs continue to be primarily dependent on foreign donors. Government funding tends to focus on certain segments of civil society, such as sports clubs or veterans' organizations. With the initial influx of EU funding and its related guidelines, which include fostering the relationship between the state and civil society, the government is slowly beginning to realize it has vested interests in developing this cooperation.

NGOs are generally unable to sustain full-time staff, and most employees work on a volunteer or project basis. Few donors provide organizational grants to address this issue. Many organizations also lack transparency in the operations of their executive boards and other leadership positions.

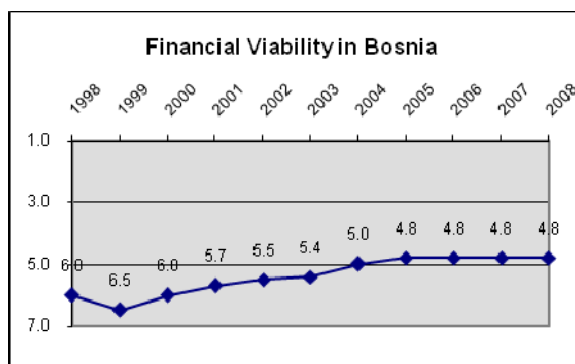
During 2008, civil society demonstrated the ability to unite around specific issues. NGOs organized a series of protests sparked by the general feeling of insecurity following the daytime murder of a young student in Sarajevo. NGOs raised public awareness of the government's inability to control juvenile delinquency, but the protests lacked sufficient coordination, diminishing their impact.

Some networking success stories did take place in 2008. The local International Council of Voluntary Agencies worked with a network of organizations on social protection issues, which succeeded in lobbying parliament for changes to social protection legislation.

allocation was made through many small grants to different organizations, without taking into account whether the amount allocated was sufficient for the implementation of the proposed project. The government tried to satisfy NGOs by providing minimal funding, while expecting NGOs to implement their full projects.

The mechanisms for government funding allocations are highly questionable. Instead of

following set guidelines and criteria, the government commissions that allocate public benefit funds seem to base many of their



decisions on political interests and allocate a large percentage of funds to predetermined beneficiaries such as sports organizations and

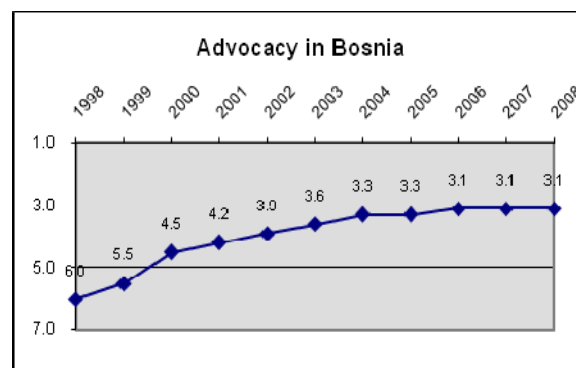
### ADVOCACY: 3.1

There were quite a few successful advocacy initiatives in 2008. For example, the Youth Cultural Center (OKC) in Banja Luka was actively involved in advocating for the Law on Volunteerism adopted in Republika Srpska in July, as well as in advocacy activities on children and social assistance.

NGOs improved their cooperation with government representatives. The Alumni Association of the Center for Interdisciplinary Postgraduate Studies of the University of Sarajevo successfully lobbied for the adoption of a National Development Plan by the BiH Council of Ministers. Another local NGO, the Gardens of the Righteous Worldwide (GARIWO), successfully lobbied for the adoption of legislation related to banning fascist organizations and symbols. The International Council of Voluntary Agencies successfully led more than forty NGOs in the process of enhancing policy dialogue between NGOs and government on issues of social protection, education and the environment. As the result of an International Bureau for Humanitarian Issues project to develop policies for persons with disabilities, the BiH Council of Ministers adopted the Policy on Disability in May.

veterans' associations. Certain sectoral strategies do exist on different governance levels, such as the Strategy for Youth. This does not translate, however, into youth organizations being a top priority when it comes to funding allocation.

The new Law on Personal Income Tax and the Law on Company Profit Tax scheduled to enter into force in 2009 in the Federation BiH should bring some improvements when it comes to local support for NGOs. For now, the most successful fundraising activities on the local level involve individual philanthropic contributions, although most organizations still have not developed the capacity to utilize fully the benefits of local philanthropy.



Centers for Civic Initiatives (CCI) continued its 2006 initiative of monitoring the work of thirteen governments and parliaments on the state, entity and canton levels, publishing reports on the effectiveness and efficiency of these institutions as well as their individual representatives. The effects of these monitoring efforts on raising accountability became very visible in 2008, with 220 written and verbal reactions from government representatives in response to CCI reports. As a result of these monitoring and advocacy efforts, government representatives on different levels adopted over seventy recommendations for the improvement of BiH institutions and started over forty initiatives providing concrete measures for improvement in the spheres of poverty



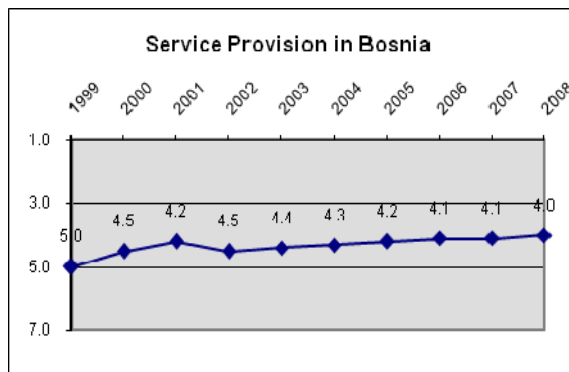
reduction, employment, and pension and health systems.

Although BiH NGOs showed improvements in advocacy activities, they recognized that the next step is to mobilize larger numbers of citizens. Numerous street demonstrations and

other forms of civic activism took place in 2008. The demonstrations were related to issues such as juvenile delinquency, unemployment, and protection of human rights, as well as citizens' dissatisfaction with and distrust in political leadership.

## SERVICE PROVISION: 4.0

Service provision capacities of BiH NGOs showed slight improvements in 2008. The development of good cooperation between the governmental and nongovernmental sectors remains the main obstacle to further progress in this area. OKC in Banja Luka coordinated volunteers who provided social services independently of any cooperation with the government, which seemed reluctant to change its own system of service provision. Out of eleven cities in which OKC provided volunteer services, only the City of Trebinje facilitated direct cooperation with the Center for Social Work, the government entity responsible for provision of services to the disabled.



In the past two years, five organizations have signed a memorandum of understanding with the Ministry of Security to provide complementary services in the field of anti-trafficking in persons. The ministry recognized its lack of capacity in this field and the benefits of cooperating with the NGO sector to provide services such as the establishment of safe houses. The Center for Civil Society Promotion also had positive experiences connecting needs to services on the local level, with both NGO and local government representatives showing

interest in training of trainers programs focused on implementation of agreements between NGOs and municipal governments.

The Ministry of Justice developed a strategy that prioritizes cooperation with the NGO sector and the sector's strategic development. An initiative was also launched to create a database of service providers.

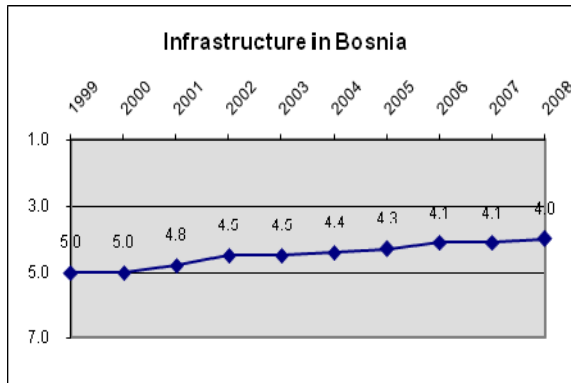
In terms of types of services provided, NGOs' expertise is primarily in conducting trainings and research and providing informal education. A less developed field remains the provision of social services, perceived as being under the monopoly of the state. NGOs and government took formal steps towards cooperation on some levels. In Banja Luka, the 2008–2013 Social Strategy outlines a system of provision of "mixed" services (including by NGOs). The Centers for Social Work have been very selective, however, and have chosen to cooperate only with some organizations. Maintaining control over service provision for socially vulnerable citizens is a politicized issue, as the government perceives this as an opportunity to win sympathies among large groups of voters. The International Bureau for Humanitarian Issues promoted an action plan for social inclusion based on provision of a mixed system of service provision, but local governments chose to cooperate only with certain organizations. The government gave NGOs dealing with disability groups, especially disabled veterans, greater latitude to provide services.

Although some services remain in the control of the government, NGOs have achieved greater government recognition. The NGO sector is

able to provide certain services faster than the government, using modern technology and new

methods thanks to their cooperation with international organizations.

## INFRASTRUCTURE: 4.0



In 2008, several new NGO coalitions emerged: the Accountability Coalition, Cut the Tax Coalition (dealing with the harmonization of the two entities' fiscal systems), a coalition formed around the creation of a strategy for persons with disabilities, and a network of high school student councils. In addition, NGO partnerships

around specific project activities (so-called project coalitions) became more visible, a departure from the tendency for NGOs to enter formal coalitions without defined missions. Most importantly, NGOs themselves began to recognize the benefits of networking. Another advance in 2008 was the further development and growing use of the Civil Society Resource Centers administered by the Center for Civil Society Promotion. The centers served as a forum for easier information flow within civil society networks and between different organizations, and provided education and consultancy services. The number of visits to the Sarajevo Resource Center website, the number of inquiries on legal and NGO administration matters, and requests for exchange of information increased significantly.

## PUBLIC IMAGE: 3.4

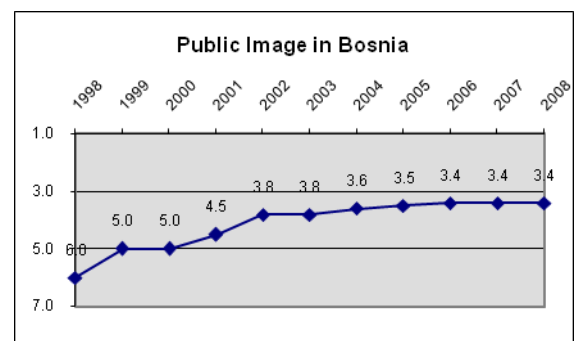
In general terms, the NGO sector is well covered by the media, especially in larger urban centers. It is common practice for the media to ask for statements from NGO representatives on different issues. Previously NGOs were almost exclusively targets of negative media attention. The media still leans towards sensationalism, however.

The public perception of the NGO sector was marked by growing understanding of and support for NGO work. According to a public opinion survey conducted by the International Republican Institute on the nationwide visibility of ten leading NGOs, most of the organizations showed an increase in visibility compared to the previous survey year.

Though the relationship with the government did take steps forward, in many ways NGOs were still perceived as competition.

The space for cooperation with business may be expanding; the first meeting between ten leading

NGOs and big business representatives was organized in 2008. The local NGO Foundation Mozaik developed a corporate social responsibility competition to award the most socially responsible corporation. As the public and media more frequently use the term "social responsibility," local companies are becoming more interested in humanizing their corporate image through cooperation with the local NGO sector.



Though the public image of NGOs has shown some improvements, NGOs still lag behind

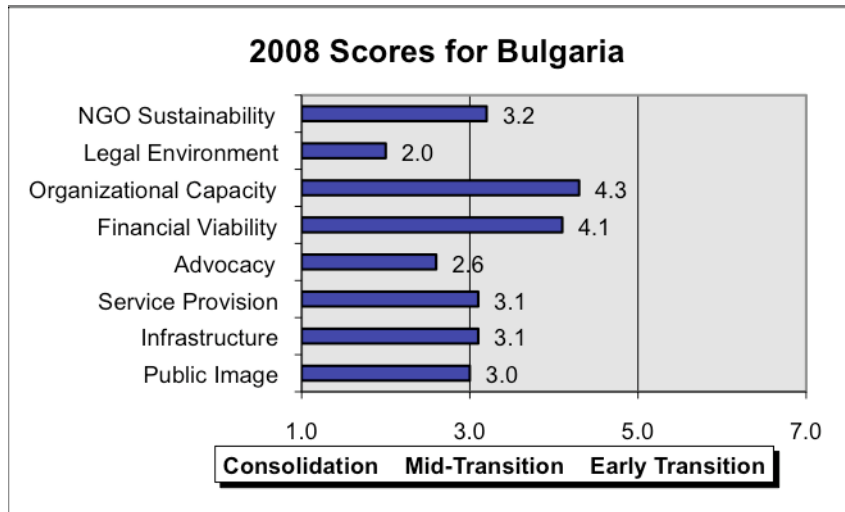
when it comes to self-regulation. They made no real advancements in terms of increased transparency or the publishing of annual reports.

Certain problems related to local media coverage of NGOs occurred in 2008. A large number of media outlets in Republika Srpska are now under control of the ruling political party, which has shifted the public perception of local NGOs that criticize the government. For example, Transparency International in Banja Luka, after criticizing the RS government for lack of transparency, experienced systematic harassment by the local media and government, who accused TI of bribing companies to make fabricated accusations of corruption. The violent physical attack on the organizers and

guests of the Queer Festival in Sarajevo, organized by Association Q, was a result of the negative portrayal of this festival by some local media, which repeated hate speech expressed by some politicians and members of religious communities.

Overall, the media were open to following and supporting the work of the NGO community. In many cases, however, the work of media outlets is still driven by personal political beliefs or interests of editors-in-chief. This is a crucial issue as the NGO sector is taking on a more active role as a watchdog of government actions.

## BULGARIA



**Capital:** Sofia

**Polity:**  
Parliamentary Democracy

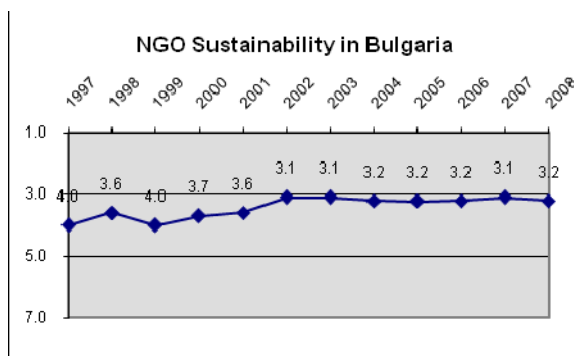
**Population:**  
7,204,687 (July 2009 est.)

**GDP per capita (PPP):**  
\$13,200 (2008 est.)

### NGO SUSTAINABILITY: 3.2

Bulgaria has more than 30,000 registered NGOs, including more than 3,700 “chitalishta” (traditional Bulgarian community centers), according to Bulstat, the official Bulgarian statistical source. More than 6,500 NGOs are registered in the Central Registry of Public Benefit Organizations, including sports clubs and schools’ boards of trustees.

EU. The EU program on administrative capacity has a special component for NGO capacity building. In late 2007, and during 2008, it provided roughly thirty-seven million BGN (about \$24 million) for NGO projects – a massive inflow of funding compared to the six million BGN (about \$4 million) provided under CSDP.



These large amounts of EU funding are distributed by the state, which leads to questions about the political impartiality of the process and its effect on grant recipients’ ability to criticize the government. Despite the new funding opportunities, independent funding sources are decreasing, which has led to worsening financial viability. The global economic crisis also began to take its toll on the NGO sector.

In 2008, several changes affected the NGO sector. The withdrawal of donors such as USAID and the end of the PHARE Civil Society Development Programme (CSDP) was softened by the start of the operational programs of the

Because of the changes in the donor environment, some NGOs have started to change their scopes of activities in order to survive. There is a trend toward two distinct types of organizations: NGOs using volunteers and receiving support through local philanthropy, and NGOs dependent on state funding.

## LEGAL ENVIRONMENT: 2.0

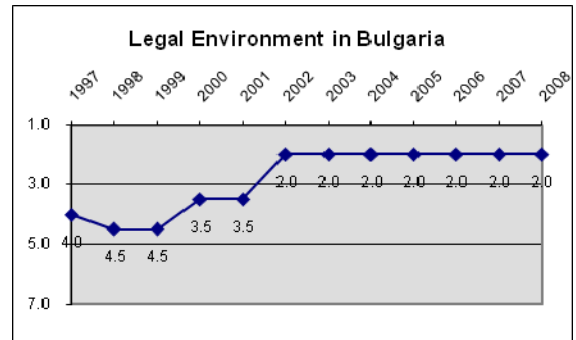
There were no major changes in the legal area in 2008. However, problems with implementation of legislation relating to the Central Registry of Public Benefit Organizations and administrative impediments have worsened the NGO situation. In general, the NGO law in Bulgaria provides sufficient freedom for NGOs. The registration process is relatively fast and easy. State involvement in NGO management is not an issue.

NGOs faced some administrative impediments, such as the new requirement that NGO board members provide proof of a lack of convictions in order for the NGO to participate in public procurement tenders or competitions under EU operational programs.

The operation of the Central Registry has been an issue for the last several years. The registry, where all public benefit organizations enter their data, is electronic and searchable, but it is difficult to find information about organizations in the registry database. In addition, the information uploaded is not updated regularly and often contains errors. The Central Registry also has a supervisory role, but has almost never carried out any monitoring on whether reported activities correspond to reality.

While there are no specialized NGO lawyers outside of the capital, basic issues are covered by general lawyers. For more specialized issues,

NGOs go to the capital to consult with lawyers with expertise in NGO law.

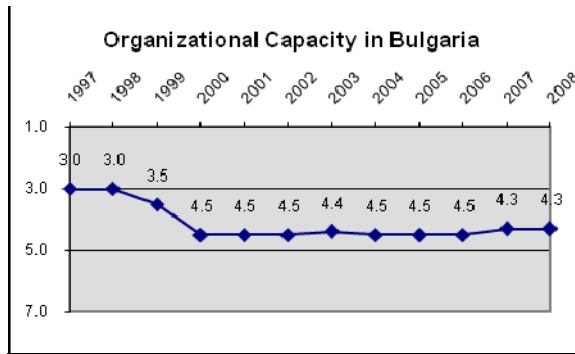


In 2008, as in 2007, the government sought to eliminate tax benefits for donors and for NGOs that receive donations. In 2007, these proposals were voted down in Parliament, and there are signs that the proposals might be changed so as not to affect NGOs negatively. Still, the constant attempts by the Ministry of Finance to change the tax environment for NGOs create uncertainty. NGOs are required to register as taxpayers under the VAT Law if their earnings from economic activity exceed a certain threshold. Donations through text messaging are becoming a popular method for supporting charitable causes, but VAT is charged on the amount of the donation, which is the cost of the text message. On the other hand, NGOs receiving funds under the EU PHARE program are now allowed to cover VAT with grant or contract funds.

## ORGANIZATIONAL CAPACITY: 4.3

NGOs are still not actively engaging their constituencies. Two major types of organizations are developing. Organizations with permanent staff are becoming more professional and have even better access to resources. On the other hand, a growing number of volunteer organizations at the local level achieve results without much funding. These NGOs are closer to their constituencies, but the gap between them and the professional NGOs is increasing.

The NGO sector receives much training to improve its capacity. One of the EU operational programs, the Operational Program for Administrative Capacity (OPAC), provides funding for organizational capacity trainings, but the actual impact is questionable.



More NGOs know about strategic planning, but few use it because of the short funding horizon

### FINANCIAL VIABILITY: 4.1

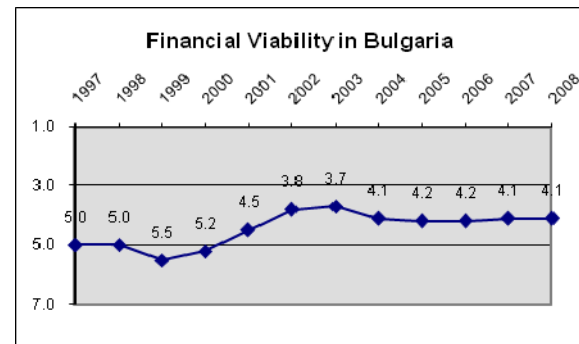
In 2008, several new sources of funding for NGOs were created while other assistance programs were phased out, such as that of the Swiss Agency for Development and Cooperation, the Netherlands' Matra Program, and USAID. New funding sources included OPAC, providing thirty-seven million BGN (about \$24 million) for NGOs in its first two calls for proposals; the NGO Fund of the Financial Mechanism of the European Economic Area (funded by Norway, Iceland and Liechtenstein); and the Bulgaria Fund, a three-year mechanism funded by USAID and managed by the Balkan Trust for Democracy. The Trust for Civil Society in Central and Eastern Europe (CEE Trust) will continue its support to Bulgarian NGOs through 2012. The America for Bulgaria Foundation, which started operations in 2008, offers grant opportunities for NGOs.

Even though state funding for NGOs is increasing to a certain extent, such support is still minimal. There is no mechanism for distributing funds to NGOs at the local level. Nor do the EU operational programs reach the local level. NGOs traditionally receive in-kind support such as office space from local authorities.

In the last few years Bulgaria has seen some increase in private and corporate philanthropy,

most NGOs have. NGOs prefer to tackle smaller problems rather than big issues.

The increase in volunteers and increased level of giving to charitable causes were positive trends. The situation with technical equipment of NGOs improved somewhat as some donors allowed project budgets to cover replacement of old computers and office equipment. Meanwhile, prices of equipment have gone down.



as well as in volunteers. Open Society Institute-Sofia used many volunteers in recent projects, which reduced its budget substantially.

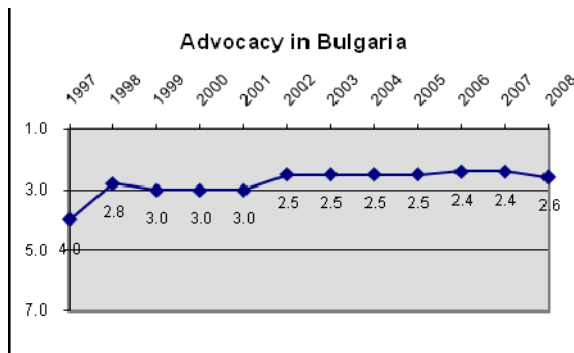
Diversification of funding is still underdeveloped. Organizations that depend on project funding do not target corporate and private donations, and organizations that depend on donations do not target grants.

Several new corporate programs benefit certain NGOs. A good example is the NGO SOS Kinderdorf, which benefits from various corporate programs including that of the biggest Bulgarian mobile telephone company. The general picture is not very promising, however. Membership fees are not a major source of funding except for business associations.

## ADVOCACY: 2.6

As noted, a serious issue is the fact that most NGO funding provided through EU mechanisms is distributed by the state. This leads to political dependence of NGOs and seriously affects advocacy organizations that might be less eager to criticize their donor. It also creates potential corruption opportunities, such as channeling funds to organizations in which state officials are involved.

The general political framework has worsened, with allegations of political corruption and strong business lobbies behind major policy decisions. This reduced the effectiveness of NGO campaigns that confronted business interests, such as the coalition of green NGOs fighting against the construction of hotels and resorts in nature parks and reserves. In addition, there is no law on lobbying even though two draft laws have been introduced in Parliament. It is unclear whether, if adopted, these laws will take into consideration the role of NGOs or will create obstacles for their work.



Some parts of the government showed increased interest in working with NGOs, but other parts such as the police remain closed to NGOs. The number of expert and public councils within government institutions increased, but their efficiency was questionable.

The Ministry of Justice has started discussing its strategies with NGOs, while the chairman of Parliament has reacted quickly to NGO requests for action. Most advocacy work, however, happens through informal channels, and there are few official mechanisms through which NGOs can interact with institutions. One such mechanism is the Parliamentary Commission on Civil Society and Media, which has had a limited effect on the civil society framework in the last three years.

NGOs conducted several campaigns such as the campaign for adoption of the Law on Referenda and the campaign against the termination of tax benefits for donors. Environmental organizations continued their campaign against illegal construction in nature parks, but were unable to achieve their goals.

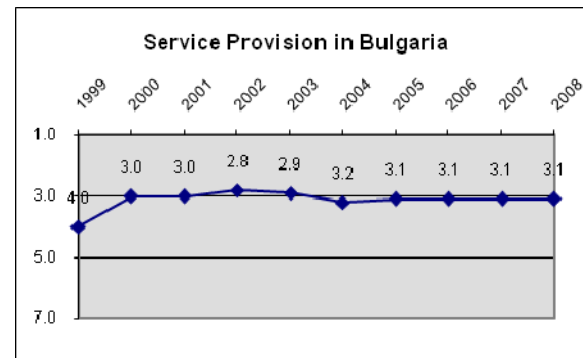
With regard to advocacy for NGO legal reform, NGOs showed support for various initiatives aiming at improving or defending the legal framework, such as the creation of an independent but state-financed fund for civil society, introduction of a 1 percent mechanism, and the campaign to retain tax benefits for donors, described above.

### SERVICE PROVISION: 3.1

NGOs are increasing their portfolio of services, but several problems continue to exist for service-providing NGOs. NGOs are still prohibited by law from providing health services. Still, NGOs work in the health area providing consultations and organizing public awareness campaigns.

While in the future NGOs could replace municipalities as the main social service providers, this is not happening because contracting to NGOs would mean losing municipal jobs. In municipalities, NGOs are mainly used to provide new services not traditionally delivered by local authorities, such as domestic violence shelters, drug rehabilitation centers, and crisis centers for the homeless.

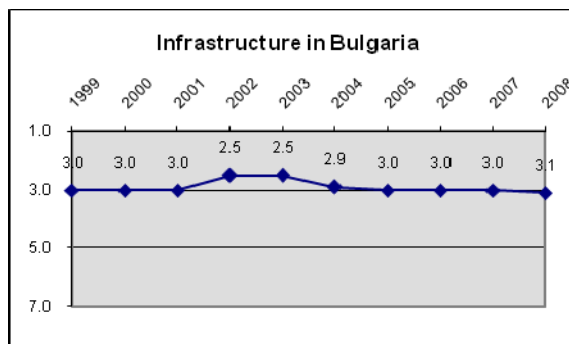
NGOs provide better quality services than the state, but are still not the predominant service providers. Charging fees for services provided is not a widespread practice, and NGOs still depend mainly on project funding.



### INFRASTRUCTURE: 3.1

Practically no intermediary support organizations (ISOs) exist, but it is debatable to what extent ISOs are necessary if NGOs are not interested in paying fees for their services. Expertise and training are available to the NGO sector, although usually for a fee.

general, the situation regarding non-state funding is not very positive, however.



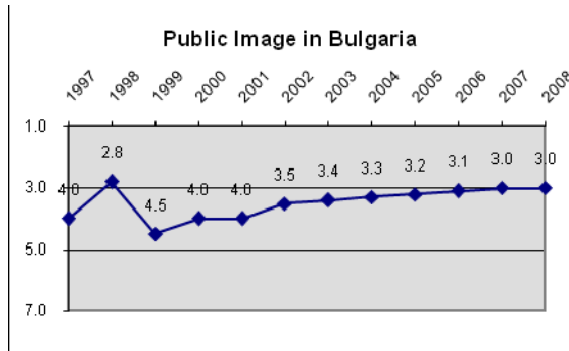
Local grantmakers include the central government and municipalities. Businesses are more and more involved with community projects and corporate social responsibility. In

The structure of the NGO sector in Bulgaria is very fluid. Not many stable networks operate and no organization represents the sector as a whole. There is no centralized place where people can get information on the NGO sector, such as an NGO portal. The portals that were created in past years are not updated. There are some umbrella organizations, such as the Bulgarian Association of Regional Development Agencies, interest-based coalitions, and informal groups of NGOs operating in different sectors such as social issues, human rights, and local development. Formation of coalitions is not a priority for NGOs, who are not willing to support them financially over the long term. For example, an NGO coalition working on Bulgaria's priorities for international development assistance has about seventy organizations on its mailing list, less than ten of which react to e-mails.



## PUBLIC IMAGE: 3.0

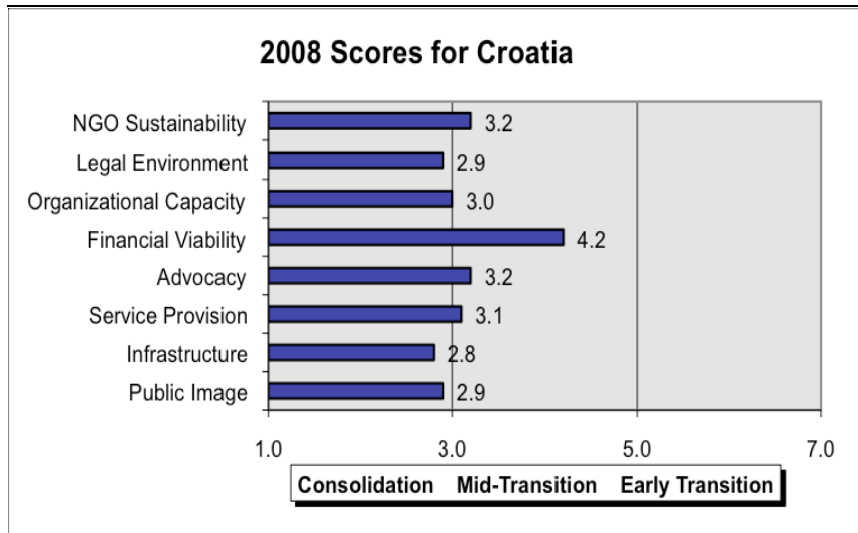
The general perception of NGOs has not worsened and has even improved somewhat. NGOs are using the media more often. They have started using professional PR services and some PR agencies provide their services pro bono to NGOs. In general, NGOs understand the benefits of publicity but rarely announce the results of their activities. Local media is more responsive to NGO initiatives.



Businesses use their philanthropy to NGOs for their own PR purposes, but this benefits the NGOs as well. The government attitude towards NGOs remains unclear because the state policy on NGOs is not clear. On the other hand, state officials are more responsive than in the past to NGO requests for meetings.

A number of NGOs publish annual reports and all public benefit organizations are required to provide their annual reports to the Central Registry where they are uploaded on the Internet. The information in the Central Registry is not up to date, however, and there are organizations that do not submit their reports as required. In addition, the latest ethical code initiative that started in 2007 did not succeed, so NGOs in Bulgaria do not have a working ethical code.

# CROATIA



**Capital:** Zagreb

**Polity:**  
Presidential/Parliamentary  
Democracy

**Population:**  
4,489,409 (July 2009 est.)

**GDP per capita (PPP):**  
\$16,900 (2008 est.)

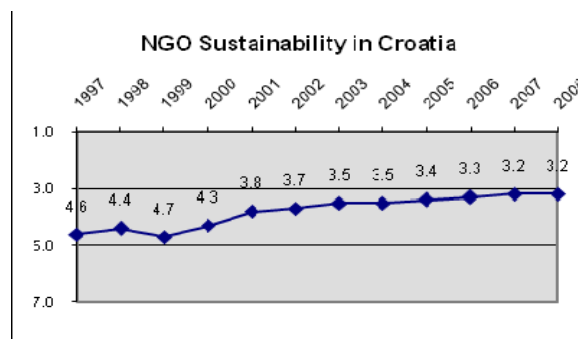
## NGO SUSTAINABILITY: 3.2

Overall, the NGO sector in Croatia continued to take steps forward in 2008. Some improvements occurred in the legal framework. Larger NGOs continued to be successful in advocating for various issues, while smaller NGOs are rarely involved in advocacy activities. A significant number of NGOs implemented programs in local communities.

NGOs continued to actively invest in their organizational capacities and quality of services. The NGO infrastructure continued to improve on all levels. The public image of Croatian NGOs has continued to improve, and they enjoy a regular presence on local and national TV and radio stations, as well as in print media.

The number of foreign donors has decreased, leaving EU pre-accession funds with their demanding procedures as the main source of funding. Domestic funding to NGOs increased but was insufficient to match needs.

The NGO sector continued to benefit from greater levels of activity and effectiveness of the country's three pillars of civil society: the

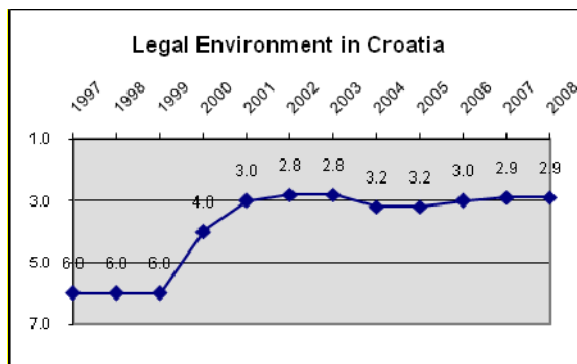


government Office for Cooperation with NGOs, the National Council for Civil Society Development, and the National Foundation for Civil Society Development (NFCSD), which is the strongest grantmaking organization in Croatia. Its support services to NGOs include various types of training, technical assistance, clearinghouse services, and networking. The NFCSD also decentralized its funding, with four regional foundations responsible for managing community grant programs.

In 2008, there were more than 36,200 civil society organizations registered in Croatia, including sports and religious organizations.

## LEGAL ENVIRONMENT: 2.9

While the legal environment in Croatia in terms of NGO development has not yet achieved the status it has in some of the more advanced countries of the region, it is gradually and continuously improving. This is partly due to the process of preparing for EU accession, together with the harmonization of the Croatian legal framework with *acquis communautaire*, the common legal heritage of the European Union.



The new regulation on NGO accountancy regulates the criteria for double-entry bookkeeping procedures. Smaller NGOs with either an overall property value or yearly income under 100,000 Croatian kuna (\$17,900) are exempt from double-entry bookkeeping procedures.

The existing Law on Funds and Foundations makes it complex to register a foundation. Efforts to change the existing law, including the development of a new draft, have been unsuccessful to date due to competing government priorities. The same applies to the Labor Law, which was not yet amended

## ORGANIZATIONAL CAPACITY: 3.0

In 2008, NGOs continued to improve their organizational capacities through training and technical assistance supported by the National Foundation for Civil Society Development and other donors, mainly funded with EU pre-accession funds. Many NGOs improved their professional skills and governance during the past year. NFSCD introduced a regional network

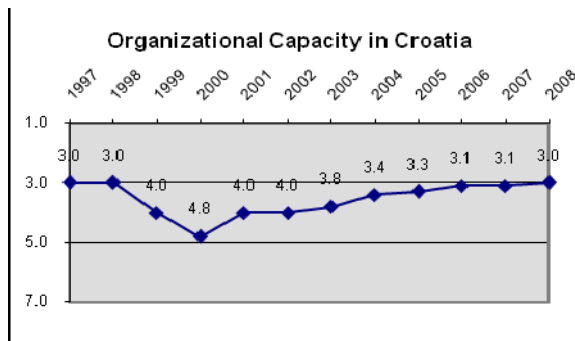
to reflect the Law on Volunteerism adopted last year. The Labor Law does not recognize the volunteer status of formally unemployed people and requires the state to withhold financial support to unemployed people while they are volunteering. The Labor Law is expected to be changed to omit mention of voluntary work, which will be regulated through the Law on Volunteerism.

There is still no law on public benefit organizations nor the criteria needed to define and regulate public benefit status. A complex and little-known tax incentive allows corporations and individuals to deduct up to 2 percent of their income taxes for donations to organizations that conduct cultural, scientific, educational, health, humanitarian, sport, religious, and other activities, but it is rarely used.

Humanitarian organizations, political parties, trade unions, chambers of industry, religious communities, and medical and cultural institutions are exempt from the 22 percent VAT, while advocacy, watchdog, human rights and peace organizations are not. NGOs are exempt from paying taxes on grants and donations as long as the funds are used to further the organization's nonprofit activities. NGOs are only permitted to have income from grants and donations if they establish a company; such income is not exempt from VAT. NGOs are permitted by law to compete for government contracts and procurement opportunities at the central and local levels, an opportunity used primarily by social services NGOs.

for capacity strengthening of civil society organizations (including registered and unregistered organizations and civil initiatives) on the local and regional level. Several Croatian universities introduced courses that focus on NGOs, such as marketing and accounting for not-for-profit organizations. The fact that thirty-six NGOs won contracts through EU pre-

accession funds speaks to the increased organizational capacity of Croatian NGOs.



NGOs continue to implement the NGO Quality Assurance System, SOKNO, to ensure higher quality standards. Croatian NGO leaders developed SOKNO based on a similar system in the United Kingdom. More and more NGOs recognize a strategic plan as vital for their activities. In accordance with their strategic plans, many NGOs are trying to improve

## FINANCIAL VIABILITY: 4.2

Financial viability continues to be the weakest aspect of NGO sustainability in Croatia. Croatian NGOs receive significant support from local and national governments and other domestic sources. Now that the majority of foreign donors have closed their offices in Croatia, the EU pre-accession funds remain the only significant foreign funding source in the country. Smaller and medium-sized NGOs need to improve their capacities to receive and absorb EU funds.

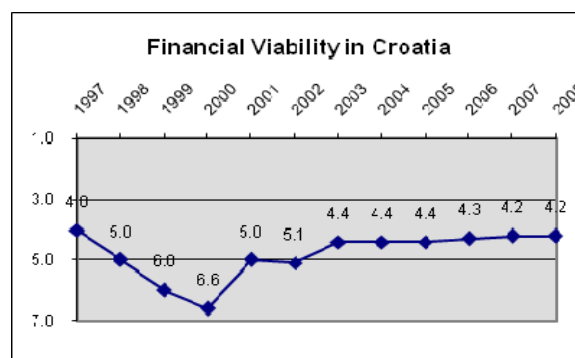
Corporate donations are becoming more significant, and more than ten companies issue annual calls for proposals, which are often focused on children, youth, culture and sports. NFCSD organized the first national donors' conference in October 2008, which may lead to the establishment of a donors' forum. Social entrepreneurship offers a potential funding source, but is not widely practiced.

The NFCSD is the largest donor oriented towards institutional support, allowing NGOs to focus more on their basic activities and

relationships with their beneficiaries and constituents by conducting needs assessments and developing programs that correspond to constituent needs.

NGOs have improved in terms of introducing clear divisions of roles and responsibilities in management and supervisory structures. An initiative to develop and promote guidance on NGO governance resulted in strengthening the roles of supervisory and managing boards, and some began to challenge NGO leadership to improve operations and capacity.

There is a significant migration of professional personnel from the NGO sector to other sectors. The instability of smaller NGOs in terms of financial sustainability leads professional and educated staff to migrate to bigger NGOs that can offer long-term employment.



programs rather than working project to project. The NFCSD has continued to decentralize its funding, signing an agreement with four regional foundations responsible for managing community grants programs in their specific regions. In 2008, the NFCSD supported sixty-five citizens' initiatives with a total of 975,000 kuna (\$174,000) and provided thirty institutional support grants.

In addition, various ministries and government offices implement grant programs from state budget sources. These include Ministry of Health and Social Welfare grants to disabled

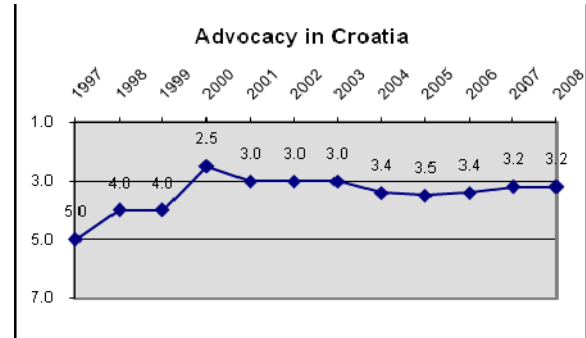
persons' NGOs, Ministry of Culture grants for culture-oriented NGOs, and Ministry of Science,

Education and Sport grants for scientific and professional NGOs.

**ADVOCACY: 3.2**

A growing number of NGOs are becoming aware of the weaknesses in the legal framework, but only a small percentage actively advocates for change. During 2008, a number of initiatives for legal improvements were developed jointly by government and a small group of NGO representatives.

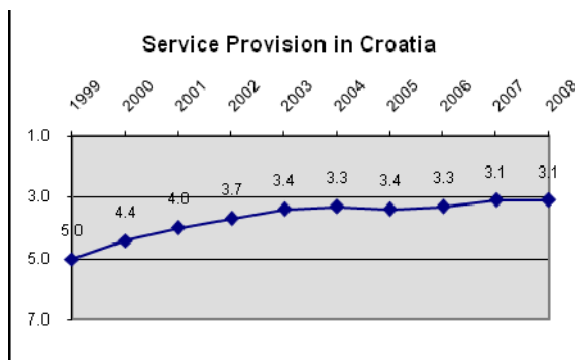
Cooperation between NGOs and national or local governments continues, particularly through NGO participation in various bodies. In addition to participating in the Council for Civil Society Development, NGO representatives regularly participate in parliamentary committees on human rights, prevention of corruption, security, environmental protection, minorities, youth and other issues. Several NGO representatives are members of the Croatian TV Council, the body that regulates the programming of the only national public TV network. The government Office for Cooperation with NGOs and the Council for Civil Society Development organized a final round of public debate with interested stakeholders, particularly NGOs, on draft legislation regarding the role of public consultations in the policymaking process. NGOs are actively recommending policy changes and participating in implementation of the National Strategy for the Creation of an



Enabling Environment for Civil Society Development. Priority issues for the sector include the NGO-government consultation process, NGO public benefit status, and improvements to the Law on Funds and Foundations.

Large and well-developed advocacy NGOs are effective advocates for the public interest, especially when they are organized around formal or informal coalitions, but other NGOs are rarely involved in such activities. Ad hoc groups are emerging more often, however, focusing on different topics ranging from problems in secondary education to anti-corruption initiatives to social policies. For example, an informal group of citizens organized a Facebook-mediated protest on the squares of major Croatian cities against the government's proposed anti-recession measures.

**SERVICE PROVISION: 3.1**



A significant number of NGOs implement programs in local communities, but the number that actively recovers costs for the services they provide is still relatively low. Few NGOs use self-financing activities, including providing services for fees, as their primary source of funding. With the departure of foreign donors, however, NGOs have become more interested in self-financing. Training organizations continue to be the most successful in terms of cost recovery. Some new networks of service

providers are emerging, focusing on community and rural development, but their activities are still largely project-driven.

Social contracting is primarily an option for social service NGOs. NGOs have been awarded a large number of contracts on the local and national levels for services to the elderly, victims of domestic violence, the disabled, and the homeless. The practice of social contracting

is among the priorities of the Office for Cooperation with NGOs, which is preparing comprehensive educational seminars on this topic for local and regional authorities.

Specialized NGOs could provide many social services, complementing or matching state efforts, but in many cases local authorities and other relevant stakeholders lack sufficient interest.

**INFRASTRUCTURE: 2.8**

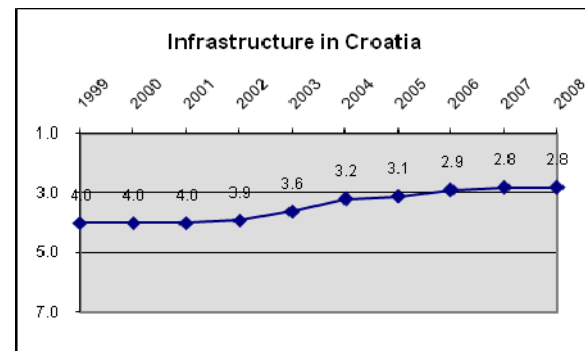
As noted, the strongest grantmaking organization in Croatia is the National Foundation for Civil Society Development, which also provides support services to NGOs. The NFCSD program operates through focal points in four Croatian regions and provides various types of training, networking, technical assistance, and clearinghouse services. Newly established community foundations are active in raising funds and distributing grants for smaller NGO projects. The NFCSD also supports capacity development of these smaller foundations.

The NFCSD Cross-Sectoral Cooperation Programme, implemented through IMPACT–European Centre for Cross-Sectoral Partnership in Zadar, aims to establish the first center of excellence in Southeastern Europe for training on intersectoral cooperation, promoting partnerships between the public, business and nonprofit sectors. The center will support the development of intersectoral cooperation both on the national and regional levels.

The Office for Cooperation with NGOs greatly improved its coordination of activities in 2008. It launched an implementation plan for the

National Strategy to Create an Enabling Environment for Civil Society Development and, in December 2008, organized a roundtable discussion about a Croatian presidency of the UN Security Council.

Partnerships between NGOs and the business sector are still rare, although some good models are developing in larger cities, such as participation of business representatives in NGO boards or joint collaboration in various umbrella associations. NGOs are sometimes asked to provide assistance to businesses on their philanthropic activities and grantmaking programs. With growing interest in corporate social responsibility, several NGOs actively promote NGO-business sector cooperation.



**PUBLIC IMAGE: 2.9**

The public image of NGOs continues to improve gradually as a result of NGOs’ increasing efforts to inform the public about their role in society and their advocacy efforts. Some NGOs even succeeded in organizing training for political

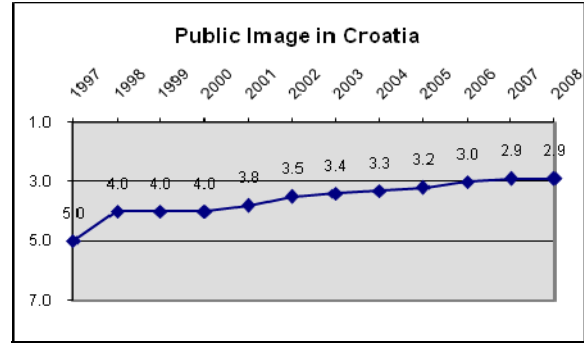
party leaders, introducing them to civil society issues.

NFCSD supported about twenty projects focused on not-for-profit media, broadening the audience for information about NGO activities. These

activities included radio and TV, as well as major Internet portals such as ZamirZine and H-alter.

Cooperation with national and local media continued to improve during the year. NGO leaders continue to participate regularly in TV or radio programs to discuss important social, political or economic issues. The media recognizes NGO leaders as experts and specialists on specific issues. Media coverage of NGO activities is mostly positive, although sometimes criticism prevails. Media outlets' approach to NGOs varies depending on whether the media outlet is oriented toward active citizenship.

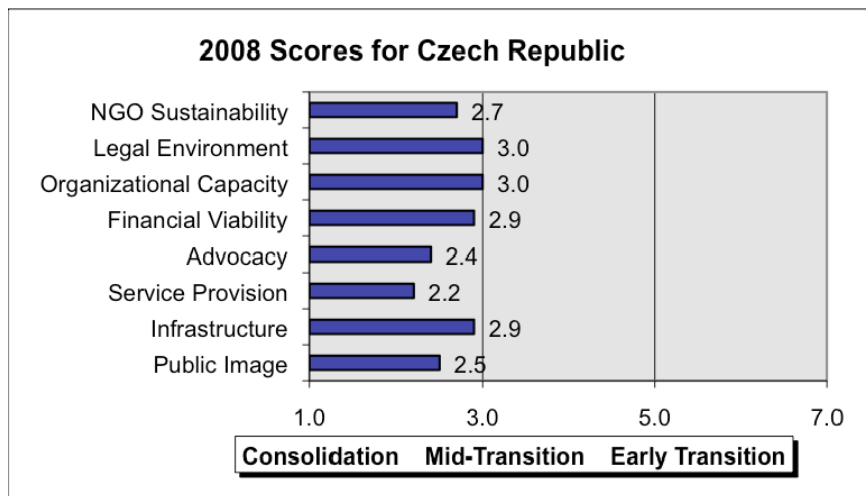
While not many NGOs have a person responsible for PR activities, many have developed a PR strategy. Numerous NGOs are



improving their PR capacities through various training programs. Larger NGOs have developed close relationships with journalists and work hard to maintain them.

Many NGOs promote their transparency and openness through websites, annual reports, and public events.

## CZECH REPUBLIC



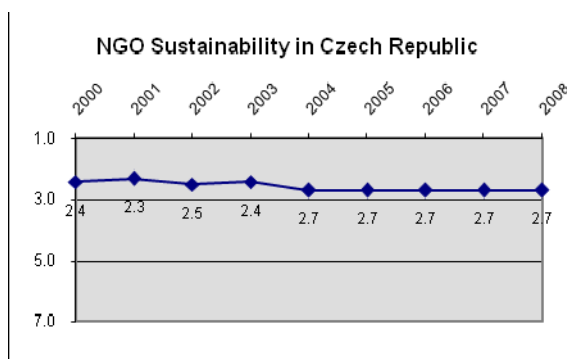
**Capital:** Prague

**Polity:**  
Parliamentary Democracy

**Population:**  
10,211,904 (July 2009 est.)

**GDP per capita (PPP):**  
\$26,100 (2008 est.)

### NGO SUSTAINABILITY: 2.7



The nonprofit sector in the Czech Republic consists of civic associations, foundations,

endowment funds, public benefit organizations, church-related legal entities, and organizational units of civic associations, such as those representing a network of businesses. At the end of September 2008, there were 101,659 nonprofit organizations operating in the Czech Republic. The most widespread type of nonprofit organizations is civic associations, which number 64,538. Many civic associations cease operation without going through the legal procedure of de-registration. As a result, statistics on Czech NGOs are not completely accurate.

### LEGAL ENVIRONMENT: 3.0

The Law on Foundations and Endowment Funds, the Law on Public Benefit Organizations, the Law on Association of Citizens, the Law on Churches and Religious Organizations, and the Law on Volunteerism are the primary laws that regulate Czech NGOs. Only the Law on Volunteerism affects all legal forms of nonprofits. Czech legislation has not yet clearly defined the term “nonprofit organization,” which creates problems when interpreting the legislation. In 2008, the official draft of the new Civil Code was released for comment. This law

might change the structure of the NGO sector in the future.

Legislation defining the operation of civic associations is general in nature. On one hand, it facilitates the activities of NGOs. On the other hand, it makes exercising public control over them more difficult. Registration of civic associations is fairly quick and easy. The Ministry of the Interior interprets the Law on Association of Citizens and either suspends or denies registration to those civic associations that provide beneficial services outside of their



membership base for a fee. Registration of other legal forms of NGOs is more difficult, especially for foundations, endowment funds and public benefit organizations. A public register of nonprofit organizations still does not exist. Nonprofit organizations are registered in files and registries in particular places of registration.

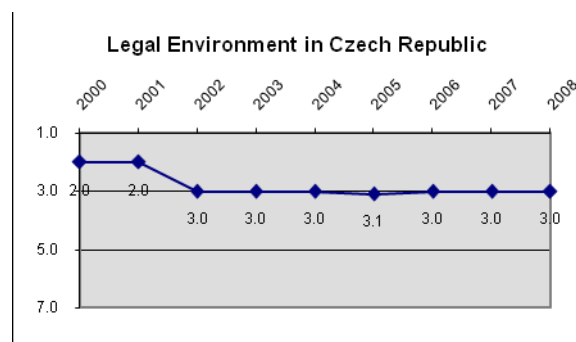
By law, NGOs can operate freely. Government entities do not create legal impediments to the operation of NGOs. However, in 2008, the Ministry of Labor and Social Affairs halted their financial support of some civic association programs on the grounds that, in general, civic associations have low levels of operational transparency.

In 2008, amendments to the Law on Public Benefit Organizations and the Law on Foundations and Endowment Funds were passed. The amendments affect the organizational operations of NGOs and will improve both the operations and the transparency of organizations. For example, one amendment grants authorization to the director of a public benefit organization to make decisions regarding the daily operations of the organization. Originally, the chair of the board of directors was the only person authorized to make decisions.

The slightly controversial Law on Social Service came into effect in 2008. This law sets quality standards for social service providers. The positive ramification of this law is that it forces NGOs to improve their quality of services. Some NGOs have a hard time meeting the quality standards. The law introduces some questionable aspects concerning NGO operations. For example, it restricts the extent of social service fees.

## ORGANIZATIONAL CAPACITY: 3.0

The public still expects its needs to be served by the government and administrative system. In spite of this, the public realizes that NGOs generally represent its needs. NGOs try to survey public needs; however, for the most part



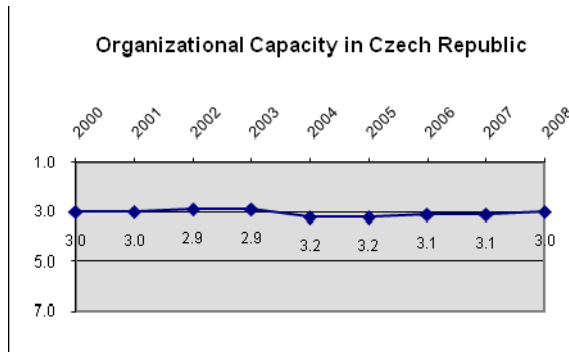
The Czech Republic has only a small group of NGO legislative specialists. Legal consultancy services are available in Prague and some regional cities. Access to these services is limited in rural or more isolated regions. At the same time, the country does not produce a sufficient number of lawyers specialized in the NGO sector. The Czech Republic also still lacks experts to comment on new legislation. NGO experts comment on new laws in their free time and free of charge, which means that the comments are not necessarily the most thorough.

According to taxation laws, subsidies, grants and donations for NGOs are tax-deductible for individuals and companies. The current maximum allowed deduction, however, is inadequate to motivate potential donors. The tax environment is further complicated by inconsistent interpretations of tax laws. For example, a lawyer, an economist, an accountant and a financial office may all interpret the law differently.

The tax law does not give an advantage to NGOs who conduct self-financing activities. NGOs can generate income through the provision of goods or services, but such activities are not explicitly supported and, in some cases, are indirectly limited. Many problems arise from differing interpretations of economic activities of NGOs that are not well defined by the law.

they do not have the capacity for marketing surveys of actual needs of the public or target groups, so they often make estimates. NGOs made a noticeable improvement in organizational capacity in 2008. The

complicated and constantly changing regulations for using EU Structural Funds pushed NGOs to improve their management skills. Also, the slow process associated with the EU funds led to significant lag time between funding sources, which forced NGOs to develop their fundraising capabilities.



NGOs are gradually forced to plan strategically, mostly due to requirements from donors, especially the EU and national and local governments. The motivation for strategic planning in 2008 was the gap in EU Structural Funds financing and the impact of the world financial crisis. The NGO sector is gradually becoming more aware of the need for strategic planning, but the majority of NGOs still lack written strategic plans.

Defining an NGO's mission is a condition for registration; however, not every organization defines its mission clearly and comprehensibly. By law, NGOs are obliged to define their management structures and the responsibilities of management bodies in their founding documents. These principles are not followed in practice. The statutory organ is often formal and has been created only to fulfill requirements. In reality, the same people often participate in both the statutory and the executive organs, and statutory organs delegate their duties and responsibilities to the executive organ. Management bodies often perform the executive function too, and they do not have enough time for directing daily operations. The diversity of the NGO sector means that the conditions in each organization differ widely.

Certain forms of nonprofit organizations (public benefit organizations, foundations, endowment funds) are obliged by law to act transparently and publish their annual reports, including economic reports and statements from independent auditors. Not all of them fulfill this requirement. On the other hand, a number of civic associations regularly publicize their reports, although they are not obliged to do so. The public are able to check how effectively NGOs use their donations, contributions and grants. The majority of donors require a clear operating structure as part of the grant procedure.

The majority of NGOs have their own employees, but these employees do not always have well-defined job descriptions and are often hired for particular projects. As a result of EU Structural Funds, the management of NGOs has been improving. For example, NGOs have started to work with their employees to help them avoid burnout. In some cases, they have hired specific human resources employees. The employment rate in the NGO sector is increasing, although the sector still lacks qualified managers. The legal aspects of NGO management are taught at colleges and several universities. This facilitates the training of qualified managers.

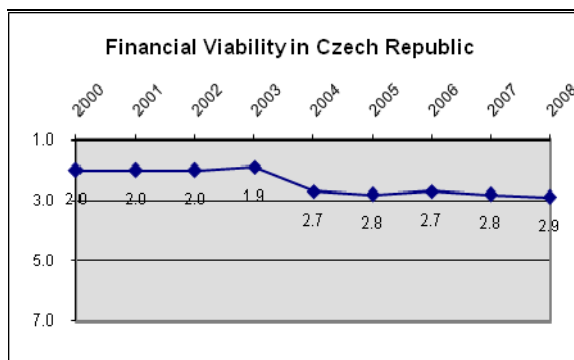
Volunteerism is gradually developing. On account of the Law on Voluntary Service, accredited volunteer centers prepare and educate volunteers. However, NGOs are still not fully qualified to manage volunteers and rarely have systematically organized volunteer databases. Volunteers must not be association members, complicating their use.

Thanks to financial support and in-kind donations, the sector has sufficient office equipment, but the equipment is not of an acceptable quality. Most NGOs are able to use computers and can communicate over the Internet. Still, the sector lacks specialized software programs, and NGO employees do not have necessary knowledge and skills. NGOs without their own equipment can use the library network, which provides Internet access.

## FINANCIAL VIABILITY: 2.9

NGOs get most of their finances from domestic sources of support, including EU Structural Funds.<sup>1</sup> Most finances for the NGO sector come from public budgets, companies, foundations and individual donors. Support from donors is not only financial; companies often provide their products and services at a discount or free of charge. They also provide voluntary support in the form of human capital, a trend that increased in 2008. EU Structural Funds have become a significant source of financing for many NGOs. Smaller NGOs operating in the social sphere have mostly drawn funds from global grants, which were set aside within the Structural Funds. The Norwegian/European Economic Area (EEA) Financial Mechanisms have also financed NGO projects.

The dependence of some NGOs on EU funds affected them negatively in 2008. The EU funds come in waves: the first wave from 2004–2007 and the second wave from 2008–2013. For ten months of 2008, NGOs experienced a gap in EU funding because the government was slow in distributing the funds. Further, some organizations that received funding from the first wave of EU funds did not receive funding from the second wave of funds, as the government chose to support newer organizations in the second round. Consequently, some organizations have cut down their services, dismissed employees, or gone bankrupt.



<sup>1</sup> EU Structural Funds are considered domestic funds because the Czech Republic is an EU country.

Foundations represent a stable financial source for NGOs, but foundation capital is generally low. The largest amounts of finances come from resources obtained by foundations from the government Foundation Investment Fund. Foundations obtain their finances from the same donors as other NGOs.

Large corporations, especially international ones, follow the concept of corporate social responsibility. Corporations support NGOs through taxed sponsorships such as advertising contracts. Corporations can also provide financial donations, which are tax-free for NGOs. In 2008, however, the volume of financial support from corporations and businesspeople started to stagnate due to the global financial crisis.

Individual donors constitute the smallest and least reliable group of NGO donors. Working with individual donors is a demanding fundraising activity for NGOs, except for public fundraising campaigns in response to natural disasters. Another stable source of financing is donor SMS (DMS), which enables donors to contribute to NGOs via text messages. The least effort is put into addressing non-anonymous donors. Increasingly, fundraising is considered to be a necessity, but the majority of NGOs consider their fundraising to be unsatisfactory, particularly due to the low level of management and unclear development processes. The separate position of fundraiser usually does not exist; development is usually a shared task among staff. Boards of directors do not fulfill their obligation to seek out and secure financial support for their organizations. Instead, directors shift their duties to the NGO's executive management.

NGOs usually have several financial sources; however, they tend to receive the bulk of their funding from one primary source, which affects

NGOs' stability. NGOs are financially secure for up to several months or, at most, one year. The vast majority of organizations do not maintain financial reserves. NGOs that are financed mainly from subsidies and grants are financially secure for a limited time only.

Annual reports, bookkeeping and audits are commonly required by donors; however, the financial management of NGOs is not usually systematic, and the sector lacks economists and financial managers. The requirements attached to public administration grants and EU Structural Funds are particularly demanding. Most of the demands associated with such funding require NGOs to handle the finances themselves rather than hiring an outside accountant, as many organizations do. In 2008, the Foundation of Civil Society published a book called *The Standards of Financial Management for Non-profit Organizations*, which may prove to be useful for many organizations that need to learn how to manage their finances.

Czech law requires financial audits of some NGOs, such as endowment funds and public benefit organizations. A financial audit is considered to be unnecessary for other organizations. Some NGOs are also obliged by law to release their annual reports, but they do not publicize them widely because the government does not generally sanction

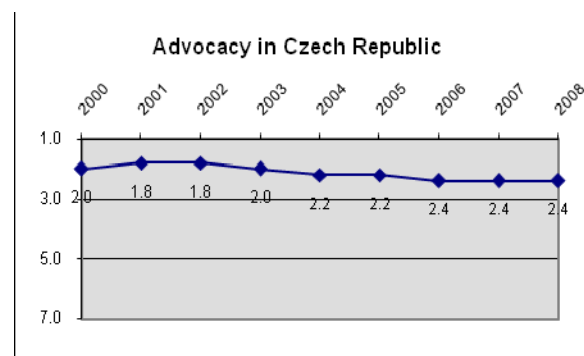
noncompliant organizations. The low availability of annual reports negatively influences NGOs' transparency and credibility.

Some NGOs try to complete their financial portfolios by earning their own income. They usually sell services or products. Some organizations, mostly in the social and health care areas, charge minimal fees. A lack of financial and marketing management skills negatively affects NGOs. Under the new interpretation of the Law on Association of Citizens, the Ministry of the Interior does not allow newly established civic associations to provide public benefit services for a fee. Under the Law on Social Services, clients now receive funding from the government to purchase their own services, whereas in the past, the government paid social service organizations directly.

Local government agencies purchase services from NGOs in the form of subsidies or grants. State or regional offices also issue public calls for proposals to which any business or organization can respond. Previously, only NGOs were able to respond. While the market for services is expanding, NGOs are no longer the only organizations that can provide services. Further, unlike businesses, NGOs are still regulated by the government, which may negatively affect their ability to compete in an open market.

## ADVOCACY: 2.4

Communication between the public administration and NGOs is effective at the central level. NGOs have representatives in ministerial advisory bodies and in the Government Board for Non-profit Organizations (RNNO), which is now much stronger thanks to the government's increased support. The legislative and financial committee started to work intensively in 2008; it focused on new law drafts concerning the organizational forms of NGOs and participated in the preparation of the Civil Code and the Law on Public Benefit Organizations.



At the regional level, the government relies on NGOs for community planning and creating regional development strategies, but

this does not apply in all regions. Generally, regions have grant strategies and rules for NGO support, while smaller towns and villages do not work as systematically, and their support is random and improvised. The staff of NGOs is usually involved in local and regional governments in order to promote public interests.

State and regional governments cooperate with NGOs on mutual projects only in certain areas, such as Roma, anti-drug, community, minority or human rights issues. In other areas, such as health care, public administrators act as clients for NGO services. However, this support has declined, as governments have begun to support their own organizations (GONGOs) rather than NGOs.

In 2008, NGOs organized campaigns to encourage solutions to issues in various areas such as the disabled, development aid, discrimination, and socially excluded groups. The quality of campaigns varied considerably.

NGOs do not perceive lobbying as their priority and do not have any clear strategy in this area.

## **SERVICE PROVISION: 2.2**

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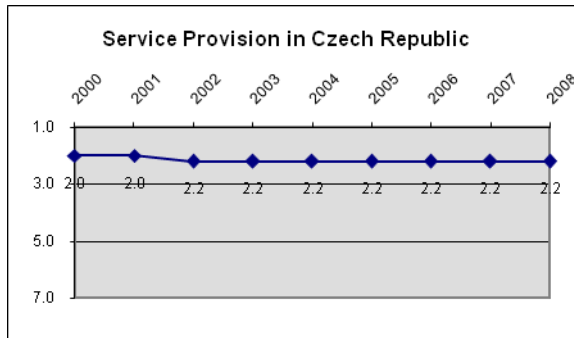
NGOs provide services in various areas such as health care, social care, education, aid after natural disasters, environment, culture, historical site restoration, youth, and human rights. NGOs are especially active in addressing social exclusion; the majority of their services are of a high professional standard. In general, service quantity and quality differs in various regions of the Czech Republic.

NGOs usually respond to the identified needs of society, communities and the market. These needs are often connected with priorities declared by the public administration and the programs of EU Structural Funds. NGOs learn from their own experience, using client feedback to investigate the market situation. Within the framework of the Structural Funds, organizations were required to monitor and analyze clients' needs and respond to them flexibly, which improved NGOs' organizational

Still, they realize that lobbying is necessary in some situations. Some strong interest groups in the Czech Republic manage to lobby effectively. Traditionally, these are environmental organizations and organizations operating in social and health care areas. Individual lobbying has thus far been more effective than collective lobbying. When NGOs get involved in legislative activities, they experience problems concerning non-transparency and complications in the legislative process. Many NGOs do not fully understand new laws, which is a problem when they attempt to lobby. Further, political representatives and public administration officials do not consider NGOs and their experts as equal partners. While NGOs manage to advocate on smaller issues, they fail to advocate for interests concerning the whole NGO sector, and the sector lacks an NGO association, umbrella organization, or think tanks that approach these issues. NGOs are quite capable of effective cooperation on the implementation of laws for a particular sector or region. Still, despite the lack of sector-wide representation, in 2008, NGOs, with the RNNNO, managed to participate in the preparation of the Law on Public Benefit Organizations.

capacity. The Law on Social Service also requires organizations to survey client and public needs. Services that are clearly defined as commonly beneficial are available for the general public, especially in the social sphere, health care and leisure activities. One of the conditions for participation in EU projects is to inform the public about services and other outputs.

NGOs generally use appropriate methods to ensure and organize cost recovery. They usually do not calculate the prices of their product using real expenses. They estimate prices according to what clients would be willing to pay. However, in 2008, service organizations suffered in that the NGO market is artificially regulated and favors GONGOs. The calls for proposals for providing public services were announced in 2008, and the reduced support for NGOs was obvious. State and regional administrations



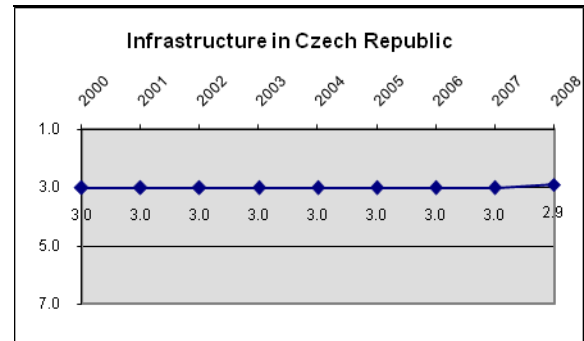
prefer to support their own projects, organizations, and businesses, and NGOs are receiving less funding from the government. Combined with having to adapt to the new Law on Social Services, the situation has been quite

difficult, and some organizations are on the verge of closing.

The development of the NGO sector does not get systematic support from central organs. The purchasing of services is realized through subsidies and grants, which impose unnecessary administrative demands. Governments have begun issuing public calls for proposals, as opposed to working directly with NGOs. This new method of finding service providers has the potential to affect the sector negatively. Further, the proposals are less specific, which means that NGOs have a difficult time interpreting exactly what governments need.

## INFRASTRUCTURE: 2.9

The Czech Republic has NGO resource and support centers, but the NGO sector lacks a network that covers the entire country. Regional administrative offices play an important role, as they perform some functions of service organizations such as training and database creation. Service organizations usually provide their services for a fee, whereas organizations established by regional authorities usually provide their services for free.



Czech foundations provide grants to domestic projects in accordance with their priorities, decisions and society's and communities' needs. Domestic foundations only rarely manage to create significant funds (foundation capital) for grantmaking. Foundations obtaining financial resources from the Foundation Investment Fund regularly distribute their profits into specific areas. The Czech Republic has a limited number of philanthropic or corporate foundations. The global financial crisis has had a negative impact on the volume of foundation capital. Some NGOs were authorized to administer European or other programs, such as the Norwegian/EEA and Swiss funds.

however, the government and the public administration have been calling for integrated representation of the whole sector. The RNNO, which helps to promote NGO interests, has increased communication with existing umbrella organizations and NGO coalitions in order to keep them more informed of what is happening. The distribution of information by the RNNO to regions is gradually improving.

NGO membership in coalitions is limited, and those coalitions that exist do not generally represent the entire sector. Some specialized and regional coalitions work quite efficiently;

Training courses and counseling for NGOs are sufficient, although the quality is not consistent. Some NGOs have established a large number of educational programs within the framework of European funds. Training courses are usually held in Prague and other large cities, but given the size of the country, the courses are accessible for all applicants. NGOs realize the importance of educating their workers and were able to finance this education using EU funds in 2008.

The advent of EU funds and programs has led to an increase in the development of intersectoral partnerships; however, these partnerships have been formed primarily to fulfill EU obligations

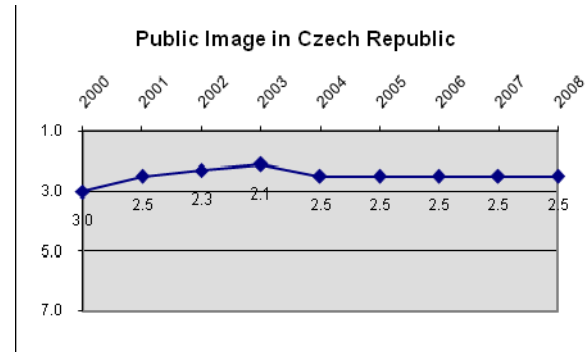
rather than to address specific needs or situations. At the local level in some regions, intersectoral partnerships work efficiently.

## **PUBLIC IMAGE: 2.5**

The media provided good coverage of NGO activities in 2008. Media reports are usually neutral or positive. NGOs often appear in regional media, as most coverage focuses on local events. Media time is provided to NGO staff members who are perceived as experts on specific issues. The media often provide time for NGO informational campaigns. The media do not widely cover corporate donor support in order to avoid providing what could be considered free publicity for businesses.

The public understands the legitimacy of NGOs and appreciates their importance. Philanthropy is rooted in society and is slowly growing. Organizations promoted by the media are perceived positively, as are those with which the public is already familiar. Still, people prefer anonymous sponsorship to membership or sponsorship based on a deed of gift.

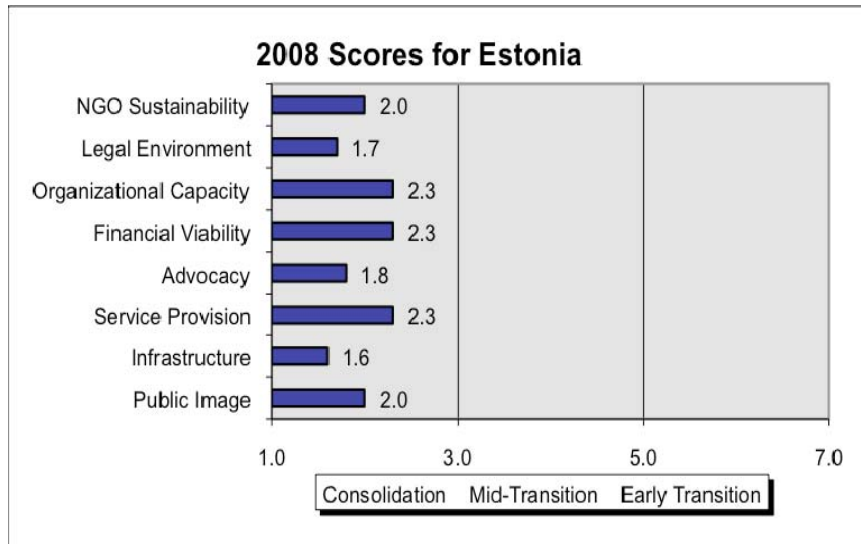
The public has a rather positive view of NGOs. State and public administration describe them as partners and co-workers, although their relationship is not equal in practice. Corporations include NGOs in their corporate social responsibility concepts, and they provide support for certain issues or regions. Cooperation with NGOs improves corporations' images and is gradually becoming a part of their corporate culture. Local support from regional small and medium enterprises located outside the capital is growing.



NGOs are beginning to appreciate the relationship between public relations and sustainability. They are approaching the public and promoting their activities. Due to the lack of financial and human resources, NGOs cannot often intensively and systematically develop their public relations. Also, they are not always able to communicate their organizations' intentions effectively enough for the public to understand their message and support them. Recently, however, several competitions have been held in order to identify the best NGO public benefit campaigns.

The majority of the most powerful NGOs have ethical codes and standards for service. They publish them in their informational and promotional materials and in annual reports. Further, in 2008, the Quality Standards for Social Services mandated by the Law on Social Services began to be applied.

# ESTONIA



**Capital:** Tallinn

**Polity:**  
Parliamentary Republic

**Population:**  
1,299,371 (July 2009 est.)

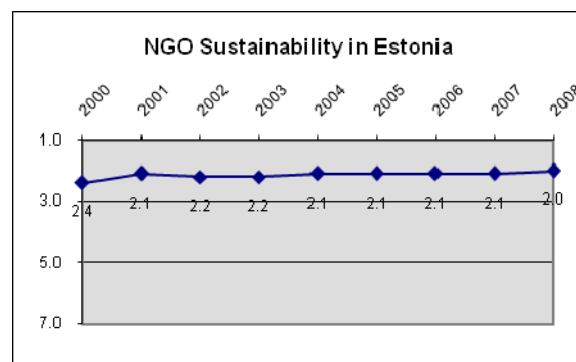
**GDP per capita (PPP):**  
\$21,200 (2008 est.)

## NGO SUSTAINABILITY: 2.0

The year 2008 had a mixed influence on NGO sustainability in Estonia. Two new funds started to provide much-needed support for organizational development and capacity building. At the same time, the worsening economic situation during the second half of the year put additional pressure on NGOs, as well as other institutions. NGOs that depend on private donations and income earned from economic activities felt the effects of the economic downturn more quickly than others, but declining public budgets will affect many organizations that get financial support from local or national budgets. NGOs are preparing themselves for a financially complicated year ahead and are looking for ways to reduce their expenses and activities.

Despite the pessimistic feelings at the end of the year, many positive trends continued in 2008. Organizations gained more experience, and a growing number were well managed and visible. Their partners in the public and private sectors were more aware of the role of NGOs in society, and cooperation was more fruitful. Also, the public image of NGO activities continued to be positive. NGOs continued to function well within the established legal environment and infrastructure.

Commenting on the Estonian NGO sector as a whole has become increasingly difficult. The NGO community is diverse, as are the strengths and weaknesses of the organizations and their leaders.



The year's outstanding example of the potential of civic initiatives was the "Let's Do It" campaign implemented in May. Started by a few IT gurus and environmental activists, this campaign used innovative technologies to map more than 10,000 illegal garbage dumping sites all over the country and mobilized 50,000 volunteers (3 percent of the country's population) to clean it up in just one day. The extensive range of partners included many of the largest companies in Estonia and major nonprofits, as well as local and national



government institutions and people from all demographic and socioeconomic groups. “Let’s Do It” gained huge media attention both in Estonia and abroad; similar campaigns were later initiated in some other countries, and it bred intense discussions about volunteerism, public participation, recycling, and laws regulating the waste industry.

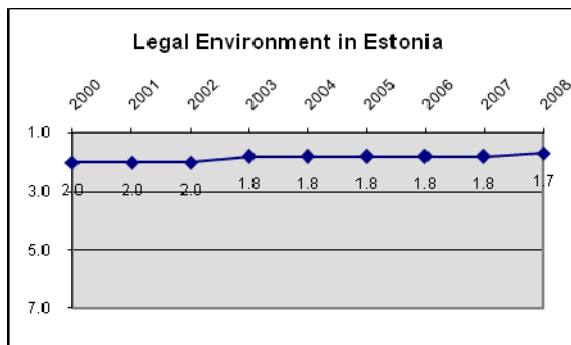
While the overall sustainability of the NGO sector in Estonia is steadily improving, Russian-speaking NGOs are remarkably weaker in

almost all criteria. Although some attempts have been made to reduce this distinction, no notable progress was seen in 2008. Russian-speaking NGOs are mostly smaller cultural organizations that do not participate actively in public life outside of their particular field of activity. Estimating the number of these organizations is difficult, as the registry does not differentiate NGOs based on language.

Close to 28,000 NGOs are registered in Estonia, almost half of them housing associations.

## LEGAL ENVIRONMENT: 1.7

After years of delay, the Parliament finally adopted amendments to the law that will make nonprofit associations’ annual reports public from 2010. Associations are currently the only legal bodies in Estonia who do not present their annual reports to the public registry, but to the Tax and Customs Board, where the public has no access to them. This long-needed change will make the sector more transparent and will help to remove defunct organizations from the public registry.



In general, the legal environment is favorable for NGOs. Organizations operate freely, and the government provides for the freedom of assembly and civic activism. Registration of an NGO, reporting and other communications with authorities can be done online.

NGOs do not pay taxes on their income, but on certain distributions. Donations made to organizations on the list of NGOs eligible for benefits from tax incentives can be deducted from a person’s taxable income up to a certain amount. To be eligible for the tax benefits, an organization must be charitable and operate in the public interest. Based on information provided by the organization and after consultation with an advisory committee consisting of NGO representatives, the Tax and Customs Board makes the decision on whether or not an organization is eligible. However, eligibility is problematic for some social enterprises, as tax officials’ ability to distinguish between for-profit and social enterprises is still limited. NGOs have begun consultations with the Ministry of Finance to solve this problem and to seek other incentives to encourage philanthropy. Another discussion connected with the above-mentioned eligibility list is whether or not to exclude from it nonprofit organizations controlled by public sector institutions.

Although NGO awareness about regulation has risen, there is still room for improvement. Regional development centers and umbrella organizations provide basic legal advice. However, more specific legal counseling is still a problem because of the cost and a lack of lawyers specializing in nonprofit issues.

## ORGANIZATIONAL CAPACITY: 2.3

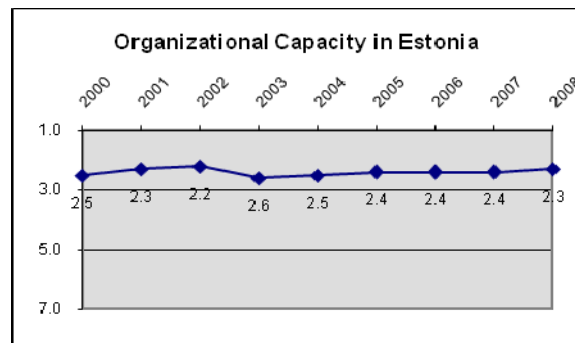
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Two new foundations that provide support for capacity building—the National Foundation for Civil Society (NFCS) and the NGO Fund of the Norway/European Economic Area (EEA) Financial Mechanism—positively affected NGOs in 2008. Thanks to these new funding opportunities, NGOs have had an incentive to dedicate both more time to thinking through their organizational needs and more resources to solving these needs. Some umbrella organizations help their members to become more effective, mostly by providing training and counseling.

The NGO sector continues to become more professional in terms of planning and implementing their activities and working with partners. Some organizations use sophisticated strategic planning models; others trust their common sense and instincts. The best practices of more progressive organizations are followed by others. Nevertheless, many organizations keep their eyes open for funding opportunities and determine their activities that way. NGOs sometimes learn to use certain buzzwords such as sustainability and accountability without really understanding the concepts behind them and see strategy as a formality for donors rather than a basis for their day-to-day activities.

According to Statistics Estonia data, approximately 30 percent of NGOs have some paid staff members. The staffs of NGOs have been growing over the last couple of years; however, the worsening economic situation

towards the end of the year made organizations very careful when considering taking on additional financial obligations.



The vast majority of NGOs in Estonia have always depended on small core teams of volunteers or short-term project teams. According to studies, approximately 30 percent of the population is doing occasional volunteer work, and the estimated value of this is 2.7 billion EEK (\$216 million) a year. The interest in volunteering has been growing; at the same time, not many organizations make the best use of this trend. Some organizations see volunteers only as physical labor for helping with mundane tasks like trash cleanups or stuffing envelopes, and they fail to take advantage of volunteers who are interested in doing more sophisticated work such as consulting and helping with finances. Volunteer Development Estonia started consultations on developing a Code of Best Practice on Volunteerism to harmonize the principles from which volunteers, NGOs and their partners could proceed.

## FINANCIAL VIABILITY: 2.3

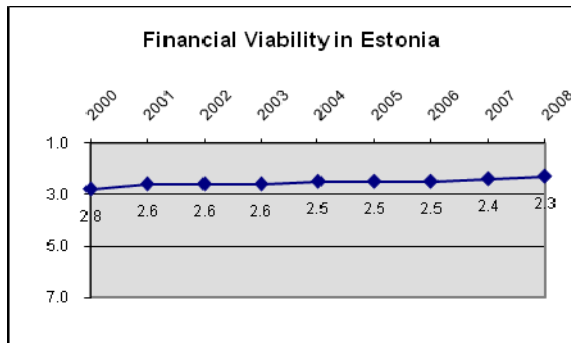
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Despite growing pessimism towards the end of the year, 2008 was the best year ever for NGOs financially. In addition to the funding channels that existed before – for example, in 2007, ministries were funding NGOs with nearly 700 million EEK (\$55 million) – two new channels are worth mentioning. The NFCS started in 2008, financed by the state budget, and distributes 20 million EEK annually (\$1.6 million). Also, the Norway/EEA Financial

Mechanism's NGO Fund distributed the first grants from its budget of 36.5 million EEK (\$2.9 million) for three years. Both new foundations attempt to support organizational development and activities that improve the environment for civil society activities, as opposed to merely funding projects. Although a few ministries, local governments and private donors provide similar support for NGOs, this type of funding is

not yet common; therefore, these new foundations have been welcomed.

Three notable studies on public funding were conducted on funding practices of ministries, distributions from the gambling tax, and feasibility of a percentage law in Estonia.<sup>1</sup> Based on these studies, a working group of public officials and NGO representatives is currently developing a concept for the public funding of NGOs.



The amount of private donations went up in the last few years. In 2007, around 280 million EEK (\$22.5 million) in donations was reported to the Tax and Customs Board. A growing number of NGOs, mostly in the fields of health and child

welfare, run regular campaigns for donations by encouraging people to call or text to charitable phone numbers. Swedbank opened its donation portal where people can easily make online donations to NGOs who have been previously approved by a selection committee of bank and NGO representatives.

The worsening economic situation has already hit organizations that depend on donations from businesses, as corporate social responsibility costs are usually among the first to be cut if a company has to reduce its budgets. Some NGOs who earn income from selling goods or services have indicated a decline in demand. On the other hand, the demand for some social services such as unemployment assistance has increased, although people's ability to pay for services, and outside funding, have decreased. Cuts have already been made in public budgets, both on national and local levels; however, the impact of these cuts will become more apparent in 2009. The general economic downturn after years of remarkable economic growth has highlighted that many NGOs are unable to find alternative funding sources or make use of nonmonetary assets. It is expected that the financial viability of the sector may face a setback in 2009.

## ADVOCACY: 1.8

As a result of the independence movement, the Estonian NGO sector has always seen advocacy as one of its central functions. The year brought stable progress in advocacy with no qualitative leap. NGO participation in policymaking is increasingly seen as a normal part of the process and an opportunity to get additional expertise. Both the public sector, when preparing legislative processes, and NGOs, when presenting their proposals, can still make progress in this area, but in general, both demonstrate a commitment to developing skills for more meaningful cooperation.

Policymaking can be more complicated if political parties have clear preferences towards

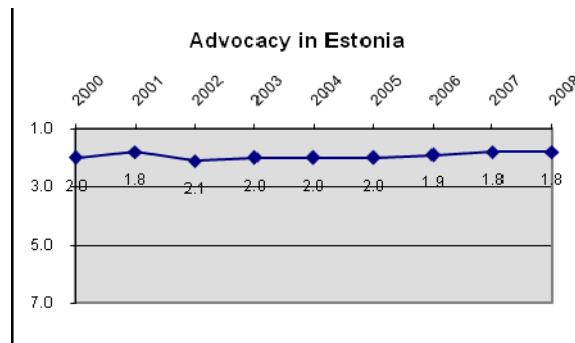
one or another decision. The law requires stakeholders to be consulted when drafting legislation; however, the law does not set requirements for the range of consultations. More explicit principles are written in the Code of Good Practice on Involvement which, while not binding, is a recommended document. Still, ministries are able to exclude some unwanted groups, as was the case when environmental NGOs were left out from Ministry of Environment consultations on administrative reform. This behavior caused protests by a wide range of NGOs who demanded that the government should adopt the Code of Good Practice as a compulsory document. The state secretary responded by declaring his willingness

<sup>1</sup> PRAXIS Center for Policy Studies, Tallinn University, and BDA Consulting conducted the studies; the reports can be found (in Estonian) at [www.ngo.ee/uuringud](http://www.ngo.ee/uuringud).

to take the code to the government; however, he made no promises regarding a deadline.

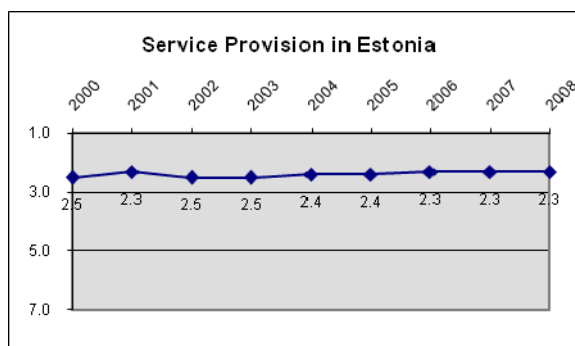
The advocacy initiatives of NGOs have become more professional, and many of them are successful. A notable example is the case of the Employment Contracts Act, which was met with wide dissatisfaction and sent back for consultations until a consensus was achieved. Many advocacy campaigns take place at a regional level. A growing trend is for NGOs to use Internet opportunities for mobilizing support, such as collecting signatures for petitions.

While there were no major developments in the field of advocacy, some minor advances took place. Additional features were added to the government’s participation portal [www.osale.ee](http://www.osale.ee), so that people can now post ideas and look for others’ support for new initiatives, in addition to commenting on draft laws or strategy documents posted by the ministries. NENO (Network of Estonian Nonprofit Organizations) and the State Chancellery organized a number of trainings for public officials on public involvement that were very popular.



The Civil Society Development Concept (EKAK in Estonian) serves as a strategy agreement between NGOs and the public sector. Although EKAK has certainly been instrumental in shaping cooperation and defining common goals, NGOs have been dissatisfied with the slow process of EKAK implementation since its adoption by the parliament in 2002. Several proposals were presented at the first Estonian NGO “clamoring” (debate) in October on how to proceed with EKAK, including changes in legislation, better implementation mechanisms and the formation of similar agreements at local levels.

### SERVICE PROVISION: 2.3



Service provision by NGOs did not change dramatically in 2008. The public sector expects that NGOs will play a more active role in service delivery, and NGOs see it as an important way to fulfill their social missions, in addition to assuring stable funding. However, developments in this field have been slow. Expectations about outsourcing are mismatched: while the public

sector sees it as a way to minimize costs and encourage competition, NGOs emphasize the need to have longer-term contracts and sufficient funding to guarantee quality.

Nevertheless, NGOs do provide a wide range of services to their members, other institutions and to the public, both on national and regional levels. With the growth of experience, professionalism is also rising. The concept of social entrepreneurship is slowly taking root; the Good Deed Foundation has done a lot to raise awareness in the area of service provision. Additionally, the Village Movement Kodukant is helping smaller village associations to develop services in and for their communities.

More changes in this dimension are expected to take place in 2009, as the government has

declared its willingness to start developing the concept of outsourcing public service delivery to nonprofits. A survey will map the current

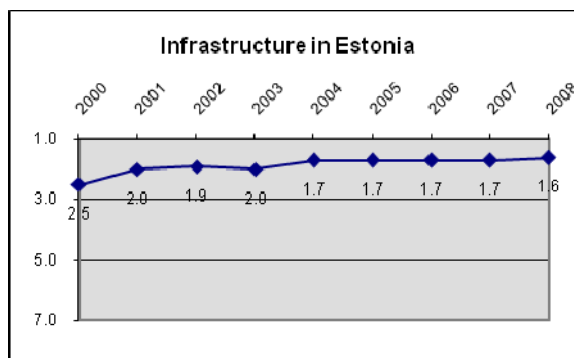
situation and practices, as well as propose policy recommendations for further developments.

## INFRASTRUCTURE: 1.6

Regional development centers, financed from the state budget, exist in every county, providing consulting and basic trainings for NGOs free of charge. In 2008, increased funding allowed the centers to increase the number and quality of trainings. Funding for organizing trainings and conferences is relatively easy to find; consequently, a number of events covering a range of issues take place every week. Nevertheless, the efficiency of these can be questioned, as often the same people attend one event after another without any visible improvement in their organizations' work.

The system of sectoral umbrella organizations is well established. These organizations serve as development and advocacy bodies on behalf of their sectors. Although good examples of regional umbrella bodies exist, cooperation between NGOs could be better at the regional level. To encourage this cooperation, NFCS put forth a special call for applications for new regional umbrella organizations to receive start-up funding and for existing umbrella organizations to receive support funding. At the national level, NENO serves as the umbrella and advocacy organization for public benefit NGOs, dealing with issues common to all organizations.

While financial support by for-profit companies may have gone down towards the end of the year, cooperation between businesses and NGOs has improved steadily. Both sides are more aware of the potential forms of cooperation such as joint initiatives, counseling, and volunteer work. The most remarkable example of cross-sectoral cooperation was the previously mentioned "Let's Do It" campaign.

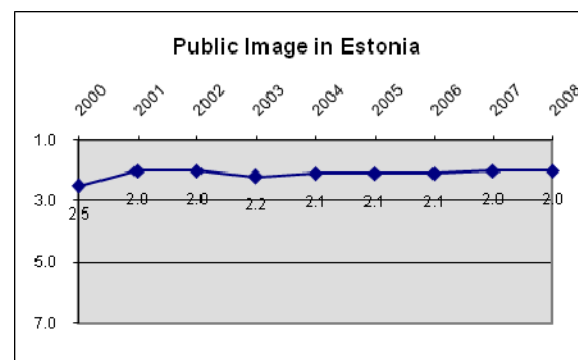


## PUBLIC IMAGE: 2.0

The positive trends of previous years continued in 2008. NGO activities and their positions on topical issues are increasingly covered in both national and local media. Journalists are more aware of NGOs, and NGOs are more professional in their communication. However, while NGOs long for more analytical media coverage that emphasizes their essential role in society, journalists are more interested in emotional or controversial stories.

number of respondents were unable to provide an answer, even though the public usually welcomes concrete NGO initiatives.

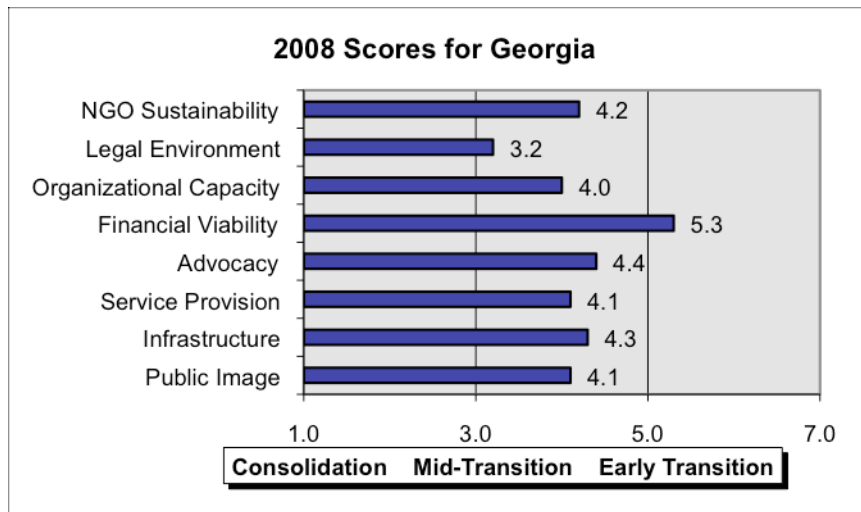
The public perception of NGOs is generally favorable, although people may not necessarily use terms such as NGO, nonprofit association, third sector, or civil society. For example, when NGOs were included in a regular survey of the trustworthiness of various institutions, a large



The NGO Code of Ethics was adopted in 2002, and it serves as a tool for anyone to be able to evaluate whether an NGO is acting according to the code. Some organizations have developed their own ethical statements based on the code.

NFCS has included the code in its requirements, so that every organization applying for NFCS funding has to explain how it follows these principles.

## GEORGIA



**Capital:** Tbilisi

**Polity:**  
Republic

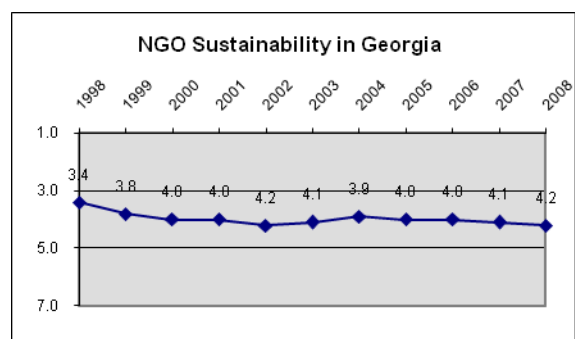
**Population:**  
4,615,807 (July 2009 est.)

**GDP per capita (PPP):**  
\$5,000 (2008 est.)

### NGO SUSTAINABILITY: 4.2

Events in Georgia in late 2007 and 2008 shook already uneven public confidence in democratic processes and institutions. These events included the forceful crackdown on peaceful protests and the closure of the Imedi television station in November 2007; hastily adopted election law changes; the controversy surrounding presidential and parliamentary elections; the opposition party's refusal to assume its parliamentary election mandate; and the government's handling of the August 2008 conflict with Russia.

The government neglected public participation and input, rejecting attempts to question its policies by arguing that the development of an effective state required deliberate and swift action. The government made important decisions without leaving enough time for public input and parliamentary debate. The ruling party's opaque decision making and the lack of opportunities for dialogue contributed to diminishing public trust and confidence in state institutions. The August invasion united the country against a common threat, but also underscored existing problems and the gap between the government and the population.



The government of Georgia's consolidation of power has polarized and politicized society and made the ruling party and executive branch predominant over all other institutions in the political system. The absence of countervailing, constraining institutions became a growing concern. The parliament, dominated by the president's party, is ineffective and unable and unwilling to check the power of the executive. The judiciary is weak and suffers from a poor public perception. The media lacks diversity of independent viewpoints and with the closure of Imedi TV, news coverage has become significantly less diverse. The year 2008 was marked by the final steps in the shift from a two-sided, polarized media environment to a media that favors the pro-government perspective.

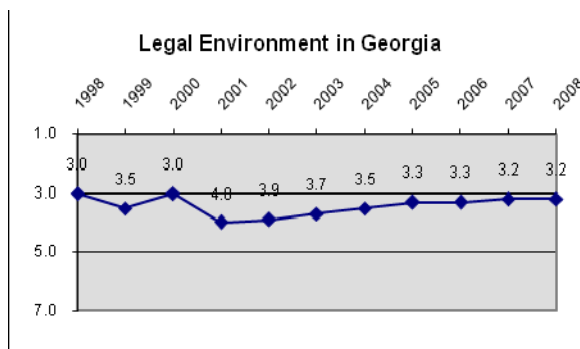
Although the government has attempted to act more transparently since the August conflict and, under western pressure, pledged to change its institutional culture to regain the people's trust, it still has far to go to achieve these goals.

Georgia's civil society has grown weaker in its ability to serve as a check and stabilizing influence on the state. Civil society organizations' overall visibility and political influence continue to diminish. While the Georgian Orthodox Church, which has the highest levels of public confidence in society, played a significant mediating role in disputes between the government and opposition parties during the political crisis, the NGO community largely failed to get involved in public discourse on substantive political issues. After the August events several think tanks produced papers about the consequences of the Russia-Georgia conflict, yet there were no attempts within the NGO

community to start a dialogue to assess the causes and the impact of this devastating military confrontation.

Other disturbing trends in the development of the NGO sector include increased polarization within the NGO community—those identified as “pro-” or “anti-government”—and the growing gap between the capital and the regions. The sector has become smaller, and many small organizations, particularly in the regions, have disappeared. They could no longer obtain donor support and failed to develop the means to sustain themselves. An estimated 10,000 NGOs are registered in the country, although the number of active organizations continues to diminish. Even the most experienced and sophisticated NGOs are forced to shift their activities to areas where donor funding is still available.

## LEGAL ENVIRONMENT: 3.2



Over the past year, the legal framework experienced little change and remains generally progressive and supportive of NGO activities. NGOs operate free of state control or the threat of political or arbitrary dissolution. The Civil Code provides for simple procedures for NGO registration and operations.

Mainly because of the heated political environment, NGOs were not able to lobby for further improvements in the legal framework regulating their activities. The existing tax

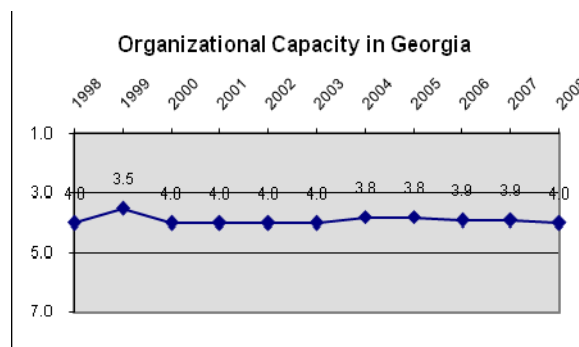
legislation treats donations from foreign and domestic sources differently, giving international donors more beneficial treatment than domestic funding sources. There is an urgent need to develop laws and regulations promoting financial sustainability of the sector in response to the decrease in funding from foreign donors. Tax incentives for corporate and individual donations are limited and do not do enough to stimulate domestic philanthropy. Tax exemptions for economic activities would allow NGOs to engage more actively in raising revenues. While NGOs can compete for government procurements and contracts, there are no legal mechanisms for the state to provide grants to NGOs. The Civil Society Institute, an NGO, has drafted a law on state grants that would introduce a system for allocating public funds to NGOs. The draft law is currently being reviewed and discussed by the NGO community and various ministries, including the Ministry of Education and Science and the Ministry of Health and Social Welfare.



## ORGANIZATIONAL CAPACITY: 4.0

Since 2004, organizational capacity has slowly decreased, reflecting the gradually deteriorating human and institutional capacity of the sector, especially in the regions. Georgian civil society has been weakened as many of its leaders have left to serve in government after the Rose Revolution. As the government has been able to pay better salaries, it has continued to draw talented and educated experts and organizers from NGOs into government leadership positions, creating an ongoing brain drain from the third sector.

In the last several years the most notable trend related to organizational capacity was the growing divide between larger, more professional organizations and small, institutionally weak NGOs, which made up the majority of the sector. In 2008, the whole sector, including sophisticated Tbilisi-based NGOs, was weakened institutionally. Even well established, sophisticated NGOs were forced to relinquish some of their traditional work and engage in activities outside of their missions to secure funds from international donors. For instance, an NGO working on legislative issues got involved in a poverty reduction program. Constant shifts and adjustments of priorities negatively influence organizational development and long-term planning processes.



Many of the problems at the national level are exacerbated at the local level. NGOs and associations are fewer in number and smaller in the regions, largely because of fewer sources of funding. The majority of organizations operate from project to project and find it increasingly difficult to retain qualified, professional employees. Donors rarely consider supporting overhead costs of NGOs, which would help to cover administrative costs. Several NGOs in Kutaisi even split project salaries to maintain permanent staff. In Batumi, NGOs make systematic efforts to target youth in order to attract interns and volunteers among high school students. While these individuals bring needed human resources, they quickly move on to more attractive paid jobs and do not stay long enough to contribute to the institutional strengthening of the organization.

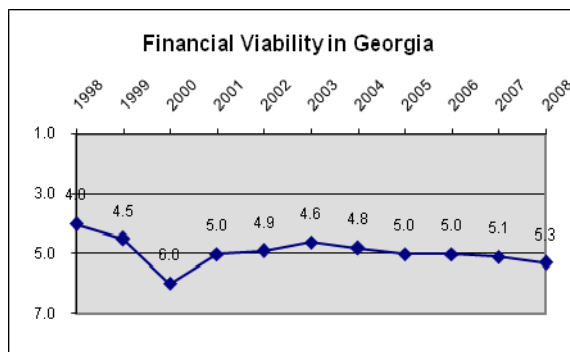
## FINANCIAL VIABILITY: 5.3

Donors' heightened confidence in the capacity of civil society—the catalyzing force of the Rose Revolution—led to a shift in resources and funding away from the nongovernmental sector. Within a few years after the revolution, most donors switched to supporting governance through interaction with the state, or mainstreamed civil society activities as part of their larger portfolios, thus contributing to stagnation in the development of the civil society sector.

Since few funding sources other than the international donor community exist, financial

sustainability continues to be a major challenge for NGO development. The greatest sources of domestic funding in most developed democracies—the government and private philanthropy—are nearly nonexistent in Georgia.

The NGO community is generally unprepared for the phase-out of international donor programs. The development of a draft law on state grants to NGOs is one of the few attempts to encourage diversification of domestic funding. It is difficult to achieve financial viability when the national government



interacts only with a limited circle of NGOs, local authorities do not have resources and are unwilling to cooperate with NGOs, and the country has no tradition of philanthropy. Businesses choose not to support NGOs, especially if an organization does not have positive relationships with the local authorities. Apart from political tensions, the postwar environment has further exacerbated the

#### ADVOCACY: 4.4

Georgia still possesses a small number of active and vocal NGOs oriented towards public and political affairs. Some of these serve watchdog functions, earning considerable public credibility. These NGOs played an important role in 2008 presidential and parliamentary elections by educating voters, monitoring elections, and collecting and publicizing information about election irregularities.

Yet, the deterioration of the advocacy score reflects the politicization and polarization of civil society and the inability of NGOs to assert their influence on key policy issues through advocacy, monitoring and fact-based analysis. Most former NGO leaders who went to serve in government are focused on pursuing their reform agendas rather than on maintaining allegiances to former colleagues. The government is willing to communicate and collaborate only with a narrow circle of NGOs perceived to be politically loyal and like-minded. Furthermore, the government often dismisses critical input from watchdog NGOs and interest groups as politically motivated attacks by “opposition” NGOs. This environment has resulted in a polarization of the

situation. The level of economic development continues to slow down, and the business sector has weakened considerably and has even less incentive to make individual or corporate charitable contributions. As a result, NGOs are struggling for shrinking resources, with only the largest and most professional associations able to access funding, while many smaller NGOs and grassroots organizations have ceased operations.

While NGOs in the regions are gradually realizing that there is nothing wrong with raising some revenue from their services, the public is reluctant to accept this new mode of operation. Large NGOs also have difficulty engaging in economic activities, since no tax exemptions are available.

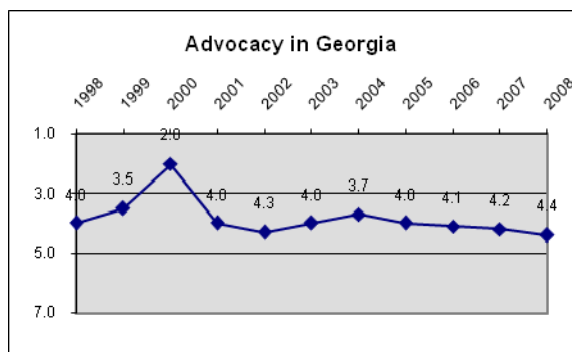
civil society sector between those with and those without access to and influence over government.

The highly politicized environment makes it extremely difficult for NGOs who engage in public affairs to maintain neutrality. Some NGOs are not constructive in their criticism of the government. This complicates the efforts of civil society organizations to exercise their advocacy and watchdog functions and to influence the policymaking process.

On the other hand, a shortage of educated and capable development professionals and a lack of funding inhibit NGOs’ ability to provide political advice and policy analysis. NGOs rarely draft concept or policy papers for government submission because of a lack of funding as well as an absence of government demand for civil society involvement. These two factors limit the number of NGOs willing to work in the public affairs field. Consequently there is little civil society power and expertise to demand government reforms and accountability. A few think tanks and policy-oriented NGOs in Georgia provide high-quality research on key

policy issues, but their activities are not well communicated to the public through mass media and do not foster an open exchange of ideas.

Cooperation between the government and NGOs usually takes place when the interests of both parties coincide or the government draws on NGOs' technical expertise to fulfil international obligations. For instance, the UN Association of Georgia is assisting the government to develop a national integration policy. This work is conducted in close collaboration with the president's advisor on civic integration issues.



Many of the problems at the national level are mirrored in the regions. Civil society participation in municipal governance is low. Georgia's municipal governments are more accountable to the appointed regional governors than to their own constituents. The dominant presence of the ruling party, political loyalty to the national government, and weaker civil society make advocacy even more difficult at the local level. This is compounded by the fact that local officials do not have adequate resources to address local issues.

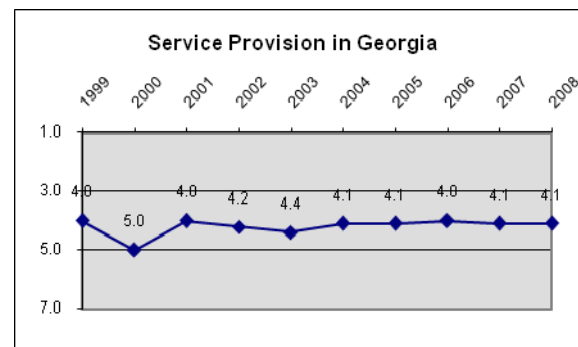
Frequent turnover in local government precludes both sides from establishing long-lasting relationships. For example, the Association of Young Economists and several local NGOs collaborated with local authorities in Kutaisi to prepare an economic development plan for the city. The plan was expected to be reviewed and adopted by the end of 2007. By that time, however, most of the local administrators were replaced and the newly appointed officials did not want to assume commitments made by their predecessors. As a result, this comprehensive document was not even considered.

## SERVICE PROVISION: 4.1

As a result of the August 2008 conflict, Georgia found itself with approximately 130,000 new internally displaced persons (IDPs), who joined the 220,000 IDPs from the conflict with Abkhazia in the 1990s. From the first day of the humanitarian crisis generated by the conflict, Georgian NGOs were engaged in delivering humanitarian relief, combating infectious diseases and providing psychosocial services to affected families and children. Work with IDPs remains the most important task for these NGOs.

Georgian NGOs continue to offer a variety of services to the public in areas such as education, health care, social welfare and legal aid. Although no survey was conducted in 2008, observers report an increase in demand for legal consultations and human rights protection, particularly in the regions.

In general, the market for NGO services remains underdeveloped and the demand for services is



limited, except in the areas of legal assistance and human rights as mentioned above. Several factors contribute to this situation. First, over the last few years

the government has improved its provision of basic services to citizens in a number of areas, reducing the need for NGO involvement. Second, NGOs generally lack the ability to market their services. Those which provide

services to constituents are often unable to promote these services to other organizations or the government. Finally, the government, private sector, and broader population continue to perceive NGO services as charitable activities that ought to be provided pro bono.

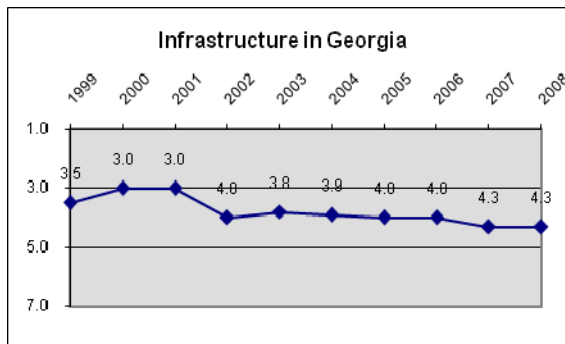
The vast majority of NGO service programs are largely dependent on international donor support. Since less funding was available in 2008 to support the work of advocacy, watchdog and policy NGOs, several organizations were prompted to change the nature of their services and adjusted their activities so that they could tap into donor funding without abandoning their original mission. In an extreme example, an NGO that traditionally works on legal issues is now heavily involved in work on poverty

reduction and distributes food in Georgia's regions.

In the regions, where the primary consumers of NGO services are low-income citizens, revenue generation is almost nonexistent. Central government control over local budgetary revenues leaves municipalities without adequate resources to address local issues. Consequently NGOs have very limited access to local government funding. Last year Batumi municipality contracted the local NGO Institute of Democracy to provide services to a rehabilitation center for juvenile delinquents. This contract serves as a rare example of the outsourcing of services that local authorities cannot provide themselves.

### INFRASTRUCTURE: 4.3

NGOs did not make progress in building local constituencies or networking. Coalition-building and intersectoral partnerships remain largely donor-driven activities funded through specific programs. As donor funding continues to decrease, levels of collaboration among NGOs also decrease. Networking remains limited to informal, ad hoc initiatives to address immediate problems, rather than sustained efforts on long-term issues.



Primarily because of the persistent political turmoil and polarization, which dominated public attention, NGOs have been even less successful in reaching out to other sectors. An exception is the coalition “Transparent Aid for

Georgia” formed by NGOs, independent experts and media representatives. This coalition was created to monitor the efficiency of foreign aid pledged to Georgia at the donors’ conference after the Georgia-Russia crisis in August. The coalition will carry out a large-scale monitoring, advocacy and awareness-raising campaign to hold the government accountable for the use of the significant inflow of foreign aid. Overall, even fewer coalitions formed in 2008 than in 2007.

The majority of NGOs have even less access to training and other technical assistance services than in the past. Most of the services are available only in the capital and there is an extreme shortage of quality services in small towns and rural areas. Georgia has no NGO resource centers in the regions.

Diminishing donor funds prompted leading NGO training providers to diversify and improve the quality of their services aimed at the business community, although the economic crisis following the August events seriously reduced the demand for their services.

## PUBLIC IMAGE: 4.1

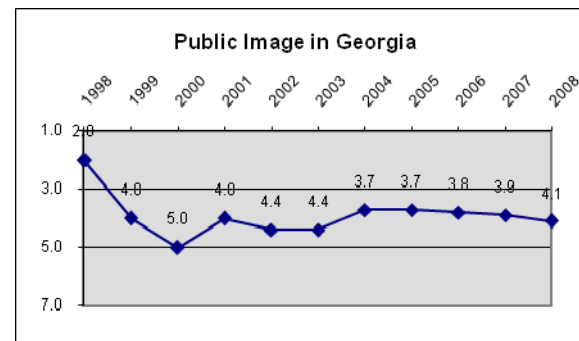
Public space in Georgia is currently dominated by two major actors: political parties and the church. Heated debates between the ruling party and opposition in the lead-up to presidential and parliamentary elections, and the increased visibility of the church in mediating political disputes, left little room for consideration of other actors or issues. As a result, the overall visibility and perception of NGOs continued to diminish.

Because the media was focused on issues of domestic politics, the NGO sector's public image was shaped primarily by NGOs that were active in the political environment: a small number of election monitoring NGOs and radical organizations such as the Egalitarian Institute, known for its anti-government stance and affiliation with opposition parties. The work of service-providing NGOs became even less visible.

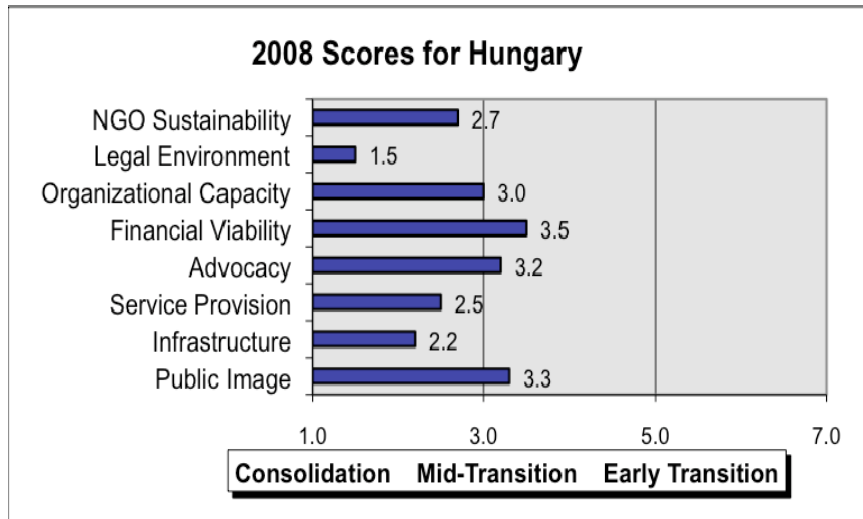
Major television channels regularly hosted political interviews and debates. Even the pro-government media outlets presented opportunities for freewheeling political debate, although the discourse on public affairs was more polemical than informational. While several experts were regularly invited for analysis and commentary regarding political processes taking place in the country, the extremely politicized society associated them with the government or opposition, depending on the content of their analysis.

In general, the media did not recognize the NGO sector as a source of expertise on substantive policy issues. Often the media ignored NGO activities because they did not perceive them to be newsworthy. As a result, the image of the sector is poor, marked either by a lack of public awareness about NGOs, or by a high level of distrust.

Both in the capital and in the regions, NGOs complained of the low level of professionalism in the media. Journalists tend to be generalists without specific training or experience in certain spheres of reporting. They do not understand the nature of NGO work and are unable to communicate it to a wider public. On the other hand, some media representatives complained that NGOs became overly cautious in providing comments so as not to spoil relations with local officials.



## HUNGARY



**Capital:** Budapest

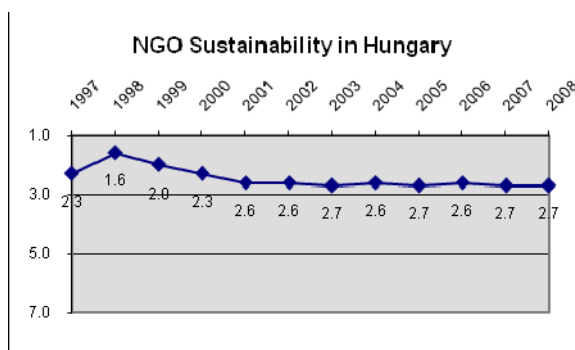
**Polity:**  
Parliamentary Democracy

**Population:**  
9,905,596 (July 2009 est.)

**GDP per capita (PPP):**  
\$19,800 (2008 est.)

### NGO SUSTAINABILITY: 2.7

The number of NGOs has continued to rise in Hungary. According to the Hungarian Central Statistical Office (CSO), 30,071 associations, 20,819 foundations, and 7,352 other organizations such as public foundations and public benefit companies function in the country.<sup>1</sup> The number of associations is increasing twice as rapidly as the number of foundations.



The global financial crisis has severely affected Hungary. After several years of financial difficulties, NGOs face the crisis in a weakened condition. Income from all sources is expected to decrease. Many key NGOs are near bankruptcy. Accountability and transparency are

decreasing, and innovation is stifled. It is difficult for NGO campaigns to mobilize people because of the general apathy caused by the financial and political crisis. The sector's inability to improve capacity-building programs in previous years will also greatly influence its future.

Government-initiated policy reforms related to the media, the Civil Code, and development assistance have been delayed. The Act on the National Civic Fund (NCF) has been revised, although the revisions do not address the fund's basic conceptual flaws. Due to the financial crisis, the government has been increasing bureaucratic requirements in order to create ways to reject funding for NGO projects and reduce the budget. While this is not a new issue, the financial crisis has worsened the situation. Government requirements placed on NGOs are sometimes harsher than the average EU requirements. On the positive side, NGOs have started to stand up to rising political extremist movements, although so far with little success. Some well-known, green civic activists launched a new political party, the Politics Can Be Different Party.

<sup>1</sup> Data from 2006, published in 2008 (CSO statistics are published with a two-year delay).

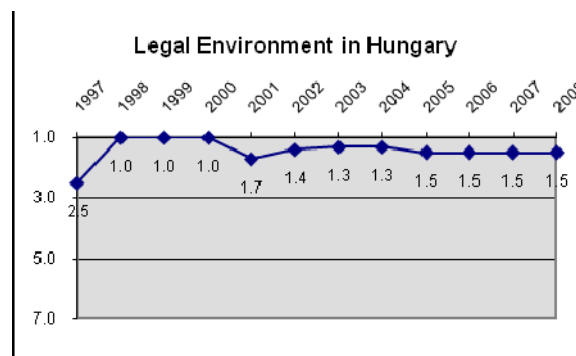
## LEGAL ENVIRONMENT: 1.5

The operation of NGOs has become overregulated, and initiatives to reduce this burden have not progressed or been strong enough to have a real impact. Implementation of the government decree on the civil society strategy that was passed in 2007 has been slower than expected. A key measure of the decree that the government introduced in 2008 was a centralized website of registration documents where anyone can search for basic data on NGOs included in the national register. This is a considerable step, but NGOs want a more detailed database that provides greater accountability and transparency. The website is not maintained on a regular basis, and rather than offering an up-to-date, official database of NGOs, offers a snapshot of organizations that were registered at the time the site was created. Moreover, the administrative burden remains the same for NGOs when they need to submit proof of their registration data to government donors and other authorities.

The 2003 Act on the National Civil Fund still awaits significant changes. The NCF board members have been criticized for being biased in their decision making. For example, on several occasions NCF board members awarded more money to organizations with which they were affiliated than to other organizations. Last year, the government adopted the Act on Transparency of Public Funding, which contains principles and provisions that contradict the NCF Act, namely that those persons applying for government funding cannot be involved in the selection process for the awarding of the funds.

Nevertheless, the Act on Transparency of Public Funding includes an exception for the NCF.<sup>2</sup> Currently, the design of the NCF is such that NGOs elect representatives who will make decisions on funding, including for their own

organizations. The majority of the NGO sector and the government expect that the basic structure of the NCF will be revised; however, the nature of the changes has yet to be decided. The board of the NCF will change in 2009.



In 2008, amendments to the Act on the NCF imposed stricter regulations for conflicts of interest. The public should now have access to all winning proposals. Nevertheless, the law lacks major changes that would help the NCF improve its efficiency. In addition to changing its fundamental design as mentioned above, the NCF needs to improve its strategic planning, set guidelines and benchmarks for funding proposals, and introduce merit-based support, instead of the current policy that supports NGOs based on their budget size regardless of what they have achieved.

Regulations in the Civil Code concerning foundations are expected to change in 2009, and the most important regulations concerning associations will also be included in the draft (originally the draft contained only provisions on foundations). The private benefit foundation as a new organizational form is expected to be introduced, while the joint-stock foundation, which would aim to accomplish its public benefit purpose on a for-profit basis, is no longer being considered.

<sup>2</sup> The NCF has eleven boards which make decisions in the regions and according to professional interest areas. The compromise solution in the Act on Transparency of Public Funding regarding the NCF was that if a member or other affiliated person sits on the board where the NGO application is filed, then another board will take it and decide on the application.

The tax authority introduced newly restrictive measures regarding the 1 percent law. For example, NGOs reported that they were not allowed to cover marketing costs from the income of the 1 percent donations. A subcontractor of a state donor published professional guidelines for public benefit reports of NGOs. The publication offered an extremely narrow interpretation of the law; nevertheless, organizations receiving funding from this donor (a significant portion of Hungarian NGOs) are required to abide by the new regulations. These and other measures point to the shrinking of NGOs' legal space.

In December 2008, the Budapest Municipal Court dissolved the nonprofit status of the paramilitary Hungarian Guard, which was registered as a cultural association, because the Guard violated the Law on Associations by promoting activities against the Roma population and was not acting in line with its court-approved funding statute. This sent a clear message on what NGOs can and cannot do regarding human rights. Despite the court's ruling, the Hungarian Guard continues to operate as an unregistered association.

### ORGANIZATIONAL CAPACITY: 3.0

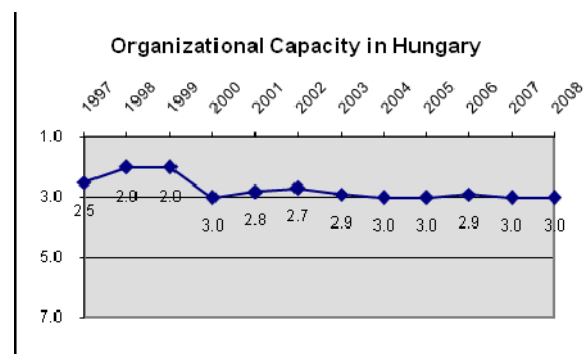
The number of organizations that apply strategic management is increasing, but they are still the minority. In general, even large organizations do not apply this practice. Compared to previous years, there were more calls for applications that support capacity building, primarily from the NCF and the Norwegian NGO Fund. However, the demand for funds surpassed the funding available. For example, 25 out of 352 proposals were supported by the capacity-building component of the Norwegian NGO Fund with over €1 million in funding. The fund is administered by intermediary NGOs and is less bureaucratic than state funds.

According to the latest CSO report on nonprofit organizations published in 2008, in 2006, half of all NGOs had property at their disposal; two-thirds of these NGOs used this property for free. Six percent of all NGOs had their own offices, while nine percent rented office space. The previous real estate survey was conducted in 2003, and the percentages were roughly the same.

The third cycle of NCF funding starts in 2009. The board elections are not likely to bring new decision makers who would be willing to adopt a strategy-based capacity-building program instead of normative financing (support provided based on the size of the NGO's budget).<sup>3</sup>

NGOs were somewhat better equipped with IT services: 69 percent had computers and 60 percent had Internet access. The year 2008 saw the introduction of some newly designed interactive websites, indicating that NGOs have started to take advantage of mobilization and fundraising opportunities provided by the Internet.

NGOs are becoming increasingly interested in participating in international development. For example, during the first round of EuropeAid projects, the bulk of the proposals from Central and Eastern European NGOs came from Hungary. Hungarian NGOs are applying for more grants, and they are reaching the second round of proposals.



<sup>3</sup> The majority of NCF decision makers are civic activists who are elected for three-year terms by NGOs that register themselves as electorates.



The CEE Trust sent proposals back to close to sixty NGOs who applied for funding, which shocked the sector. Hungarian NGOs have typically viewed the CEE Trust as a stable

source of funding. The CEE Trust also gives institutional grants, and the lack of funding greatly affects the organizational capacity of NGOs who count on this funding mechanism.

### FINANCIAL VIABILITY: 3.5

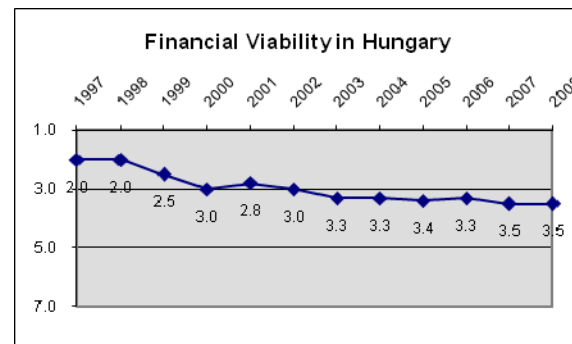
According to the most recent statistical data, the total income of NGOs in 2006 was \$1.8 billion. Compared to 2005, the income of foundations rose 5.6 percent, while the income of associations rose 2.6 percent. Inflation was 4.9 percent. The economic strength of NGOs outside the capital has increased while that of capital-based NGOs has weakened.

Although many believe that the majority of NGOs are inactive, 92 percent conducted financial transactions in 2006. Revenues remain very concentrated, however. NGOs, including public benefit companies founded by state and local governments (GONGOs), with at least 50 million forints (\$250,000) of annual revenue made up 4 percent of all organizations and received 81 percent of the total revenue of the sector.

“Classic” NGOs (associations, foundations) received 35 percent of state funding, while 60 percent was given to public foundations and GONGOs. When the state acts as a contractor, 80 percent of paid services are purchased from GONGOs. However, the “classic” civil society sector receives the majority of corporate and individual donations – 81 percent and 91 percent, respectively.

The year 2008 saw the shattering of the strongest segment of NGOs, which had the most capacity to apply for EU Structural Funds. Based on data from support organizations and expert accounts, the majority of strong NGOs have taken loans to advance funding for Structural Funds contracts. Often they took second mortgages on their property, and sometimes board and staff members even took out personal loans.

In 2008, the amount generated from the 1 percent of income taxes reached 9 billion forints (\$48 million), in real value a growth of 6.9 percent. Associations and foundations obtained



60.9 percent of the amount and received donations from 45.6 percent of potential donors. The number of donors increased by 11.9 percent compared to 2007. According to Tax Office data, in 2007, associations managed to successfully increase the number of donors and the amount donated; nonetheless, foundations received 3.6 times more money than associations. A greater number of organizations took a share of the 1 percent donations, but organizations that received the most income from this source are the same as in previous years – NGOs working on issues of child protection, cancer patient support and animal protection.

EU projects have been launched at a slower pace than expected. So far, EU programs have committed 300 billion forints (\$15 million), and as of December 31, 2008, the EU had already distributed 220 million forints (\$976,260). A total of 1300 billion forints (\$5.7 billion) of funding is planned through 2013. The main priority of the government is to boost the economy; hence, calls for applications favor business organizations rather than NGO capacity building and human resource development projects. Business organizations receive funding much more quickly, in a few months, whereas the application and funding process for NGOs can last much longer.

Since 1993, calls for proposals have been a significant source of funding for NGOs and have favorably influenced their financial management capabilities. However, administrative requirements are still a heavy burden on organizations.

The first round of the €6 million NGO Fund of the European Economic Area (EEA)/Norwegian Financing Mechanism took place this year. NGOs can use the funds in four different fields: environmental protection and sustainability, NGO capacity building and social cohesion, health care and child protection, and cultural heritage protection. In the first round, 96 out of

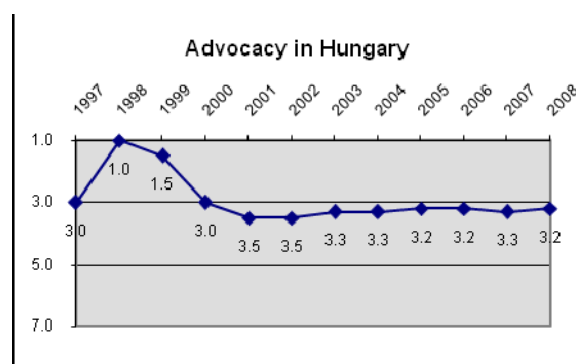
953 proposals received a total of €3.9 million in support.

A major issue with financial viability is the lack of independent grantmaking foundations, which could provide seed money for new NGOs, bridge funding for NGOs grappling with cash-flow problems due to late payment by the state, and institutional support to advocacy and watchdog organizations. Although the Hungarian NGO sector is considered to be well funded, the structure and nature of funding does not support the development of independent, issue-based NGOs.

## ADVOCACY: 3.2

In an effort to introduce Western European public policy processes in Hungary, the government organized expert roundtables on a range of issues; however, experts from the NGO sector were rarely present, possibly due to the lack of quality think tanks.

Despite the effort to hold roundtables, the government rarely takes the resulting recommendations into consideration, which demonstrates that the public policy process is still underdeveloped.



The EU Operational Program for Social Renewal, TÁMOP, issued a call for proposals called “Capacity Development in Organizations of Interest Representation.” Organizations representing economic interests and trade unions have won more of these proposals than associations. Still, these funds are used to support the development of interest representation associations in Hungary.

The Ministry of Foreign Affairs developed the draft Act on Official Development Assistance in 2008. In an unusual move, the ministry invited the Hungarian Association of NGOs in Development to participate from the beginning of the drafting process and to comment on the concept of the law as well as the initial draft. Ninety-five percent of the association’s suggestions were incorporated into the draft law, which other ministries are currently discussing.

Based on the Information Liberty and Lawyer Network, the Hungarian Civil Liberties Union and its partners began offering free legal consultations in six regions in the fall of 2008. The aim of this initiative is to make the decision making and management of regional local authorities transparent and easily accessible to the local media, NGOs and citizens. As a result, advocacy groups have increased access to data that can form the basis for lobbying or advocacy campaigns.

As a new instrument to fight corruption, the Hungarian chapter of Transparency International prepared a concept of a “whistle-blowing act” at the request of the Ministry of Justice. The concept presents international examples, examines the national legal environment, and makes recommendations for regulatory policy.

Some organizations have managed to conduct successful campaigns. For example, Kézenfogva

Alapítvány (Hand in Hand Foundation), an NGO that works on disability issues, conducted a national survey that resulted in a positive government response. The Kek Pont Foundation, an organization that uses “guerrilla marketing,” launched a successful awareness-raising campaign and online tool called the Droglátó (Drug-Viewer), which aimed to dispel myths about drug problems. Green NGOs are increasingly suing the government as well as companies.

Although individual NGOs have some success in advocacy efforts, the sector as a whole

## SERVICE PROVISION: 2.5

Two-thirds of NGOs’ total income was earned through services provided in six fields of activity: culture, education, social development, regional development, economic development, and professional and umbrella organizations that represent businesses. In the last few years, the amount of health care services has increased significantly. Environmental protection NGOs have started developing their service provision capacities as well. Half of per capita funding for service provision was allocated to educational organizations and one-third to social organizations.

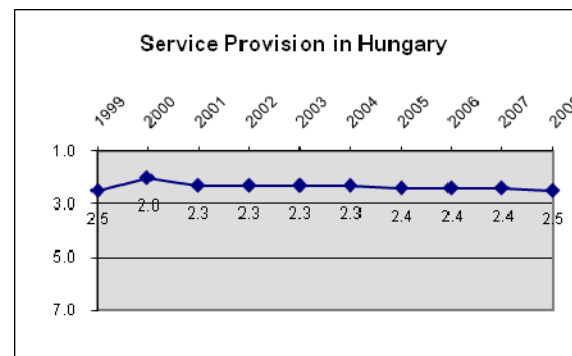
In 2008, per capita support was redefined in the laws and regulations. This caused delays in payment of per capita support, which contributed to the financial difficulties of NGOs. Furthermore, according to Kézenfogva Alapítvány (Hand in Hand Foundation), per capita funding and the charges for service provision cover only about half of the expenses of NGOs running institutional services for the disabled. At the same time, church-affiliated social service providers receive enough to cover all their expenses.

The income from mission-related activities nominally decreased in 2006, and many nonprofit schools, nurseries and social institutions seeking favorable financial conditions were closed or taken over by churches. This trend seems to have continued in 2008. In fact, it seems that NGOs are being

continues to be weak in representing its interests. For example, in a year when government payment delays and the financial crisis brought many leading NGOs to the edge of bankruptcy, there has been no initiative to negotiate with the government to provide some kind of aid, such as the bridge loans provided to small- and medium-sized enterprises. The advocacy capacity of SMEs is stronger than that of NGOs. NGOs lack the funds to conduct a serious campaign and are more focused on the survival of their individual organizations than the survival of the whole sector.

driven out of the field of maintaining social service institutions.

Instead of needs-based service development, many organizations, especially those with social and educational activities, still choose to limit the variety of services based on their financing possibilities.



The National Audit Office conducted a compliance audit among nonprofit public educational organizations and found irregularities in 45 percent of the cases. In several cases, significant expenses were unjustified. Only 2 percent of vocational training conducted by nonprofit organizations was aimed at occupations in demand.

Five major NGOs raised their quality of services and launched process control or performance management in order to meet the European Foundation for Quality Management (EFQM)

entry level, “Committed to Excellence.” There is a growing need for the introduction of an accountability standard which would help fundraising.

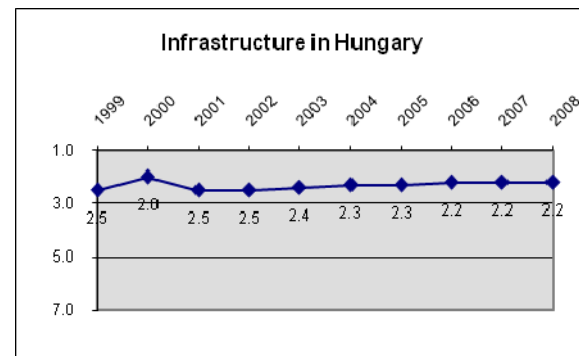
The Internet Distribution Foundation is starting a social Internet service project to provide Internet to the most underprivileged regions.

## INFRASTRUCTURE: 2.2

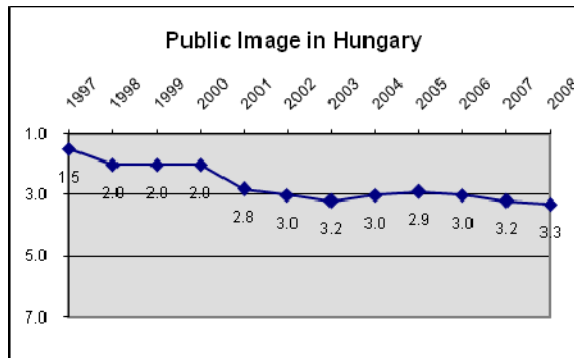
The government has set up a civic information website, but it does not contain as much detailed information as originally planned. Despite NGOs’ requests, no linkage has been built between the Nonprofit Information and Education Center (NIOK) voluntary database and the governmental database. Such a linkage would improve the efficacy of both databases.

With the delay of EU programs, the two main resources to fund training and capacity development are the Norwegian NGO Fund and the National Civil Fund. Next year, TÁMOP will begin to promote capacity development as well.

As part of the E-Civil program, a three-year program that started in 2007, Civil Centre Service Center network (CISZOK)-based Community Technology Centers were created with the coordination and support of NIOK and Microsoft, offering computer training for NGOs. The Civiltech program allows NGOs to purchase software at a discount.



## PUBLIC IMAGE: 3.3



demonstration, and anti-Roma demonstrations were held. NGOs reacted against the growing negative tendency, but had limited impact. In contrast to the extreme right’s continuous presence in the media, a demonstration organized by the so-called Tarka Magyar (Medley Hungary) movement stimulated little response. Instead of an expected crowd of 100,000, only 5,000 participated in the demonstration. Unfortunately, it was impossible to organize a politics-free event because the media emphasized the presence of the prime minister at the demonstration.

Several negative events shaped the public image of the NGO sector, while plenty of success stories remained unnoticed.

Last year’s scandal, the Zuchlag case regarding tendering procedures, ended up in court.<sup>4</sup> As more details were uncovered about the scandal, it became evident that in many cases decision makers and monitoring authorities knowingly

In 2008, the extreme right movement became even stronger. Skinheads and the Hungarian Guard disrupted the Gay Pride Day

<sup>4</sup> The Zuchlag case involved a network of eleven NGOs that misused grant funds to support political objectives. Please refer to the 2007 Index for additional information.

committed omissions. Although the case primarily concerns political figures, it implicates NGOs and negatively affects the public image of the sector.

Due to the animal protection campaign of 4 Mancs Alapítvány (4 Paws Foundation) and its numerous media appearances, Western European supermarket chains blacklisted Hungarian companies that make products out of force-fed animals. The companies involved, the workers who became unemployed, as well as the farmers dominated the media with their complaints, and a campaign was launched to discredit the foundation.

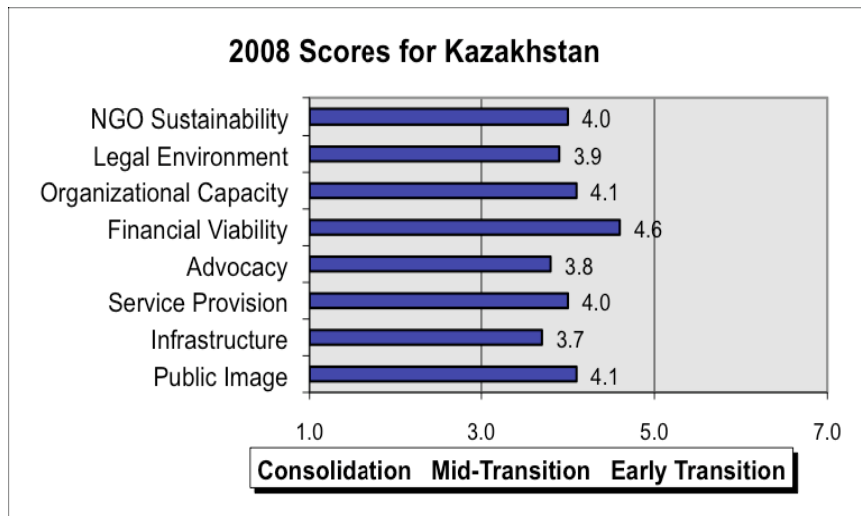
Another scandal publicized by the media involved fundraising by Érző Szív Alapítvány (Feeling Heart Foundation). The foundation raised money for an ill child, but only gave 20 percent of the amount to the family, claiming

that the rest was needed to cover expenses. This case demonstrates that NGO self-regulation is still lacking.

Child Cancer Foundation, which does not meet international standards of transparency, continues to collect the largest amounts of the 1 percent donations despite repeated media questioning about the use of the funds. People seem to have lost interest in following such issues and merely respond to the posters of children asking for help.

More businesses and NGOs have been cooperating in corporate social responsibility (CSR) partnerships. There were more CSR-related media appearances in 2008 than in previous years. However, NGOs fear that the economic crisis will affect the good practice of intersectoral cooperation, and next year's CSR budgets are already being cut.

## KAZAKHSTAN



**Capital:** Astana

**Polity:**  
Republic

**Population:**  
15,399,437 (July 2009 est.)

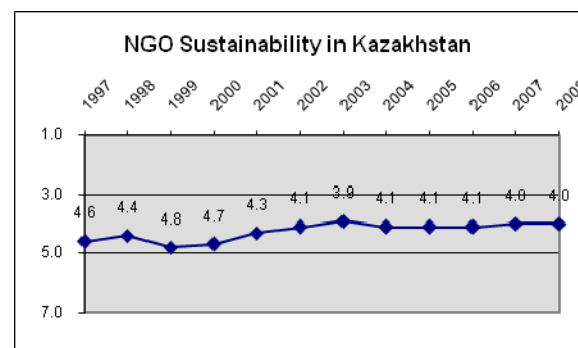
**GDP per capita (PPP):**  
\$12,000 (2008 est.)

### NGO SUSTAINABILITY: 4.0

According to the Ministry of Justice, 29,292 nongovernmental, nonprofit organizations were registered in Kazakhstan as of November 2008, including trade unions, religious organizations, political parties, and tenants' associations. The number of registered NGOs continues to grow due to a stable domestic policy climate and laws favorable to nongovernmental organizations. The number of public associations, the most common legal form of NGO, stands at 7,204.

NGOs continue to suffer from a number of weaknesses, including insufficient financial viability, aging technical equipment, underdeveloped organizational systems and management, and a lack of qualified personnel. At the same time, there is increased public awareness of civil society and NGO activity. While civil society development in Kazakhstan may start to decelerate in light of the world economic crisis, the falling standard of living may give NGOs the opportunity to increase their support base among their constituents and the

public by expanding their services and addressing public policy issues.



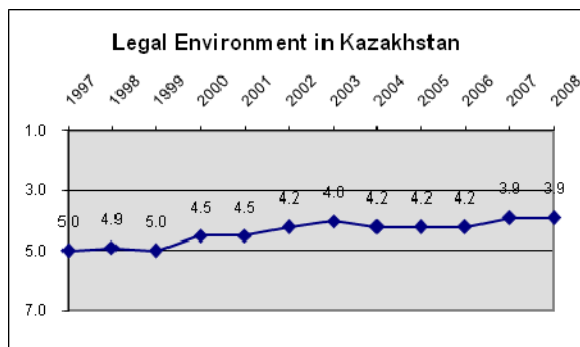
Positive reforms have been delayed, and several privileges and preferences for NGOs have been or will be revoked. Still, government support for NGOs, both in terms of financing and readiness for dialogue and cooperation, continues to grow. Several conferences and forums were conducted on the regional level, and the Fourth Annual Civic Forum planned for 2009 will promote further improvements.

### LEGAL ENVIRONMENT: 3.9

There have been no significant changes in the legal environment regulating NGO activity over the past year. In some regions such as

Ust-Kamenogorsk and Shymkent, public prosecutors' offices inspected local NGOs that were awarded state social contracts. This was in

reaction to a number of complaints that state social contracts were awarded to government-affiliated NGOs.



The ban on state financing to public associations, revoked by a constitutional amendment, still exists in the Law on Public Associations. Existing mechanisms for implementation of state social contracts are insufficient. Much of the law governing state social contracts is the same as for any other state procurement contract and does not recognize key distinctions that should be taken into account when contracting for social services as opposed to goods or construction works.

Under a provision that took effect in January 2008, NGOs participating in public tenders for state social service contracts were no longer exempt from the requirement to pay a security deposit in the amount of 1 percent of the sum allocated for the procurement. International organizations and NGOs coordinated efforts and lobbied for reinstatement of the exemption in November 2008 through an amendment to the Law on State Procurement. While NGOs no longer have to pay the security deposit when submitting their bids for state contracts, the Law on State Procurement contains a provision requiring that signatories to a state social contract pay a security deposit in the amount of

#### **ORGANIZATIONAL CAPACITY: 4.1**

Positive reforms in this area have, overall, slowed down. According to survey data

3 percent of the total sum of a contract award exceeding 5 million tenge (about \$34,000). The average state contract ranges from \$10,000 to \$30,000, so this provision is unlikely to be an issue for most contractors for state social services.

A new Tax Code was adopted in December 2008. Two VAT exemptions for NGOs were cancelled in the new Tax Code: the general VAT exemption for funds received from state social contracts and the VAT reimbursement for NGOs receiving grants from foreign governments or international organizations. Funds received from the state for services related to social welfare, protection of children, the elderly, veterans, and the disabled, as well as state-licensed educational and medical services, are still VAT exempt.

The situation for NGOs receiving grants from international donors has improved now that the VAT exemption has been eliminated, because donors will now have to accept VAT payments as legitimate project expenses. NGOs proposed leaving in place the VAT exemption for funds received under state social contracts, arguing that revoking the exemption would provide an unfair advantage to NGOs whose revenues are under the basic VAT payment threshold and who do not have to include VAT in the cost of their services.

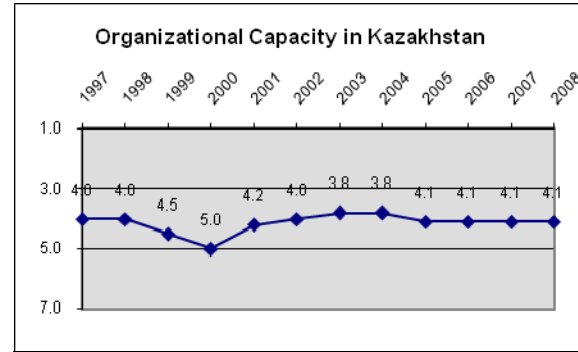
There is a need for a law on state grants to supplement the current Law on State Social Contracts. During the summer of 2008, NGOs proposed to the government that NGO social services be funded through a state grants mechanism so as to provide NGOs more flexibility in project design.

provided in the 2007 National Report, one of NGOs' major problems is their weak connection

with the public.<sup>1</sup> This was noted by 51 percent of respondents from the public and by 41 percent of NGO respondents. Society does not understand the role of NGOs. On the other hand, due to the world economic crisis, the Kazakhstani population's standard of living is dropping. This creates an opportunity for NGOs to build their constituencies and for people to see NGOs not as a product of foreign donors, but as key participants in shaping public policy and as resources for solving problems.

NGOs continue to face a lack of staff and volunteers. The situation regarding technical equipment is getting worse. NGOs cannot replace outdated office equipment due to a lack of international donor financing and the fact that

state contracts do not support the purchase of new equipment. NGOs in Astana, however, are able to take advantage of opportunities offered by several international donors for whom the development of NGOs in the capital is a priority.



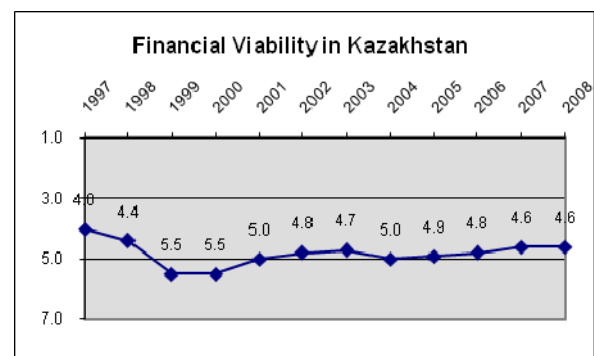
### FINANCIAL VIABILITY: 4.6

Domestic funding of NGOs continues to increase. Local philanthropy is developing, especially in rural areas, where it sometimes takes the form of grants for agricultural equipment. The main obstacle to cooperation between NGOs and local business is still the minimal tax deductions available for companies providing support. Moreover, in some regions local authorities attempted to interfere with and control philanthropy. For example, the money raised by one public foundation from local businesses was used to buy new cars for the local road police. Some NGOs are affiliated with business. Businesses either directly create NGOs in order to lobby for their interests, or finance NGOs in order to benefit from their expertise.

The level of state financing for NGOs has grown substantially year by year: 200 million tenge (\$1.7 million) in 2006, 300 million tenge (\$2.5 million) in 2007, and 709 million tenge (\$6.9 million) projected for 2008. Although this funding benefitted the NGO sector, 42 percent of government representatives polled and 50 percent of NGOs point to a lack of state financing as a problem. State social contracts are

relatively limited and short-term, and do not provide institutional support that would allow NGOs to implement long-term programs. In some cases local governments have created NGOs in order to attract state social contracts. State funding of NGOs at the national level tends to be marked by greater transparency, better management and less corruption than at the local level.

Despite the growth in domestic funding, most NGOs still receive funding from a single source and have weak internal financial management systems.



<sup>1</sup> Ministry of Information and Culture of the Republic of Kazakhstan and Civic Alliance of Kazakhstan, *National Report on the Status and Perspectives of Development of the Non-governmental Sector in Kazakhstan from the Standpoint of Entering the World's 50 Most Competitive Countries and Accelerated Modernization of the State and Society*, Astana, 2007.



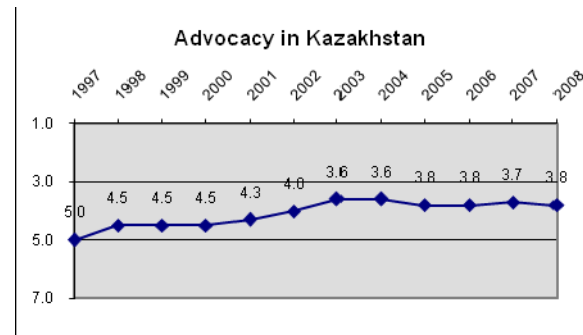
## ADVOCACY: 3.8

The government generally shows a desire for cooperation with NGOs. Ministers and other officials publicly declare their willingness to cooperate with and support NGO initiatives. The annual activity plans of ministries and *akimats* (local and oblast-level governments) include working with NGOs as one of their priorities.

In the past year NGOs became more active in advocacy, but were less effective. One example was the failure to achieve positive changes to the Tax Code. Despite having little effectiveness in terms of changing legislation, NGO advocacy campaigns had some impact on gradually changing public awareness.

NGO capacity has improved over the years, but this is primarily the capacity to implement projects professionally, not to develop programs on a national, strategic level. The professionalism of upper- and mid-level government officials has grown to such a degree that NGOs have been left somewhat behind, unable to match their government counterparts' professionalism. Mature, leading NGOs that are experts in their fields of activity and experienced in advocacy are few. Most NGOs do not have the requisite skills and experience and can usually only articulate a given problem, not propose a strategic solution and advocate for it. They implement small-scale campaigns on the

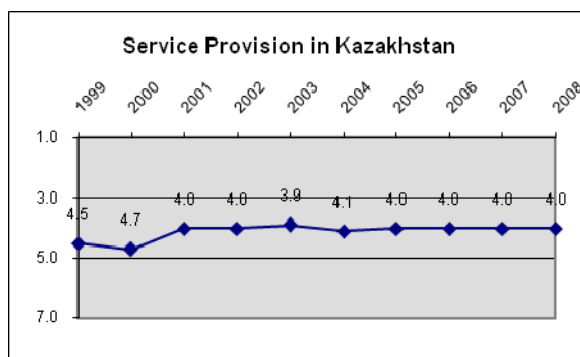
local level, or delegate their authority to the Civic Alliance of Kazakhstan. The president of the Civic Alliance, a member of the Majilis (Parliament), represents NGO interests in Parliament.



On the local level, NGOs organize advocacy campaigns on issues such as local self-governance and ecology. In some regions like Karaganda and Shymkent, NGOs actively collaborate with local and national governments.

In the past, international donors gave grants for advocacy campaigns and advocacy training. Now, however, such grants are very rare. NGOs appreciate and use advocacy tools, but having little experience, they achieve few results. Newly established NGOs are particularly in need of training and funding in the advocacy area.

## SERVICE PROVISION: 4.0



Kazakhstani NGOs provide services in the following areas: youth, disabilities, healthy lifestyles, gender, ecology, education, social

services, training, and research. A relatively small number of NGOs work on mediation, religion, and the interests of particular professions. Business associations and their activities have grown notably. Such associations are mainly funded from membership fees, and work to protect the rights of entrepreneurs.

One of the persistent problems related to service provision is the weak connection between NGOs and the public. Polling data suggests that NGOs are not sufficiently proactive in reaching out to their constituents. While 65 percent of NGOs surveyed in the 2007 National Report said they reach out directly to their target groups by, for

example, visiting households or obtaining information about vulnerable groups from local authorities, 47 percent of beneficiaries of NGO

services reported that they found NGOs by themselves; 34 percent found NGOs via the media.

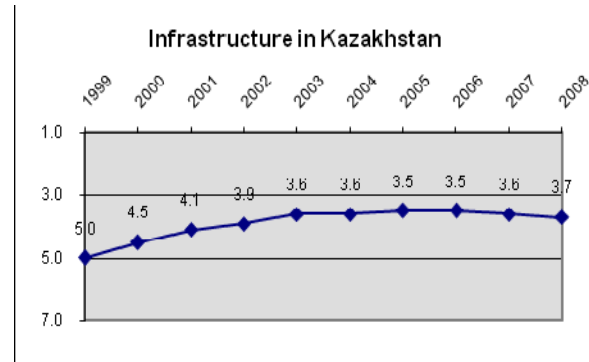
### INFRASTRUCTURE: 3.7

Infrastructure to support NGO activities in Kazakhstan has existed for several years, thanks to donor support. Elements of this infrastructure have included exchanges of information, NGO support centers, and training programs. Due to the decrease in international donor financing, newly established NGOs have less access to a support structure. International donors such as Eurasia Foundation support institutional development programs for NGOs in Astana, which, combined with local government support in Astana, attracts NGOs from surrounding regions such as Kostanai and Petropavlovsk to the capital.

Due to budget cuts, NGO support centers do not provide previous levels of support in organizational development, strategic planning, governance training and consulting. A new tendency is for internal policy departments of local government offices to create support centers in the regions using state social contracting funds. These centers mostly provide training and consulting on writing proposals for state social contracts.

Various NGO networks maintain electronic mailing lists on issues such as the environment, human rights protection, and gender. NGO coalitions on specific issues are often created on both the local and regional levels.

Some corporate funds continue to support NGO development, but financing may decrease due to the worldwide economic crisis. Businesses are



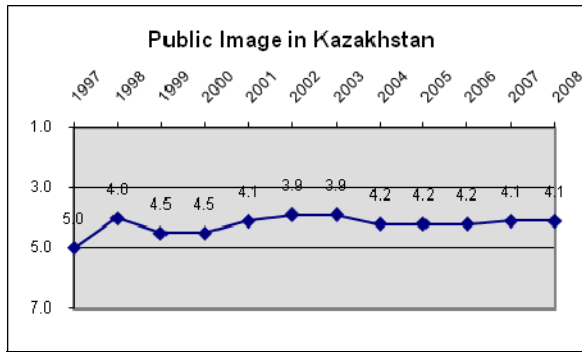
shrinking their social programs across the board. The issue of corporate social responsibility (CSR) is still very topical, and international donors such as Eurasia Foundation and UNDP continue to organize conferences and discussions on CSR. The main obstacle to increased CSR activity is still the lack of tax benefits.

Cooperation between NGOs and the state is growing. The state more than doubled its funding for NGOs. The Ministry of Information and Culture invited the Civic Alliance of Kazakhstan to prepare the second national report on NGO development. The Ministry of Economic Affairs and Budget Planning in cooperation with ARGO (Civil Society Development Association) developed approaches to monitoring and evaluating state programs, organizing an “evaluators’ school” in 2009.

### PUBLIC IMAGE: 4.1

The increasing number of media reports covering NGO activity directly influenced the public’s improved perception of NGOs. NGOs are not generally perceived as agents of western influence as they were in the past.

National Report survey results showed that 41 percent of the public lacks an understanding of NGOs’ role. However, 82 percent of respondents who benefit from NGO services were totally satisfied, noting improvement in NGOs’ effectiveness, authority and activity.



NGOs are not particularly successful in influencing decision making, but are generally effective in supporting poor and disabled persons, working with youth, and protecting human rights.

Journalists attend NGO events, but these are generally large events involving the participation of high-level officials from Kazakhstan or international organizations. The media gladly publicize information about NGOs that relates to state program implementation. For example, the media reported on the results of the joint ICNL-ARGO-Almaty Akimat roundtable on state social contracting.

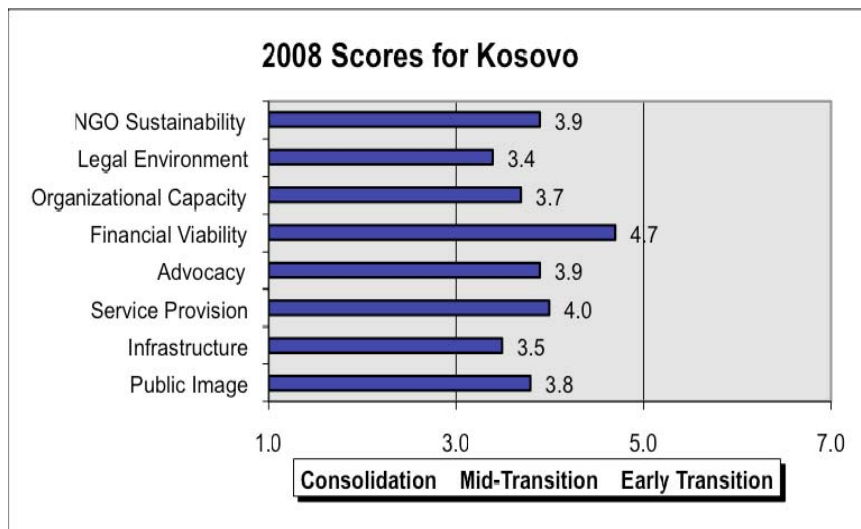
As for regular NGO activities, the media are not very interested. Some international donors offer

grants for media within their civil society programs. Thanks to such grant programs, there is substantial media coverage of NGO activity in such areas as implementation of local self-governance projects and access to free legal aid. Unfortunately, in other cases, media representatives demand a fee to publish civil society materials.

Most NGOs evaluate their activities once a year. These evaluations are mainly quantitative (tracking the number of articles in the media, number of projects implemented), but NGOs also participate in qualitative external evaluations. NGOs and the public both believe that the community overall, including beneficiaries, should evaluate the effectiveness of NGO activity.

Public image is not a priority for local NGOs; their priorities are fundraising and achieving financial sustainability. NGOs publish newsletters only when donor money is provided for that purpose. A small number of NGOs maintain their own websites. Public foundations publish annual reports mainly because of legal obligations to do so.

## KOSOVO



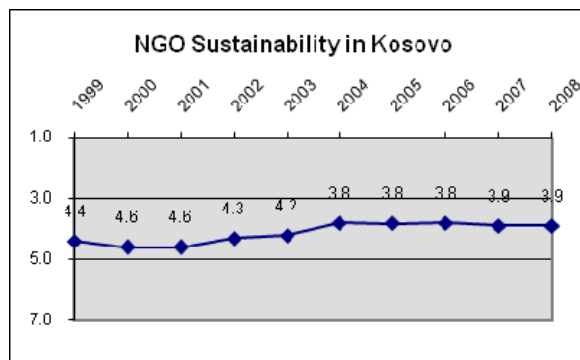
**Capital:** Pristina

**Polity:**  
Republic

**Population:**  
1,804,838 (July 2009 est.)

**GDP per capita (PPP):**  
\$2,300 (2007 est.)

### NGO SUSTAINABILITY: 3.9



The declaration of independence by the Kosovo Assembly on February 17, 2008 marked one of the most significant turning points in modern history, ending the status quo that was preserved by the United Nations Interim Administration (UNMIK) for almost nine years. The declaration of independence was a unilateral action coordinated with the international community and was followed by intensive efforts on the part of various actors to gain international recognition of Kosovo's statehood. To date, fifty-six UN member states have recognized Kosovo as an independent country.

Kosovo's government institutions have made considerable progress in completing the legal infrastructure. Throughout the process, civil society actors have been involved either as

partners or as advisory groups for shaping policies. Civil society made a considerable contribution to the three processes that have received the most attention and energy: the Ahtisaari proposal, the constitution, and lobbying for recognition of statehood. The civil society role was largely behind the scenes, however.

The dissatisfaction of the Serbian community with Kosovo's independence was expressed primarily in the north of the country, where local Serbs took over public buildings and burned down two border crossings. During violent clashes between police and protesters, UNMIK police forces recorded two casualties and many injured.

The division of authority between UNMIK, the European Union Rule of Law Mission (EULEX) and the Kosovo government is complex and, in some areas, unclear. UNMIK's mandate continues until further decision by the UN Security Council, which has been divided regarding Kosovo. EULEX has slowly begun to establish a presence and take up monitoring responsibilities.

The current coalition government, composed of the two largest parties (Democratic Party of

Kosovo and Democratic League of Kosovo), continues to face challenges similar to those of its predecessors, with the economy and unemployment being the most pressing concerns. Several protests and strikes organized by trade unions were another source of pressure on the government. Among the most disruptive were strikes in the health and education sectors, and protests by the Kosovo Police Service.

Several NGO networks and informal coalitions have been established, while the level of cooperation and networking between NGOs from different regions and ethnic backgrounds did not change significantly.

The government has yet to increase the capacities of the NGO Registration Office, either through building capacity of existing staff, increasing staff, or opening branch offices. It is difficult for Serbian NGOs operating in enclaves to visit Pristina for registration purposes. NGOs from majority-populated areas also have difficulties processing their paperwork. A draft NGO law has once again been the subject of

discussions in the Kosovo Assembly, but anticipated discussions with civil society have yet to take place.

A considerable number of active NGOs are actively engaging to redefine their goals and strategies in the new environment. New organizations that have clearly defined missions and scopes of work are also emerging. The emerging role of government watchdog NGOs is another novelty in post-independence Kosovo. One example is the Organization for Anticorruption and Dignity (COHU), which has published several reports concerning government behavior.

The overall performance of the NGO sector improved slightly during 2008, largely due to the improved ability of NGOs to fundraise, organize and communicate about their work to the general public. The number of NGOs registered in Kosovo remains approximately 3,800. Of these, only about 200 are well established and active.

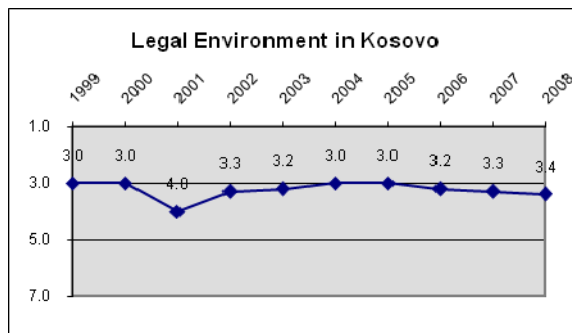
### LEGAL ENVIRONMENT: 3.4

The legal environment for NGOs in Kosovo slightly deteriorated during 2008. Although the NGO Regulation provides for a quick and easy process, in practice this does not happen. Procedural and administrative delays are caused mainly by the inability of the NGO Registration Office to efficiently process documentation. Changes in existing NGO statutes or registering new entities may take several weeks or even months. NGOs operating in Serb enclaves face even more challenges registering due to restrictions in movement that make traveling

back and forth difficult. Serb NGOs continued to express their dissatisfaction with the NGO Registration Office during 2008. A potential solution to this issue could be the decentralization of the office, bringing its services down to the municipal or regional level.

The VAT Regulation requires that all NGOs, even those with public benefit status, pay VAT on imports, including donated goods. NGOs are allowed to compete for government grants and contracts, and often engage in contractual arrangements with local and central government.

Although the law protects NGOs against government harassment, during 2008 there were several instances of direct or implied pressure on NGOs by the government. The NGO Registration Office attempted to inspect the financial documents of several NGOs who were critical of government policies, even though the authority to audit NGOs' financial documents is reserved for the Kosovo tax authorities.

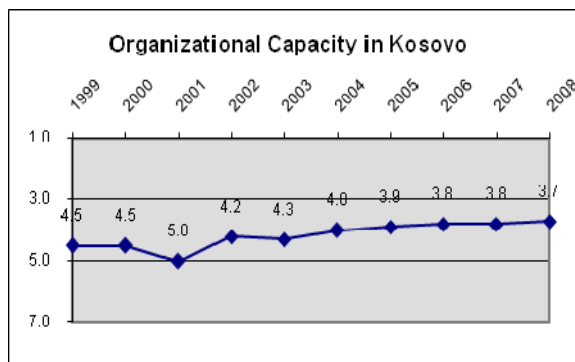


Legal advice is available to NGOs in Kosovo. Numerous law firms offering legal advice on all matters regarding Kosovo legislation have been established in Pristina and other urban centers. Despite the fact that each municipality has a legal aid office that offers free legal advice to

citizens, in reality these offices have limited capacity. No NGOs, however, reported seeking legal assistance and being unable to receive it. The lack of law firms and centers that specialize in NGO law could indicate a lack of demand for such services.

## ORGANIZATIONAL CAPACITY: 3.7

After delaying activities because of the uncertainty preceding the declaration of independence, many NGOs have adapted their working plans and strategies to the post-independence environment and resumed their activities in the new setting. An increasing number of NGOs developed clear organizational profiles and missions during 2008. One can clearly identify NGOs that specialize in service provision and policy development and advice, as well as those that deal with pressing issues such as human rights and corruption.



Few NGOs have developed their local constituencies. The number of NGOs that engage volunteers in Kosovo is still marginal and there is an overall lack of volunteerism. The isolated instances of volunteer work are usually limited to local community actions or neighborhood initiatives, while actions involving wider networks of volunteer activists are nonexistent. For a decade before the conflict, volunteer work underpinned the ethnic Albanian alternative system and peaceful resistance movement. The lack of volunteer activity today can be attributed to a lack of incentives. NGOs need to engage more actively in outreach and provide the motivation for volunteerism.

While most active NGOs in Kosovo have clearly defined missions and internal management structures, many organizations still design their activities and projects according to donor priorities and funding policies. The situation in the Serb enclaves is rather different. Minority NGOs have more limited capacities and not very clearly defined missions and structures. Few Kosovo Serb NGOs have linkages with Kosovo Albanian civil society actors, or engage with Kosovo government institutions.

The capital Pristina has more intense NGO activity, while the activities of NGOs in other regions of Kosovo are much more limited.

One issue of concern regarding the organizational capacity of NGOs in Kosovo is the nature and function of governing boards. The same group of individuals serves on boards of numerous organizations. Some individuals are board members in as many as ten organizations. This casts doubt on the effective functioning of the boards.

During 2008, several NGO coalitions and partnerships were established. The civic initiative Fol 08 was started by several young people and focuses on reacting to government actions or inaction. It has developed into a network of activists that expresses dissatisfaction through street protests and petitions against government policies. An anti-corruption coalition also emerged. Despite the fact that the number of these coalitions and partnerships remains limited, in comparison to 2007 there was significant improvement.

Basic technical equipment is not an issue for NGOs as most of them possess computers,

phones, and faxes, and have access to the Internet. NGOs in Pristina and in the regions have suitable and functional office spaces.

NGOs in Kosovo have gathered staffs of admirable backgrounds and experience. The level of professionalism and expertise of NGO activists and leaders exceeds that of their peers in most other sectors. Participation in trainings,

exchange programs, and networking with NGOs abroad has added to the professionalism of Kosovo NGO leaders. Most active NGOs have permanent full-time staff and engage additional project staff on a temporary basis. The Serb NGOs differ a great deal in this regard. Due to a lack of funding, NGOs in northern Kosovo face greater organizational challenges because they cannot afford to engage full-time employees.

## FINANCIAL VIABILITY: 4.7

Financial viability of NGOs in Kosovo improved significantly during 2008 despite the fact that the donor presence decreased and two grantmaking institutions ceased their programs. In comparison to 2007, the diversification of funding by NGOs improved significantly, resulting in a more stable financial situation. Increasing numbers of NGOs are seeking funding from international donors that do not have a physical presence in Kosovo, as well as taking advantage of new funding opportunities from domestic sources. Fewer NGOs than in the past are dependent on a single donor. Also during 2008, NGOs became increasingly aware of the importance of fundraising.

Most active NGOs have good financial management procedures and records of their spending, thanks to donors' growing demands for accurate bookkeeping and independent audits. NGOs with diversified sources of funding sometimes find financial reporting more challenging as they may need to maintain records in several formats. NGOs in the north tend to have lower capacity in terms of financial management.

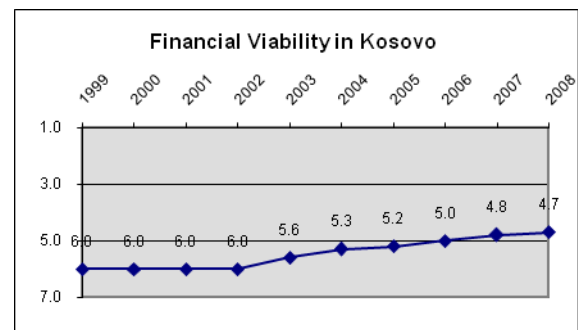
Fundraising is often tied to knowledge of donor languages, especially English. Because a significant share of the funds for NGOs in Kosovo is provided by donors outside the country, organizations that do not have staff with knowledge of English cannot effectively compete for such funding. Consequently, many local community initiatives do not receive international funding.

A positive phenomenon is that some Kosovar businesses and celebrities fundraise for the less

fortunate members of society. Social responsibility, currently in very infant stages, needs to be further explored and nurtured for developing sources of local philanthropy.

Specialization of some NGOs in certain types of activity has been another positive development in terms of financial viability. Some NGOs provide paid services to both the government and the private sector. The most effective NGOs that have progressed in matching their work to their constituencies are NGOs that provide social services, such as the Mother Theresa Society, and professional associations. Such entities successfully collect membership fees and coordinate work with their constituencies.

Increased competition for funding has prompted many organizations to improve their proposal writing skills. The phenomenon of hiring external consultants for proposal writing, or hiring additional full-time staff for fundraising, is ever more common among Kosovo NGOs.



Two grantmaking foundations in Kosovo ceased their grant programs during 2008. The Community Development Fund exhausted its grants fund and is fundraising to reestablish it.

Advocacy Training and Resource Center ended its grants program with the USAID Civil Society Program. Although a new USAID civil society program with a grantmaking component began during 2008, the grants program had not resumed by the end of the year.

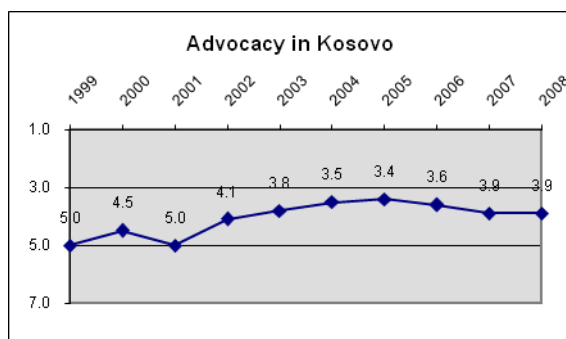
Both local and central government have awarded grants and contracts to NGOs. While the amounts and types of these contracts have

varied, they have encompassed NGO-provided goods, services and advice. NGOs have also been awarded contracts with international agencies and institutions, including the European Commission. EC funds have also been distributed through a civil society grants program. Moreover, one of the priorities of Instrument for Pre-Accession funds for Kosovo is support to civil society.

### ADVOCACY: 3.9

NGO advocacy improved in 2008, especially in the post-independence period. In many instances NGOs exercised pressure on both local and central government for inclusion in decision-making processes. Nevertheless, the design of the constitution

has had very limited input from NGOs. NGO activists were engaged in the process of responding to the draft document during the public consultation period, but there was no organized input on the part of civil society in the formal drafting, even though individual NGO activists were involved in the process. As in 2007, lobbying at the local level was more successful than at the central level.



Several civil society initiatives were quite successful in shaping government policies and decisions. One example is the Forum 2015 advocacy campaign against the Kosova C power plant, which raised public awareness about this

energy project.<sup>1</sup> Additionally, the Organization for Anticorruption and Dignity (COHU) campaign to improve the process of licensing and accrediting private universities has been very influential.

Among the most successful advocacy initiatives have been the protests and strikes organized by trade unions in vital sectors such as health, education, and law enforcement. The demands of the trade unions have been fulfilled to a great extent.

One noteworthy initiative was lobbying for the recognition of Kosovo undertaken by Forum 2015 and a group of civil society activists who sought to generate support within the Arab world for the state of Kosovo. Civil society activists worked in tandem with the government to strengthen support for the newly established state. The results of this lobbying remain to be seen, as countries of the Middle East have yet to determine their final position on Kosovo.

Issue-based coalitions were limited in 2008. Informal cooperation between NGOs on particular issues was minimal. The Fol 08 initiative and anti-corruption coalition mentioned above were examples of attempts to build civic initiatives, civil society coalitions and networks. In general, however, activities in this vein were rare.

<sup>1</sup> Forum 2015 was established in 2003 as a joint initiative of the two most prominent NGOs in Kosovo, Kosovo Foundation for Civil Society and RIINVEST Institute.



## SERVICE PROVISION: 4.0

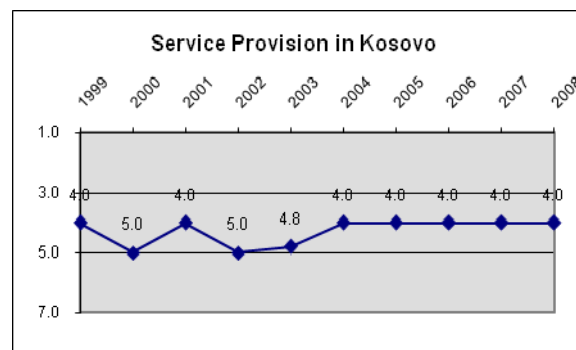
In general, the situation regarding service provision did not change a great deal during 2008. Some aspects of service provision have improved, while others have deteriorated.

NGOs continue to provide a considerable range of services, and an increasing number are involved in areas such as economic development, environmental protection, and governance. Organizations with the highest responsiveness to the needs of their communities and constituencies are those specializing in matters related to youth, gender, and human rights. The number of government grants and contracts to NGOs decreased slightly in comparison to 2007, although exact figures were not yet available. Some think tanks have offered advisory services to the government and to donor projects that have required specific expertise.

A significant number of NGOs charge for their services, although in some instances they provide their services for free. In general, NGOs recover their costs efficiently through provision of services. Conducting research and charging

fees for publications are some of the methods that NGOs use to cover their costs in part or in full.

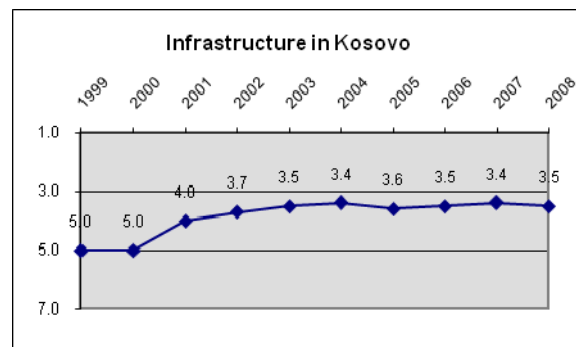
The government has contracted think tanks such as GAP Institute to offer expertise on governance issues, such as the functional review exercise that is being conducted to develop recommendations for public administration reform. Other NGOs that have provided services to the government include Advocacy Training and Resource Center, which organized a series of informational roundtables on the constitution, and the Community Development Fund, which has implemented several infrastructure projects.



## INFRASTRUCTURE: 3.5

The only NGO resource center in Pristina, Advocacy Training and Resource Center, was less proactive than in previous years in offering services to the NGO community. Northern Kosovo and other enclaves continue to be serviced by the Center for Civil Society Development, which offers support and trainings to Serb NGOs operating in Kosovo. Private companies also offer trainings in various spheres that interested NGOs can attend. A considerable amount of materials is available in the local language, except in the north, which has a shortage of local-language training materials.

Kosovo Civil Society Foundation implemented a capacity building program for civil society on behalf of the European Agency for Reconstruction, but its impact was limited to a small number of organizations.



Local foundations redistributed funds raised abroad to local NGOs, but considerably less than in previous years. The remaining local grantmaking foundations continue to determine their own funding priorities, but given that the funds available to them have shrunk, the impact they have is limited. The funding priorities of donors from outside Kosovo do not necessarily

reflect local needs. For instance, there are very few if any international grants available for revitalizing agriculture, which is a high priority in Kosovo.

During 2008, there was only one instance of formalized civil society interaction and coordination. CiviKos Platform, an umbrella entity that aims at channeling the interaction of NGOs and advancing the interests of the entire sector, undertook an initiative to send an open letter to parliamentary deputies regarding the draft NGO law.

**PUBLIC IMAGE: 3.8**

The public image of NGOs improved in comparison to 2007. The public continues to perceive NGOs positively. The situation is rather different in the enclaves, where NGO activists are perceived as collaborators of foreign governments or even as traitors.

Media coverage of NGO events and activities in Pristina is adequate, as almost all public events are covered. Activities in other regions, however, tend to receive less national media attention. The media has limited human resource capacity at the national level to cover all activities across Kosovo. Local broadcast media dedicate significant space to covering NGO activities and events.

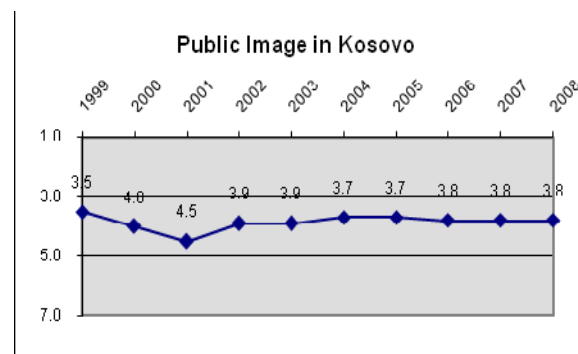
The level of professionalism in the media sector and the quality of coverage leaves much room for improvement. Editorial policies of media at the national level have been often characterized by self-censorship or intentional non-coverage of certain NGOs and activities.

PR activities of active NGOs improved significantly during 2008. An increasing

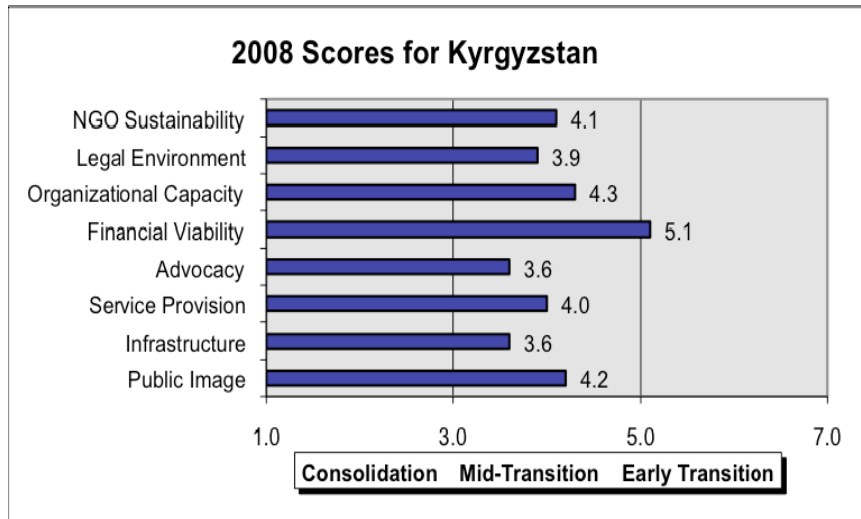
The government, through the Office of Good Governance within the Prime Minister’s Office, summoned NGO activists on various occasions. These included the promotion of the Ahtisaari proposal in municipalities of Kosovo and the discussions on the constitution. Such initiatives were perceived as rather superficial. For example, the public discussions on the constitution were conducted in the absence of a written, published document. The general opinion is that the government engages civil society for PR purposes or when it is forced to do so.

number of NGOs publish regular reports, newsletters, and other communication pieces. They have regular communication channels with the media that include email and fax correspondence about events and activities.

In the north the situation slightly improved in terms of media coverage, but the overall situation was worse than in other parts of Kosovo. NGOs in the Serb enclaves find it more difficult to obtain media coverage and successfully promote their activities. Still, in comparison to 2007, the attitude of the local Serb media towards NGOs improved slightly.



## KYRGYZSTAN



**Capital:** Bishkek

**Polity:**  
Republic

**Population:**  
5,431,747 (July 2009 est.)

**GDP per capita (PPP):**  
\$2,100 (2008 est.)

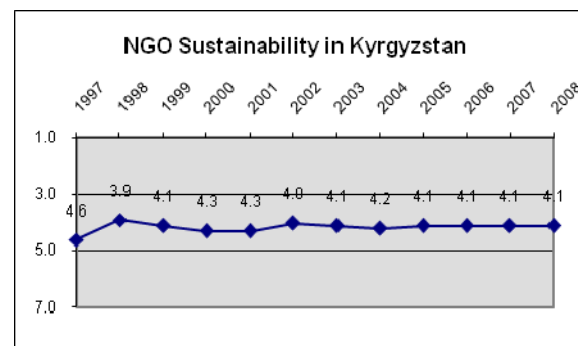
### NGO SUSTAINABILITY: 4.1

As in 2007, the year 2008 began with continued political debates and public actions, giving NGOs an opportunity to expand their spheres of influence, express their concerns, and actively participate in the political process. The estimated number of registered nonprofit organizations, including public associations, public foundations, community-based and religious organizations, and business associations, ranges from 8,000 to as many as 20,000. The Ministry of Justice, which maintains the register, does not have reliable figures.

NGOs' protests against parliamentary election results, participation in opposition mass meetings, and active lobbying for citizens' rights to freedom of assembly and freedom of conscience resulted in authorities having a negative perception of NGOs and taking actions against them. At the same time, NGOs worked within several formal structures aimed at partnership and achieving consensus with the government. Among such structures were four working groups under the Ombudsman's Office, and a working group under the Ministry of Interior.

While some NGOs do not consider the Parliament legitimate and do not interact with it at all, other NGOs have created partnerships

with Members of Parliament and involved them in lobbying for the new Social Contracting Law and some provisions of the new Tax Code. Several NGOs initiated the Alliance for Women's Legislative Initiatives, consisting of representatives of NGOs, the Parliament, and government bodies.



NGOs' cooperation with political parties and the growing strength of religious organizations and groups resulted in amendments to freedom of assembly and freedom of conscience laws, which greatly curtailed citizens' rights. Many NGOs and international institutions appealed to the president, but in the end, he signed all the amendments.

Despite the increased activity of human rights defenders and politically active NGOs, a certain

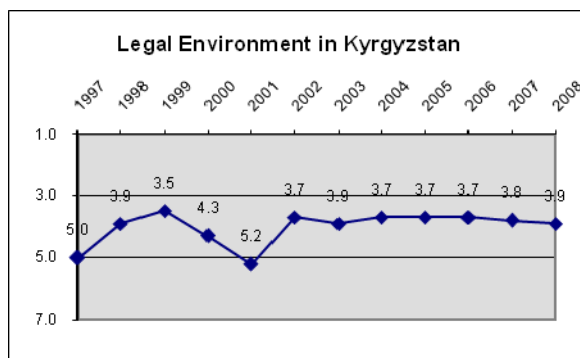
slump occurred in other spheres of NGO activities. This downturn was largely caused by lack of financing. Soros-Kyrgyzstan Foundation and Eurasia Foundation, which typically conduct the majority of local small grants programs, reduced their programs in 2008. Increasing numbers of NGOs are developing their own income generation activities, but this approach is limited by a lack of business knowledge and experience, and poor access to financial resources.

Aiming to increase organizational sustainability, many NGOs create sector alliances and coalitions. In 2008, three coalitions were established: a coalition of harm reduction (HIV/AIDS) NGOs, a coalition of NGOs

representing disabled people, and the Union of Civic Organizations. These coalitions have set clear strategic targets and provide NGOs an opportunity to consolidate their organizational, intellectual and financial resources to ensure the achievement of declared goals.

In 2008, business associations developed considerably. Through improvement of their knowledge and experience in analysis, advocacy, and PR, many business associations have diversified and increased their quality of services. This process has led to a sizeable increase in membership. The National Alliance of Business Associations (NABA) became stronger and more effective in improving the business environment.

### LEGAL ENVIRONMENT: 3.9



In 2008, the situation regarding registration did not change significantly. Founders of an NGO can easily establish and register their organization. The government has no influence over NGOs' missions and activities as long as they do not violate the law. In 2008, NGOs, like all legal entities, were able to take advantage of the introduction of the so-called "single-window" registration process, in which the whole registration process can be completed at one government office.

Several legislative changes related to faith-based NGO registration were adopted. According to the amended Law on Freedom of Conscience and Religious Organizations, faith-based organizations can be officially registered if they consist of at least 200 members. This rule substantially restricted opportunities of faith-

based organizations. Local governments' attempts to curtail freedom of assembly in 2007, which the Constitutional Court declared illegal, now have received legislative support. The previous requirement to notify authorities of mass meetings has become a requirement to obtain permission. According to human rights defenders, compared to 2007 when more than 400 mass meetings were held, only one has been held since the new law was passed in August 2008.

Human rights defenders are also concerned about efforts to exert indirect control over NGOs. Some provisions of the Information Security Concept regulating information exchange on the Internet might be used as a tool for selective pressure on NGOs. The law on intellectual property protection might be used in the same way, particularly in regard to software usage by NGOs, as NGOs are not in a position to observe all provisions of the law due to poor finances.

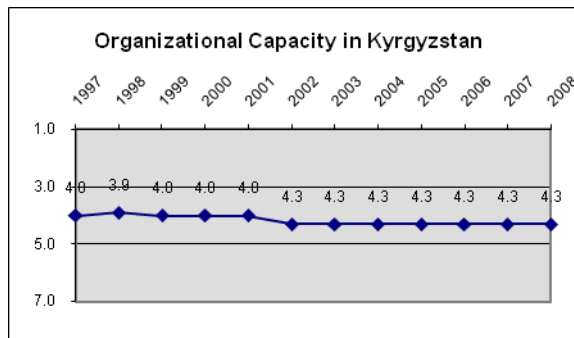
The new Tax Code significantly decreases the tax burden for all taxpayers, including NGOs. It introduces new tax benefits for NGOs designated as charitable organizations, including exemption from income tax, VAT and sales taxes; an increase in the amount of donations to charities that a business may deduct from 5 to 10

percent of taxable income; and, elimination of the certification process which had been required for charitable organizations but not implemented effectively, making it impossible for NGOs to be qualified as charities. Now, all organizations meeting the requirements of the Tax Code and the Law on Philanthropy and Charitable Activity will automatically qualify for tax benefits.

Expectations are high for the State Social Contracting Law adopted in 2008. So far,

**ORGANIZATIONAL CAPACITY: 4.3**

In general, organizational capacity of NGOs remained the same as in 2007. The trend of weak organizations closing down and the growth of partnerships and networks continued. To some extent the latter was furthered by donors’ efforts to support networks. For example, the Union of Civic Organizations, consisting of more than forty NGOs, was established to monitor the 2008 local elections. Within the framework of the election process, the Union produced a wide range of informational and analytical publications, involved citizens in discussion of the election process, and developed recommendations for improvement of the Election Code.



NGOs experience notable difficulties in improving organizational capacity. These problems are caused by various factors including generational change, staff turnover, funding, and

implementation of this law has been hampered by the absence of procedures and budget lines, but the active work of the Ministry of Labor and Social Development and partner NGOs gives some hope of diversifying NGO financing sources. At the same time, expanded partnerships between the government and NGOs will lead to increased demands on NGOs to improve their institutional and organizational capacities.

weak capacity to attract and train new employees.

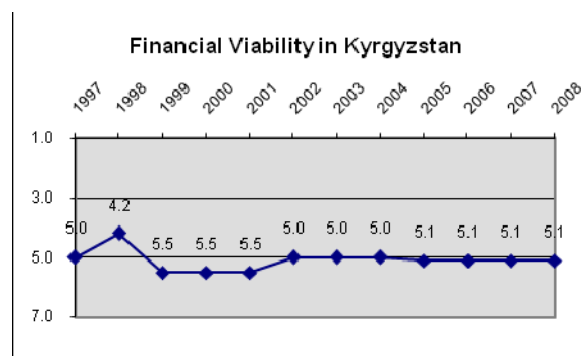
Networking provides NGOs an opportunity to improve their planning and management. Strong NGOs contribute positively to making projects substantive, assessing beneficiaries’ needs, and hiring staff. At the same time, in both individual NGOs and in networks, personalities of NGO leaders still exert a strong influence.

Positive changes have occurred in business associations’ organizational capacity. Many associations have managed to increase their membership bases and partnerships with colleagues from abroad. By being focused on their members and using a business approach, many business associations strengthened the institutional component of their activities. Moreover, NABA’s activities demonstrate the clear advantages of joint efforts and have motivated organizations to engage in networking not only in the capital but in the regions as well.

Like business associations, many NGOs focused on social issues became more committed to their missions. In spite of the lack of finances, their programs and activities are more tied to their missions than to donors’ or international agencies’ programs.

## FINANCIAL VIABILITY: 5.1

Organizational audits of some NGOs have revealed the need to improve NGOs' accounting and financial management. Decreasing external support and a lack of internal resources lead to the loss of qualified employees and an inability to raise the skill levels of remaining staff. To increase internal resources, NGOs develop non-grant sources: membership, local philanthropy, and fee-for-service activities, including paid trainings and consultations. Fee-for-service development is restrained by NGOs' inability to pay, as many organizational services may not be purchased using donor funds.



Some business associations have managed to switch completely to self-financing through membership fees. Increased membership, a result of members' high satisfaction with services offered, allows business associations to reduce their dependence on donor support. Many local NGOs have established good relations with local businesses and managed to increase the share of philanthropy and sponsorship in their

## ADVOCACY: 3.6

One of the factors that led to business associations' increased membership was their success in advocating private sector interests. NABA, made up of twenty-one business associations, advocated for tax reform, and its "Business Joint Voice" advocacy campaign resulted in a moratorium on fiscal inspections and other measures. This contributed to Kyrgyzstan's improved rating by the World Bank's Doing Business project. Business associations' representatives are members of

budgets. To some extent, this is a result of the improved quality of NGO services, such as legal consultations to citizens and institutions.

NGOs specialized in informational technology (IT) and informational support experienced increased demand for their services. IT NGOs receive requests for open-source software trainings not only in Kyrgyzstan but from abroad as well.

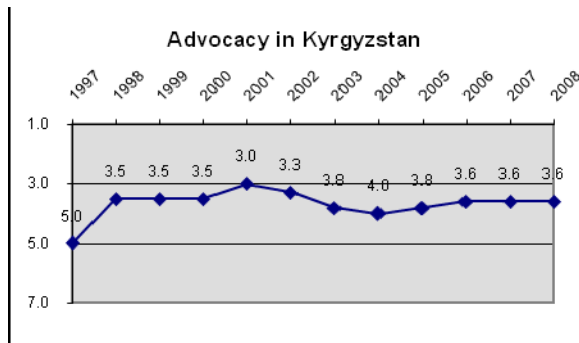
The new Law on State Social Contracting is an achievement of the successful partnership between the Ministry of Labor and Social Development and social services NGOs. In 2008, the Ministry directed a portion of funds to social contracting under the New Generation Program. It is expected that state financial support to the NGO sector will increase if the social contracting system is developed in other ministries and if NGOs are proactive in the budgeting process.

NGOs' fee-for-service and income-generation activities are not generally supported by the new Tax Code. The absence of tax incentives and low access to credit resources do not motivate NGOs to develop independent financial sources. Only organizations that already possess specific skills and practical experience are operating in this sphere. To increase financial and organizational sustainability, NGOs must continue to promote their interests actively.

many working groups and expert councils, and are able to promote business community interests more effectively. In fact, the government is supportive of the business community's interest in development of the economy.

In contrast, NGOs' efforts to promote and protect political, civil, and electoral rights were less effective. One of the reasons for this discrepancy may be the parliamentary election

in December 2007, in which the Parliament was elected based on party list proportional representation. Many vocal NGOs – particularly human rights NGOs – criticized the election results, did not accept the Parliament’s legitimacy, and stopped their legislative activity. At the same time, many other NGOs lacking experience in interaction with political parties could not organize effective advocacy. NGOs active in the areas of social issues, advocacy, and NGO sector support continued to champion various initiatives before Parliament. To increase the effectiveness of advocacy actions, many NGOs create coalitions, such as the Union of Civic Organizations. During local elections, the Union implemented a public awareness campaign urging citizens to vote responsibly and conducted election monitoring.



### SERVICE PROVISION: 4.0

In the sphere of social services, NGOs are still highly dependent on donor support, but service provision by professional associations has evolved considerably. Increased membership is a sign of members’ appreciation of the range and quality of the services provided. For instance, business associations not only promote members’ interests on the legislative level, but also raise issues such as corruption in the judicial system and effectiveness of the Antimonopoly Committee.

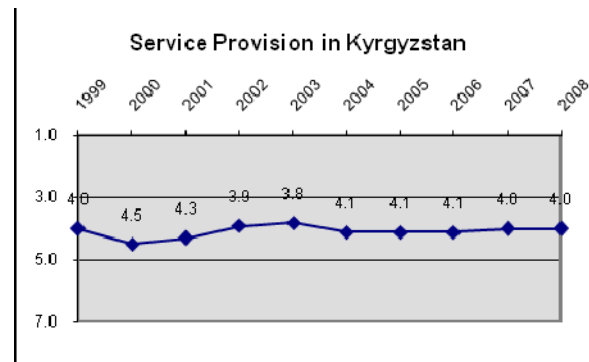
Human rights organizations are mostly involved in protection of civil and political rights, partly as a result of donors’ interests and partly because of the weak development of services in the area of social and economic rights. Nevertheless, many human rights defenders agree that implementing citizens’ social and

After the election the Union held public discussions on lessons learned from the parliamentary and local elections, and facilitated the development of voters’ recommendations for improvement of the Election Code.

Creation of the Alliance for Women’s Legislative Initiatives is considered an important step in advocacy. Established in May 2008, AWLI initially consisted of nine founding members. Now, AWLI consists of 122 members, including individuals and legal entities. Today the AWLI is one of the most powerful organizations promoting gender policy.

The so-called Gender Equality Law adopted in August 2008 gave gender NGOs a reason to increase their activities. Many gender NGOs were involved in implementation of the law, offering services such as organizational gender audits, gender education, and monitoring implementation of the National Action Plan. These activities are strongly supported by female Members of Parliament.

economic rights is impracticable without civil and political rights. Increasing demand for specific services, such as psychological rehabilitation of torture victims, motivates NGOs to expand their range of services and conduct fundraising.



Social services development is affected not only by lack of finances, but also by insufficient assessment of beneficiaries' needs. Some shifts in this area are expected as a result of implementation of the Social Contracting Law. Objectives and tasks set by the government will probably require NGOs to apply new methods to assess beneficiaries' needs and satisfaction. The lack of an approved 2009 budget for social contracting delays these developments, however.

Some NGOs had concerns about the lack of transparency in the procedures for distributing funds under the new Social Contracting Law. The Ministry of Labor and Social Development is working on implementing legislation to ensure a competitive and transparent award process, and developed regulations stating that half of the award committee should be composed of NGO

### INFRASTRUCTURE: 3.6

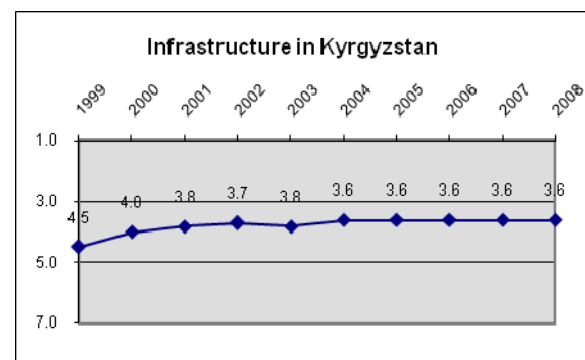
In 2008, the situation regarding networks of information, resource and consultation centers changed significantly. For various reasons, resource center networks funded by Soros-Kyrgyzstan Foundation (SKF) and the National Democratic Institute (NDI) were reorganized. SKF stopped direct administration of its information centers and outsourced that function to a local NGO. NDI has reduced the number of its information centers and will re-register the remaining centers as local NGOs, which will need to conduct their own fundraising. Similar changes occurred in the Legal Assistance to Rural Communities (LARC) network, which provides consultations to rural residents and farmers; its centers are gradually shifting to self-financing.

NGOs working in the same spheres have strengthened coalition- and network-building efforts. One example is the Union of Civic Organizations, working in the areas of election monitoring and voters' rights, as mentioned above. To increase the effectiveness of efforts to promote common interests, alliances were also established by harm reduction (HIV/AIDS) NGOs and associations of disabled people. Such networking allows NGOs to effectively share

representatives. The Ministry is also actively discussing with NGOs the scope and quality of social services which might be delegated to NGOs.

The entry of NGOs into the international market indicates that their services are of increasingly high quality. This applies only to specific NGOs and services, however, primarily in the fields of IT, organizational development, and monitoring and evaluation. The Civic Initiative in Internet Policy offers a wide range of services in informational security, which is in popular demand not only in Kyrgyzstan but in the Central Asia region. Think tanks in Kyrgyzstan are also securing orders from international agencies and organizations for research and surveys.

information and more flexibly respond to challenges.



The activity of intermediary support organizations has decreased due to NGOs' lack of ability to pay for trainings and consultations. External financing for organizational development is provided either by donors for their target organizations only, or through isolated programs such as the Association of Civil Society Support Centers organizational audit, or the USAID Capacity Project, aimed at organizational development of harm reduction NGOs. As many qualified and experienced NGO employees leave to work in business or government, the remaining NGO leaders and employees are driving high demand for training



in strategic planning and management, financial management, and project development. The new generation of NGO employees does not have access to free training as was provided through past NGO capacity-building programs. The

demand for PR strategies and tools has also increased as NGOs recognize the necessity and importance of effective communication with their constituencies.

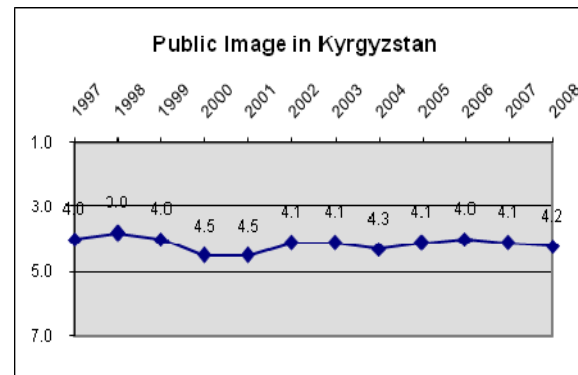
## **PUBLIC IMAGE: 4.2**

Changes in the political situation, especially in the first half of 2008, produced close interaction between some NGOs and political parties and movements. As in 2007, NGOs' participation in protest actions and opposition gatherings caused a worsening of public opinion about the sector as a whole. The public perceived NGOs as organizations striving for a change in power. Due to the lack of public awareness of NGOs' ideas, and because of publications in the pro-government media that focused primarily on NGOs' political activities, the public views any NGO advocacy activities as political activity. The efforts of NGOs to promote human rights and freedoms, such as the efforts to reform the Election Code and discussions of draft laws on freedom of assembly and freedom of conscience, could at least improve awareness of NGOs' work in those areas.

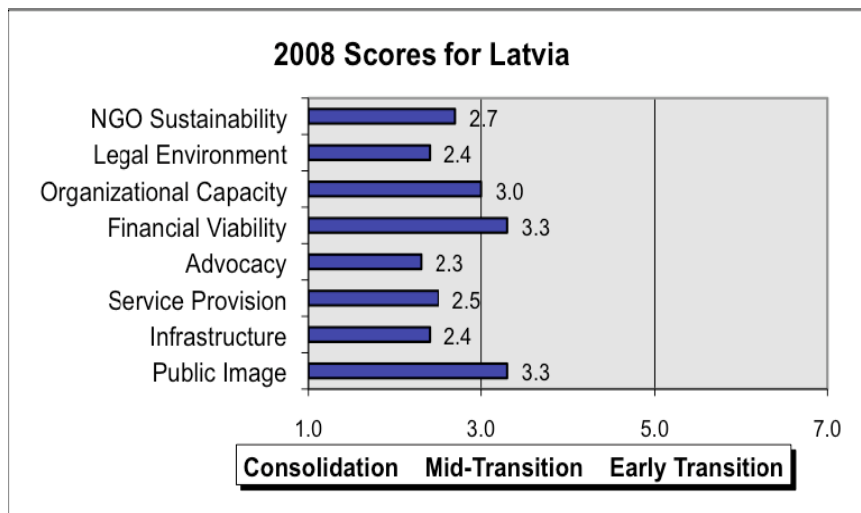
NGOs are still considered "foreign grant consumers" by the public (and ineffective consumers at that). To change this stereotype, the National Statistical Committee, in partnership with Johns Hopkins University, UN Volunteers, and the Association of Civil Society

Support Centers, is developing a UN Handbook on Non-Profit Institutions to evaluate NGOs' contribution to the national economy. The results of this pilot project will be publicized in mid-2009 and may be a good opportunity to improve the NGO sector's image.

The Social Contracting Law can be seen as an example of recognition of social NGOs' importance and their commitment to solving social issues. The law provides NGOs an opportunity to be involved proactively in assessing social problems and defining solutions, thus improving their public image.



## LATVIA



**Capital:** Riga

**Polity:**  
Parliamentary Democracy

**Population:**  
2,231,503 (July 2009 est.)

**GDP per capita (PPP):**  
\$17,800 (2008 est.)

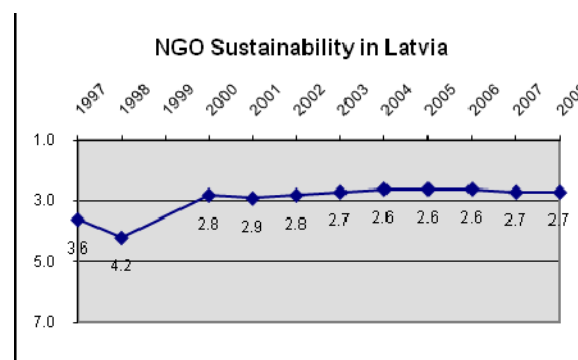
### NGO SUSTAINABILITY: 2.7

As of November 2008, there were approximately 10,167 registered NGOs, including associations, foundations, trade unions, open society foundations, sport organizations, political parties and political organizations. The greatest number of NGOs is registered in Riga. The number of public benefit organizations, 1,246, shifts slightly from year to year, since the legal status of public benefit organizations has to be renewed annually by submitting financial and narrative reports to the Public Benefit Commission coordinated by the Ministry of Finance. Public benefit status may also be removed in cases where authorities have discovered misuse of funding.

The worldwide economic crisis has already affected the NGO sector, but the real impact will be more visible in the coming years. The sector has experienced challenges regarding funding, which influences both personnel recruitment and overall capacity of organizations.

To address the economic recession, the government introduced several measures to cut public expenditures, which had an impact on the NGO sector as well. Some financial mechanisms were recently established to support NGOs' work; however, the new measures have reduced co-financing from the government, which

inhibits NGOs' ability to apply for EU funding. A co-financing program for international projects administered by the Society Integration Fund since 2006 was reduced. The Ministry of Finance has introduced discussions regarding blocking the introduction of some of the EU Structural Fund support programs of which NGOs are recipients.

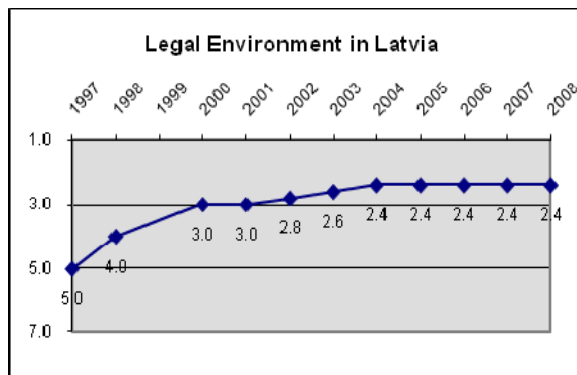


The Cabinet of Ministers decision to reorganize or close the Ministry of Special Assignment for Social Integration in order to cut the state budget for 2009 had a notable impact on civil society development in Latvia. The Ministry of Special Assignment for Social Integration was responsible for planning and implementing policy and programs to support civil society. The minister has stated that closing the ministry

will have little or no effect because its tasks will be fulfilled by the Ministry for Children and Family Affairs. The NGO sector attempted to express its concerns regarding these policy

changes; however, the ministries merely informed NGOs of the changes, as opposed to engaging them in the restructuring process.

## LEGAL ENVIRONMENT: 2.4



Current legislation regarding the NGO sector, namely the Law on Associations and Foundations and the Law on Public Benefit, is very sound. The laws clearly explain NGO registration, structures, and regulations concerning operation. Still, state institutions interpret various legislative norms differently. The various offices of the State Revenue Service interpret the laws regarding annual reports differently than the NGO sector. Moreover, offices in the capital city differ in their interpretations from regional offices, possibly because regional offices lack expertise on NGO issues. For example, the offices in Riga offer more explicit and understandable explanations of NGO issues. Guidelines to explain the requirements of the laws and regulations to NGO representatives could help address this issue.

Bureaucratic procedures could also be simplified and optimized by making electronic signatures more affordable for the NGO sector. Currently, NGOs must go through the state cashier in order to request money transfers and perform other banking operations because they cannot afford

to pay the fees associated with the electronic signature service. NGOs would like the government to provide them with a discount for the e-signature service, which currently costs €129.

When calculating tax deductions for donations to public benefit organizations, the state refunds 85 percent of the donated sum to businesses, whereas the state only refunds individuals 25 percent. Nevertheless, the tax system for NGOs is quite supportive. For example, if the financial turnover of an NGO in a twelve-month period does not exceed LVL 10,000 (\$17,857), the NGO is not obliged to pay VAT. As soon as the turnover exceeds this amount, the organization has to register as a VAT payer. In general, the NGO sector would like to increase the minimum amount required to reach the VAT level. Due to inflation, more organizations are reaching the minimum amount and having to pay VAT.

The government is in the process of proposing changes to the way in which NGOs submit their annual financial reports, such as allowing NGOs to send the reports to the State Revenue Service via post. The government also proposed amendments to regulations that would allow NGOs to submit annual financial and narrative reports electronically in a single copy only to the State Revenue Service. Within ninety days, the SRS would send a copy of the report to the Ministry of Finance, adding information on the organization's status related to paid or unpaid taxes. This should reduce the number of administrative actions NGOs have to perform. The government is expected to pass these amendments in 2009.

## ORGANIZATIONAL CAPACITY: 3.0

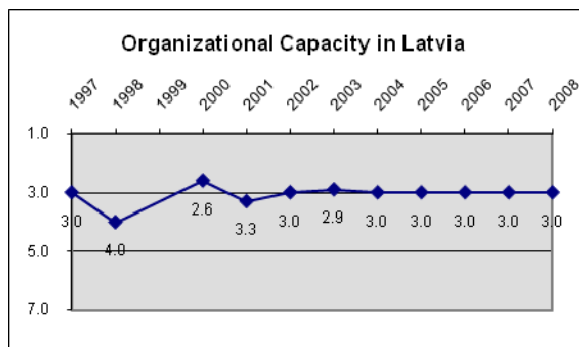
High inflation during the second half of 2008 greatly affected the NGO sector, particularly its

organizational capacity. As prices increased, NGOs were less able to sustain their activities.

The sector had very few opportunities to receive financial support, not only for the implementation of projects, but also for the strengthening of organizational capacity.

The NGO Fund established by the European Economic Area (EEA) and Norwegian Financial Mechanisms provides support for promoting organizational capacity. This fund incorporates three programs: the NGO Support Program, which has financed twenty-eight projects; the NGO Capacity Strengthening Program, which has financed thirty-five projects; and the Project Program, which has financed nineteen projects. All three of these programs will continue to finance more projects.

The development of the National Program for Strengthening Civil Society 2004–2009 has been a good mechanism for supporting NGOs across the country. The framework of the program includes earmarked funding for NGO activities and supports regional organizations working in the fields of civil society and advocacy. Until 2008, the program was administered by the Ministry of Special Assignment for Social Integration, but as of February 2009, it will be administered by the Ministry for Children and Family Affairs. The Ministry of Special Assignment for Social Integration provided subsidies to five regional NGO resource centers, as well as legal and accountancy consultations. The NGO sector has achieved recognition by local municipalities, which more widely introduced calls for proposals as one of the forms of NGO support.



Due to the financial complications in the country, organizations are forced to implement

projects that frequently do not correspond to their missions. The income of NGOs is not diversified, and generally, organizations have only managed to find an extremely small number of donors to support their activities.

Rather than working together, the NGO sector and the business sector compete. The business sector does not generally partner with the NGO sector. Some business representatives point out that NGOs are considered to be quite unprofessional regarding their attitude towards their work, lack a clear strategy, and are less effective. Most NGOs have not established quality standards. Businesses are more interested in short-term partnerships such as assistance with events as opposed to long-term partnerships through which NGOs and businesses work together on common issues. Further, some businesses are worried about being associated with the missions of particular NGOs, such as those working on sexual health or corruption issues. This lack of public-private partnerships influences the long-term sustainability of NGOs.

The NGO networks established when Latvia entered the European Union in 2004 have started facing financial difficulties, and since 2006, a new organization, the Partners in Ideas Foundation, has attempted to solve these problems by fostering public-private partnerships. The foundation was established with the aim of fostering a socially responsible society by promoting the practice of venture philanthropy, by applying business solutions to societal problems, and by unifying socially responsible companies and individuals. The foundation attempts to match businesses with NGOs to work on common issues. It also promotes pro bono support from businesses to NGOs. This kind of approach is a new concept in Latvia, but it has generated much excitement in the NGO community.

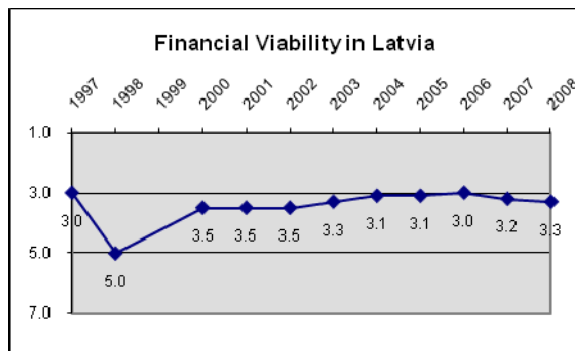
Organizational capacity in Latvia depends on an organization's ability to engage in projects without core funding from the state or municipalities. NGOs function from project to project, face obstacles in maintaining adequate personnel, and lack resources to recruit and train

volunteers to do quality work. While NGOs may be able to find volunteers to perform menial tasks or work at events, finding a volunteer who

can work on larger projects such as advocacy is difficult. Further, the public lacks the motivation to volunteer.

### FINANCIAL VIABILITY: 3.3

The beginning of the year seemed more optimistic than the second half, due to fast-growing inflation. High inflation caused significant problems for NGOs, as they found themselves scrambling to cut costs. The funding NGOs receive is not enough to make up for the increased prices.



Previously, NGOs had to approach municipalities for support for events, and often funding was provided on the basis of relationships NGOs had with public administrators. Local municipalities, however, are increasingly introducing clear guidelines and calls for proposals to work with NGOs. These calls assist in promoting transparency and good governance concerning the distribution of financial support.

In 2006, the Movement of the Community Foundations was established. This movement has worked to establish a network of community foundations throughout Latvia, and has been lobbying for more community foundations. Currently, five community foundations exist in five different locations. During 2007, through the network of community foundations,

### ADVOCACY: 2.3

Two primary documents – the Memorandum of Understanding (MOU) between NGOs and Government (created in 2005) and the Special Declaration for the Development of Civil Society in

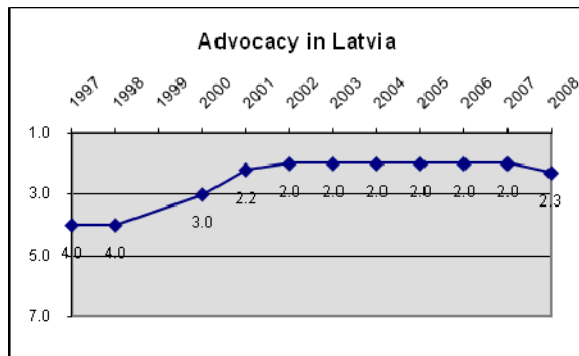
approximately €192,984 was collected and distributed for local projects. Twenty-seven percent of the funding for these small foundations, however, came from the Baltic-American Partnership Fund, which closed in 2008. Only 6 percent was donated by individuals, and the rest of the funding came from other sources.

Few funds are available for the support of NGOs. The 2007–2009 budget of the NGO Fund of the EEA Financial Mechanism is €5.27 million, divided into three different programs. Associations, foundations, and social partners (trade unions and labor unions) are eligible to apply for funding. Since funding is limited, the criterion for the selection of applications is rather strict. Most of the funding is for NGO projects, with a smaller amount dedicated to capacity building.

Unfortunately, NGOs do not concentrate on forming endowments or saving funds in order to ensure organizations’ long-term sustainability. The range of NGO sponsors or donors is not diversified; moreover, in 2008, due to the economic crisis, some NGO supporters began to face financial difficulties. Even large organizations felt the effects of this problem. Businesses generally support NGOs out of their budget lines for public relations. In the economic downturn, businesses decreased funds for public relations activities, which affected support for NGOs. Some NGOs started to experience severe financial difficulties by the end of 2008, which may force them to stop operating or close their programs in 2009.

Latvia and Cooperation with NGOs (created in 2007) – delineate the manner of NGO and state cooperation at all administrative levels. These documents are meant to serve as cornerstones for

participation of civil society within the policy process, not only nationally, but also internationally. In 2008, NGOs discovered that these initiatives were not satisfying their original aims.



The MOU was signed by the prime minister and NGOs. A council consisting of civil servants and NGO representatives was established to implement the MOU. The council's decisions can immediately be fulfilled by a resolution of the prime minister. However, the prime minister also has the right to refuse or ignore the recommendations of the council, which was the case on several occasions during 2008. The prime minister regularly canceled meetings or sent someone else in his place. During the development of the 2009 state budget, the state consulted trade unions and labor unions, but refused to fulfill the obligations of the MOU and meet with the council, despite multiple requests for meetings. The MOU states that a larger meeting involving the council, other NGO representatives and the prime minister should take place every six months; in 2008, this meeting did not occur.

The Special Declaration for the Development of Civil Society in Latvia aims to strengthen the development of civil society and foster dialogue between NGOs and the Parliament. Cooperation

## SERVICE PROVISION: 2.5

NGOs provide various services in a range of fields, with social services making up the bulk of activities. By the end of 2008, there were 363 organizations registered in the Register of Social Services Providers.

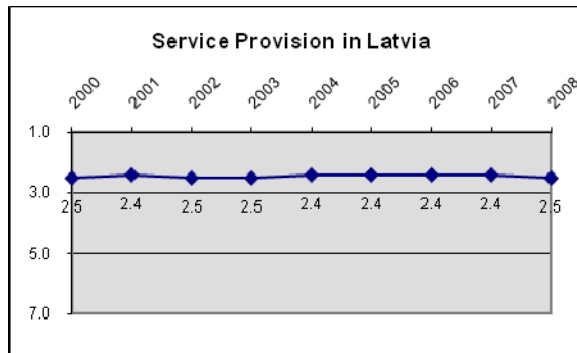
forums took place in 2007 and 2008, but the Parliament hesitated to fulfill the commitments agreed upon with the NGO sector. For example, during one of the forums, the Parliament promised NGOs that it would support a special budget line that would specifically support NGOs; however, the Parliament eventually reneged on the deal, stating that it was unable to fulfill its promise.

According to the declaration of the 2008 forum, a formal cooperation council has to be established in order to review and supervise collaboration between the parliament and NGOs. The Parliament has not yet appointed three people to be responsible for establishing the council. Commissions are monitoring whether or not the Parliament fulfills the aims of the declaration. In November 2008, NGOs initiated a meeting with the Parliament to renew the cooperation, but the Parliament did not satisfactorily answer questions regarding its inability to fulfill the commitments of the declaration. The Parliament claims to have assisted NGOs by establishing a website and an information center for the public in years past; however, the NGO sector would like Parliament to look at the larger issues affecting the sector.

The NGO sector had high hopes in the MOU and Special Declaration, both of which were created to improve the power of NGOs to advocate for their initiatives and ideas. Unfortunately, the documents have had little effect on the ability of NGOs to advocate and the sector must rethink its advocacy tools and methods. The decrease in NGOs' influence may also be explained by the scale of the issues the government faces during the economic crisis.

Some large NGOs have monopolized certain services and expanded from the capital city to the regions. For instance, the Samaritan Association of Latvia offers its services in nine cities covering the surrounding regions. These

services include home care centers in three cities and a public flat with twelve places for socially vulnerable people. Local municipalities partly subsidize these services, but the association has introduced minimal service fees for the clients who can afford to pay.



Organizations that used EU Structural Funds to pay for their service operations have faced difficulties. With the termination of funds for these projects, they have been unable to introduce paid services for vulnerable groups. For example, a women’s resource center called Marta, which provided free services within the framework of EU projects, confused clients when the funds ran out and the center was forced to start collecting fees for legal services.

The recipients of NGOs’ services are rarely able to cover the costs of the service provision. Therefore, NGOs seek cooperation with local municipalities, which agree to subsidize

## INFRASTRUCTURE: 2.4

The network of state-supported NGO resource centers has been operational since 2005. Five of these centers receive subsidies from the Ministry of Special Assignment of Society Integration. The funding from this Ministry will be provided through 2009; thereafter, the NGO resource centers will have to sustain themselves. The centers are planning to introduce strategic planning and apply for other funding.

Some of the NGO centers located in the western part of Latvia, which function without government assistance, manage to organize activities and support for regional NGOs. These

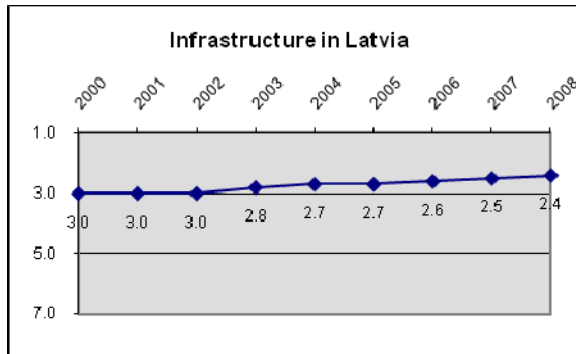
particular services. Organizations introduce income-generating projects to cover the costs of services, but the earned income is rather small. The above-mentioned resource center for women, Marta, cooperates with the distributors of Avon cosmetics, who sell blue bracelets symbolizing support for women suffering from domestic violence. Income from the sale of bracelets is allocated to the Marta Center. The crisis center Skalbes runs a twenty-four-hour psychological support hotline for people in crisis situations, in addition to providing legal and psychological consultations to individuals and families. The Municipality of Riga supports these services. Nevertheless, some NGOs collapse because they do not receive co-financing for their services from the central or local governments.

In 2008, the government decided to instigate regional reforms that will affect service provision. These reforms, which involve redrawing regional borders, were designed in 2008 for implementation in 2009. By altering the location of the regional centers and sizes of the regions, these reforms will influence access to basic social services provided by local municipalities. While there have been protests against these reforms, the situation may be an opportunity for NGOs to develop and establish services for citizens in rural and more remote areas.

centers deliver basic legal, bookkeeping, and information support services. The resource center in Zemgale in the central part of the country even offers a leadership school for new NGO activists.

The centers arrange information days, prepare and disseminate informative materials among NGOs, and act as coordinating bodies organizing cooperation with the municipalities. For example, the resource center in Riga has worked with the municipality to facilitate a memorandum of understanding between the municipality and local NGOs. The memorandum

allows NGO representatives to get acquainted with the agendas of various city commissions and express their views on the topics discussed.



NGO resource centers have established databases about organizations working in their regions. The databases are a valuable information source, not only for the municipalities and other stakeholders, but also for researchers. However, the databases lack complete information on the NGO sector in Latvia.

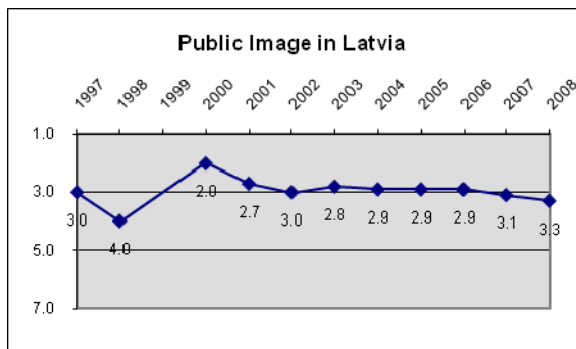
As mentioned, a network of five community foundations has been established. Most of the

foundations are active in collecting and distributing funding to local projects. Their income is somewhat diversified, yet most of the funding still comes from one donor, raising questions regarding long-term sustainability.

NGOs provide a wide range of trainings and produce materials in a variety of fields. Lately, NGOs have received offers from companies to attend seminars about the preparation of annual reports, accounting, and other topics. The seminar fee is quite high, but companies' provision of seminars indicates that the training services offered by NGO are insufficient.

Since 2005, Civic Alliance–Latvia (CAL) has served as the NGO umbrella organization and has provided information services for NGOs. The goal of CAL is to advocate on behalf of the NGO sector as well as activating civil society through information, education and cooperation. Currently, CAL has ninety-one members.

### PUBLIC IMAGE: 3.3



Unfortunately, NGOs lack recognition within society, and due to limited resources, cannot afford to organize informative campaigns. The regional media publish articles about NGOs' activities as paid material and are not interested in information regarding the NGO sector. Some project proposals include special budget lines for preparing paid publications in newspapers. Rather than bolster NGOs' image, these articles create a subjective and incorrect image of the

sector. The media is accustomed to being paid for publishing positive news about NGOs. Public opinion polls show that a limited number of people are aware of NGOs' missions and work.

NGOs perceive that media are obliged to publicize their activities, while media representatives state that NGOs do not clearly understand how the media chooses its stories and sets its agenda. Still, some campaigns organized by NGOs—mainly environmental projects—have been well covered in the mass media. Internet media appear to be more supportive concerning dissemination of NGO news, perhaps because they have more space to allocate to a variety of issues.

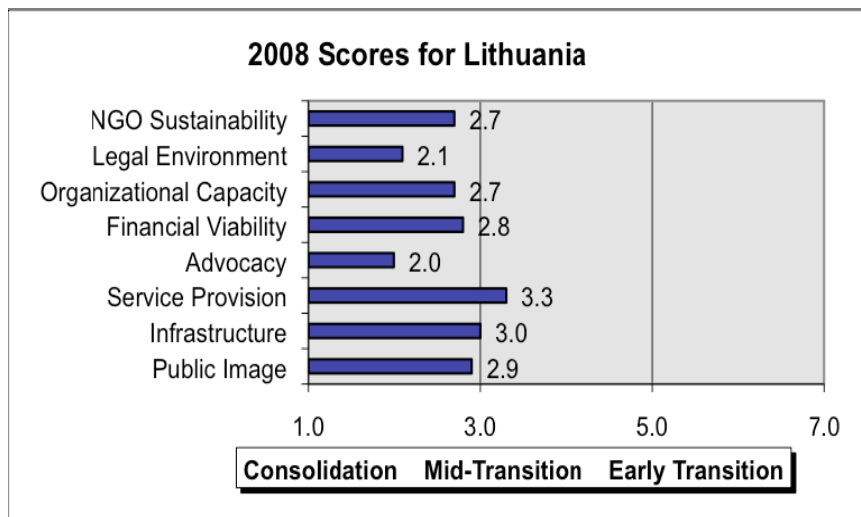
Recently, politicians' comments in the media show a certain misunderstanding of NGOs' mission in society. For example, during an



appearance on one of the most popular analytical television talk shows, the Minister of Interior stated that representatives of the NGO sector should not be engaged in the expert commission charged with selecting the head of the leading anti-corruption authority of Latvia. (NGOs working on fighting corruption in Latvia are Transparency International, Latvia Delna, and the Public Policy Center Providus.) The minister's comment shows that even relatively strong organizations appear to lack the ability to ensure their participation in the decision-making process.

In 2006 and 2007, one of the daily newspapers, *Neatkarīga Rita Avīze*, conducted a smear campaign against the Soros Foundation, claiming that it was anti-government. This anti-NGO campaign left a negative impression in society regarding NGOs.

# LITHUANIA



**Capital:** Vilnius

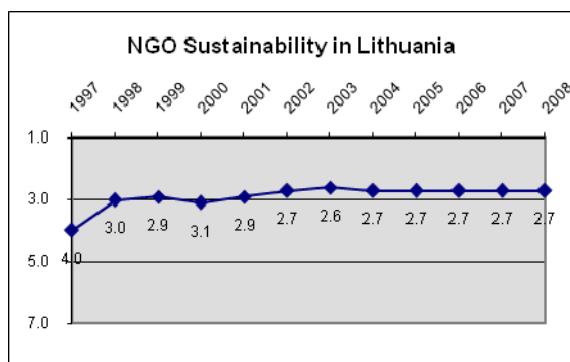
**Polity:** Parliamentary Democracy

**Population:** 3,555,179 (July 2009 est.)

**GDP per capita (PPP):** \$17,700 (2008 est.)

## NGO SUSTAINABILITY: 2.7

The exact number of Lithuanian NGOs is difficult to determine, as statistics are unreliable. Officially, more than 15,000 NGOs exist in the country; however, this number is constantly changing and has a tendency to be inflated. New organizations are added, but defunct organizations are not removed from the registry. Organizations such as hospitals and schools are technically registered as NGOs because of their public benefit status. Consequently, estimates for the last few years range between 13,000 and 15,000 NGOs.



During the past year, NGOs did not manage to achieve the substantive changes that they had hoped for two years ago upon the induction of a new government. Although there was no marked decline within the sector, various civic

movements and NGO associations that started with great ambitions pursued their activities at a moderate pace.

The sector's ability to mobilize itself did not improve, and NGOs failed to seize opportunities provided by the country's growing wealth. Due to weakening organizational capacity, NGOs made occasional splashes in public life but were unable to maintain a steady and purposeful presence. Despite years of receiving foreign donor support, the sector did not fully consolidate its infrastructure gains and improvements in organizational capacity, which left the sector unprepared for donors' departure. At the same time, the public sector did not develop an awareness of its responsibility for the viability of the NGO sector. The lack of organizational capacity keeps NGOs from improving the quality of their work, a necessary condition for broadening their constituencies and ensuring wider public support. NGOs need not only new sources of organizational support, but also inspiration.

Considerable organizational support is potentially forthcoming from the injection of €5.5 million from the European Economic Area/Norwegian Financial Mechanism. The

NGO sector hopes that the new government, which has voiced strong support for the sector,

will open a new window of opportunity to stimulate its growth.

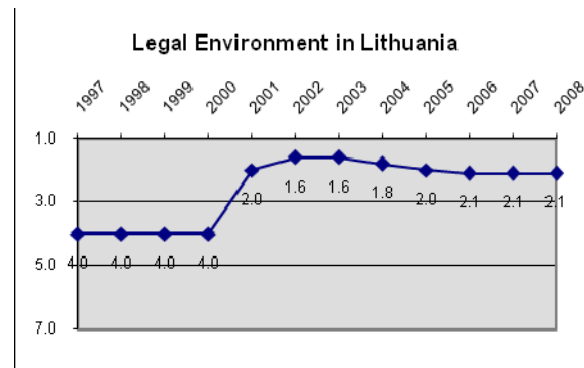
## LEGAL ENVIRONMENT: 2.1

After preparing the Concept Paper on the Development of Lithuanian Non-Governmental Organizations and submitting it to both the government and the public last year, a group of NGOs, led by the Youth Organizations' Council and the NGO Law Institute, took another step forward, registering the Resolution on the Development of Lithuania's Nonprofit Sector in the parliament. The resolution has been signed by the elders of all but one political party.<sup>1</sup> By adopting the resolution, the parliament would be obliged to improve the legal environment for NGOs and define the concept of an NGO. Lack of conceptual clarity has been a serious obstacle in the sector's development. Currently, an organization that has public benefit status is eligible to receive charitable contributions from the 2 percent tax mechanism. One of the sector's primary issues is to narrow the circle of organizations that qualify for this status. Clearly defining the legal terms surrounding each type of organization is a crucial step. The relevant ministries are currently discussing the issue.

The previous government had instructed the Ministry of Interior to expand its functions and establish a structural division of NGO affairs to be the lead agency for state policies related to NGOs. The division had not yet been created before the new government came into power; however, the new government is in the process

of implementing the change. NGOs expect that the new division will greatly help the sector.

After some setbacks due to the financial crisis, a draft Law on Endowments was finalized at the end of the year. The NGO sector is hopeful that the law will be passed in 2009. Although these positive developments may slow temporarily due to the formation of a new government after parliamentary elections, the new ruling majority has emphasized the importance of NGOs and local communities and has strongly voiced its commitment to civil society.



On the negative side, the long-awaited new Law on Public Procurement did not change procurement policies that enable procuring organizations to set qualification requirements themselves. The current requirements are geared toward the commercial sector.

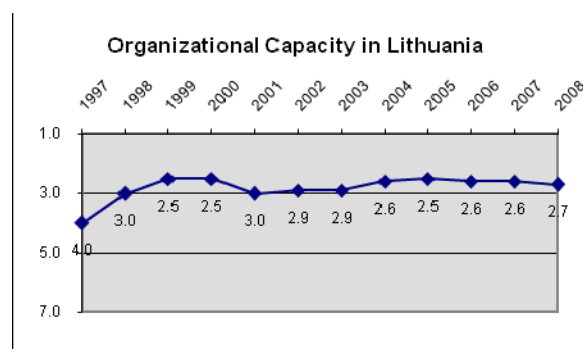
## ORGANIZATIONAL CAPACITY: 2.7

While GDP grew throughout the year, there was little growth in the NGO sector. One of the main reasons that NGOs did not manage to keep pace with other sectors was their lack of organizational capacity. The unavailability of institutional support resulted in NGOs focusing

on projects instead of developing and implementing long-term strategies. Working on a project basis left NGOs with no regular income to pay salaries, so they had minimal staff. Often only the part-time positions of director and accountant are paid positions.

<sup>1</sup> Each political party represented in the parliament has an elder, who is the chief of his/her party's members of parliament and signs documents on their behalf.

Understaffing does not allow for the division of functions within an NGO, nor does it promote the development of an adequately functioning board. The relationship of boards of directors to their NGOs is usually not one of ownership. Administrative heads take the most important financial decisions. It is common practice for a person to establish an NGO to become eligible to apply for project funds and create a workplace for himself and one or two other persons. The director then invites friends to serve on the board pro forma. However, traditional NGOs such as the Boy and Girl Scouts and most associations have a clearly defined management structure, active boards, and set procedures.



Considerable turnover of staff continues to weaken organizations. While several years ago there appeared to be a trend toward the professionalization of NGOs, a job with an NGO is no longer seen as a final goal. A lack of

## FINANCIAL VIABILITY: 2.8

NGOs raised more funds from local sources in 2008. Support from businesses and farmers increased and became more varied. For example, businesses were more willing to donate to different causes, as opposed to supporting only children's and community events. Allocating 2 percent of one's individual income tax to NGOs became a more established practice and generated more income for NGOs than in previous years, especially in the regions.

Nevertheless, these sources could not compensate for the withdrawal of foreign donors and lack of other significant sources of institutional support. The Baltic-American

leaders and competent NGO managers is becoming evident, especially in rural areas.

The government is also concerned about the issue of adequate NGO staffing. Together, NGOs and the government have prepared the National Program for Encouraging Youth Volunteering, which earmarks funds for sustaining the organizational capacities of participating NGOs. The sector expects that this collaboration will soon result in improvements.

NGOs have been developing a more systematic approach to volunteer management. In the past the sector did not value volunteers; however, today the use of volunteers has become quite popular. Many NGOs have volunteers—especially youth—help them with various activities and events. Still, in general, NGOs do not actively recruit volunteers, especially those who might help with office work on a regular basis. The use of long-term volunteers is complicated by tax and legal issues. Many NGOs have consciously decided not to recruit volunteers because they have insufficient staff to manage them, and because they fear that they cannot provide adequate insurance. Those NGOs that do use volunteers on a daily basis are few and are generally organizations that cannot function without them, such as youth volunteer hotlines or food banks.

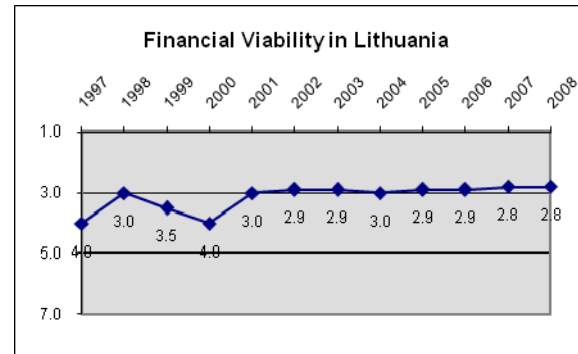
Partnership Fund, which was particularly important for capacity building, ended in December. Whereas previous donors such as the Soros Foundation focused their funds on strengthening civil society during the process of democratization, current donors do not focus on the NGO sector. To receive new funds such as EU Structural Funds and Norwegian Funds, NGOs must compete alongside businesses.

EU Structural Funds remained the most important source of funding for national NGOs. Many organizations would not be able to survive without EU funds; however, access to them is increasingly problematic because of co-funding

requirements. Unlike other governments in the region, Lithuania's government has done nothing to assist NGOs in co-funding EU projects. NGOs must either contribute in kind or get some sort of financial guarantee if they do not have sufficient funds to meet the requirements. This can be extremely difficult for NGOs who wish to apply for EU funds.

NGOs have also experienced difficulties with government-funded programs. Abundant, sometimes overlapping government programs funded by multiple ministries might be of potential interest to NGOs, yet application requirements have impeded their participation. The terms and conditions for governmental support demonstrate that the government does not have a clear understanding of how NGOs work. They also reveal a lack of trust in the sector: NGOs are seen as intermediaries for providing low-cost management of outsourced services. Another problem with governmental programs is unpredictable timing. Sometimes requests for proposals (RFPs) are delayed for months, making it difficult for NGOs to maintain continuing programs. Further,

proposals are often evaluated on the basis of factors not included in the RFPs.



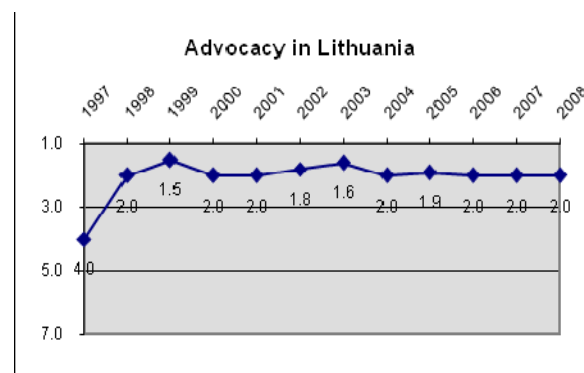
Municipal funding for NGOs grew; however, this did not always serve to strengthen the NGO sector. Local authorities, particularly outside bigger cities, gave support according to political favoritism. In some regions, individuals created new community organizations that were politically acceptable to the authorities in order to access municipal funds, denying funding opportunities to organizations led by people with political views different from the majority on municipal councils.

## ADVOCACY: 2.0

Parliamentary elections in 2008 intensified the lobbying efforts of NGOs. The results have yet to be seen; however, the Homeland Union, which won a large plurality in the parliament and has been entrusted with the lead in forming a new government, has voiced more support for the NGO sector than any previous political party in power.

Apart from election-related political lobbying, NGOs did not systematically engage in advocacy. Advocacy campaigns were inconsistent and dependent on available funds. Several of the more visible advocacy campaigns were funded through the EQUAL program of the European Union, which had a separate budget line item for lobbying and advocacy.<sup>2</sup> Unfortunately, NGOs tended to use these funds

to disseminate information on issues and events related to their causes, as opposed to using them to influence policy. The funds from the EQUAL program could have been used more strategically to bring issues to the policy level.



<sup>2</sup> The EQUAL program focuses on projects that create equal opportunities for marginalized groups.

One of the reasons for ineffective campaigns is that NGOs tend to employ outdated lobbying and advocacy methods. NGOs take part in increasingly popular electronic petitioning campaigns but do not play a central role, and do not use such tools as e-marketing, blogging or organizing flash mobs (a phenomenon in which a crowd gathers very quickly in a public place, stays for a short time to deliver a message, and then disappears). Nevertheless, some organizations conducted campaigns that serve as examples of creative approaches to advocacy. The Lithuanian Human Rights Center organized an extremely successful human rights advocacy campaign, “AD HOC: Uncomfortable Cinema” (“AD HOC: *Nepatogus kinas*”). This festival of documentary films on controversial topics featured free viewings followed by discussions

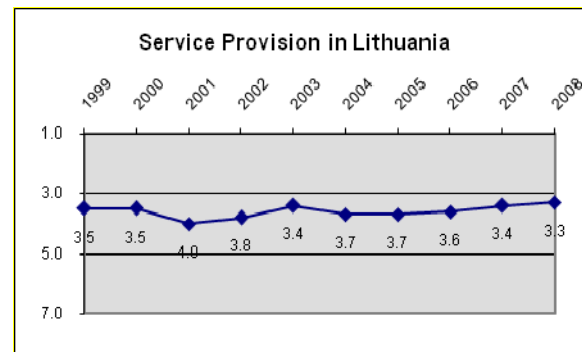
and viewer participation in nominating the best film.

Lithuania has few think tanks, and their role is inadequate. Reputable think tanks in areas such as human rights and the free market actively participate in policymaking. Other areas, such as consumer rights, children’s rights, and poverty, are covered by associations that occasionally engage in lobbying and advocacy, but fail to mobilize broad support. In some areas, like patients’ rights and education, NGOs are very weak. No politically neutral think tanks or centers promote the values of civil society, monitor the work of the government, influence the formation of the national budget, or voice opinions on other important decisions at the national level.

### SERVICE PROVISION: 3.3

NGOs are increasingly becoming licensed and accredited and moving into the service provision market. Municipalities develop annual plans for social services, in which they name eligible contractors. A review of municipal plans shows that local authorities are aware of NGOs active in the field. Municipalities also do surveys assessing the quality of services that they fund, so the process of contracting becomes more transparent and leaves fewer opportunities to discriminate against NGOs, even though NGOs are not yet universally trusted as reliable social service providers. Government agencies have also come to realize that some NGOs have research capabilities and increasingly commission NGOs to provide analyses and develop methodologies.

In general, NGO entrepreneurship is still very weak. NGOs lack marketing skills in competing for contracts. They do not manage to make the case for providing a specific service or explain why serving a particular clientele is a public benefit. NGOs could profit from business and marketing training; however, no such training is available for NGOs. NGOs do not undertake provision of services other than those funded by the government or local authorities.



As they are increasingly perceived as government service providers, it becomes more difficult for NGOs to approach traditional donors. However, traditional funding sources are crucial for NGOs, since national and municipal budget cycles frequently leave them high and dry for periods as long as three months. Private funding sources are necessary to fill the gap and maintain the continuity of projects. Often, national programs are delayed, and the unfunded period extends even longer.

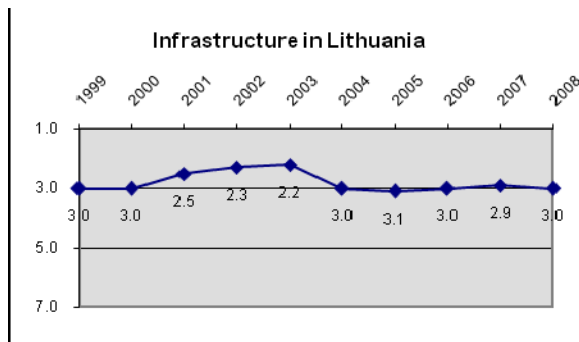
The legal regulation of services remains unfavorable for NGOs. NGOs are frequently excluded from competitions for service provision because of requirements set by

contracting agencies. Such requirements do not necessarily mean to exclude NGOs, but arise

from a lack of understanding of how they function.

### INFRASTRUCTURE: 3.0

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Services provided to the NGO sector continue to deteriorate. As foreign donors who assisted the sector started to disappear, NGO Information and Support Centers began to diminish. In the past these centers offered systematic and valuable support; today they are unable to provide the same quantity and quality of services, and NGOs are either unable or unwilling to pay for the services that remain.

For basic assistance, regional NGOs usually turn to stronger organizations or to municipal officials responsible for work with NGOs and youth. Organizations with more complex legal, tax and accounting questions seek solutions independently by consulting specialists. However, there are no specialists in NGO accounting who can give definitive interpretations of laws when an NGO finds itself in an unusual situation. In order to get reliable advice on complex issues, NGOs have found it most productive to seek the assistance of

members of parliament, who request information from relevant government institutions on their behalf. MPs' offices are more capable of pulling together information from different governmental departments and agencies and obtaining reliable interpretations that protect NGOs from subsequent misunderstandings.

In the regions, strong NGOs often serve as intermediary support organizations. Among them are ten regional Local Action Groups (Vietos Veiklos Grupės), uniting NGOs and communities. These Local Action Groups develop projects to bring in EU Structural Funds and provide consultancy and technical support. Services and support provided to NGOs by local governments have been shrinking. Municipal authorities increasingly adopt uniform lease practices for conference facilities and have been discontinuing the practice of providing free office space for NGOs.

Training opportunities for NGOs seem plentiful; consequently some trainings fail to attract sufficient participants. The ability and willingness of NGOs to pay for training remain low, while organizers of trainings complain that it is more difficult to find competent yet affordable trainers. Trainings need to be more flexible in timing and geared specifically to the level and needs of participants, as well as providing a motivational element.

### PUBLIC IMAGE: 2.9

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Transparency International Lithuania's Map of Corruption illustrated that public trust in NGOs did not diminish last year, even as confidence in other sectors fell. There were no scandals related to NGOs, and the term "NGO" was more frequently used in the mass media. The increased amount of 2 percent tax donations is another sign of growing trust in the sector. Overall, the sector appears to be gaining

recognition and is better understood by the media and society.

On the other hand, quantitative indicators such as the number of volunteers and amount of funding raised do not show an increase in public support. The percentage of the population that volunteers remains stable at 12 percent, indicating that NGOs are failing to attract new

volunteers. NGOs do not manage to use new information technology effectively for public relations. While people increasingly participate in virtual social networks, NGOs possess neither interactive blogs nor attractive Facebook pages. Moreover, anecdotal evidence indicates that people who volunteer with NGOs or have other interactions with the sector do not always take away good impressions. For example, NGOs are not always prepared for volunteers, which can negatively influence volunteers' opinions. Such negative encounters seriously undermine the public image of the sector.

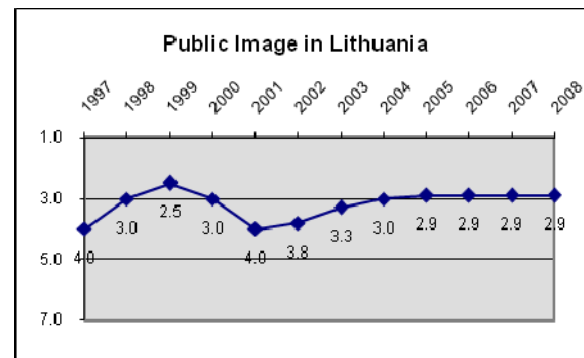
The deeper into the countryside one goes, the less community support for NGO leaders there seems to be. NGOs only gain community trust after working persistently and continuously for some time. However, many organizations do not last that long, since their leaders lose motivation because of a lack of public support.

In their dealings with NGOs, local and national authorities adhere to goals and standards established by the EU and foreign donors. Yet NGOs sense a lack of sincere commitment on the part of government to involve NGOs in policymaking. The government often enters into formal partnerships while taking pains to ensure that NGO participation will not affect their decision-making prerogatives. Many local authorities do not view NGOs as equal partners because NGOs do not bring material resources into the partnership.

NGOs do not put enough effort into trying to build their image as reliable, competent and transparent partners. The NGO Transparency Survey conducted by Transparency International

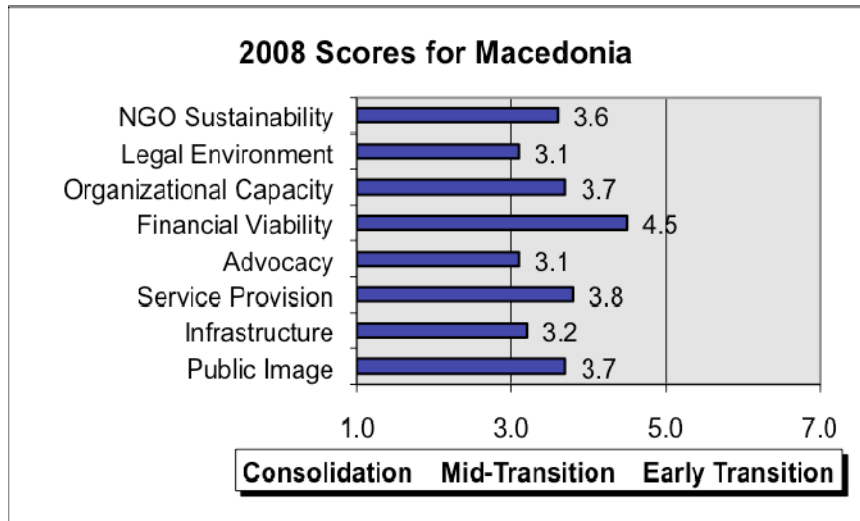
Lithuania found that NGO members are not overly concerned with transparency and accountability, which they assume are the exclusive concerns of NGO leaders. Still, in 2007, the Lithuanian public continued to perceive NGOs as one of the least potentially corrupt institutions in Lithuania. Twenty-two percent of respondents believed that NGOs are completely non-corrupt, while 47 percent stated that NGOs could be partially corrupt, and 7 percent voted for very corrupt. These numbers have not changed significantly in the last several years. Meanwhile, the attitude of businesspeople towards the NGO sector seems to have undergone some changes over the period from 2005 to 2007.

In 2007, 36 percent of businesspeople viewed NGOs as completely non-corrupt as opposed to 30 percent in 2005. The percentage of those believing NGOs could be at least partially corrupt has also visibly decreased. In 2007, 35 percent of businesspeople believed NGOs could be partially corrupt, and 6 percent thought they were completely corrupt, as opposed to 49 and 4 percent respectively in 2005.





## MACEDONIA



**Capital:** Skopje

**Polity:**  
Parliamentary Democracy

**Population:**  
2,066,718 (July 2009 est.)

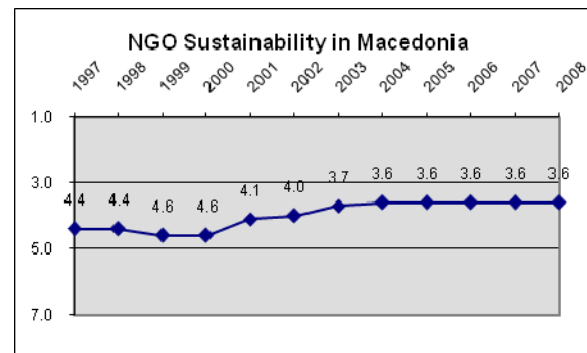
**GDP per capita (PPP):**  
\$9,200 (2008 est.)

### NGO SUSTAINABILITY: 3.6

Several positive developments influenced the NGO sector in Macedonia in 2008. Some of the advances included improved and expanded services offered by NGOs at the national and local levels, increased partnerships between NGOs and various stakeholders, continued coalition-building efforts, and a growing number of training providers available to the sector. According to an annual USAID survey, NGOs were ranked as the most trustworthy institutions in Macedonia.

NGOs were negatively affected in 2008 by the government's practice of adopting laws in an expedited manner without public debate or consultations with NGO representatives. The Law on Lobbying adopted in 2008, which significantly affects and limits the work of NGOs, was adopted without the participation of the NGO sector.

Numerous new NGOs and coalitions emerged in 2008, supporting and promoting the agendas of particular political parties. This tendency jeopardized the image of well-established and credible civil society organizations.

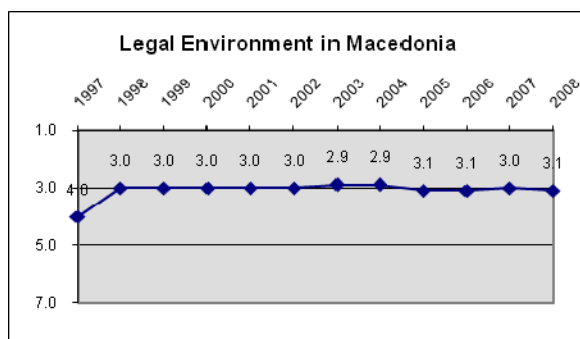


A number of important challenges remain for the NGO sector. One is the need for NGOs to strengthen their skills to promote greater inclusion and representation of their constituencies, and the other is sustainability planning. Given that the civil society sector in Macedonia remains heavily dependent on donor funding, there is a strong need for NGOs to learn how to generate resources locally. A significant number of NGOs still need to introduce and develop public relations strategies.

The Central Register of Macedonia has registered a total of 4,429 citizens' associations and foundations.

## LEGAL ENVIRONMENT: 3.1

The deterioration in the legal environment was primarily due to the adoption of the Law on Lobbying in August 2008. Although a number of NGOs submitted comments to the draft law, including a request to the parliament not to proceed with its adoption in an expedited procedure, the government sought to enact the law in order to meet deadlines related to EU accession. After early elections on June 1, 2008, the new parliament enacted 172 laws within two months. Most were enacted in an expedited procedure in the absence of the opposition, which boycotted parliament during that period. The Lobbying Law may limit direct participation by citizens, associations, and foundations in policy and decision-making processes. The definition of lobbying is so broadly interpreted that it encompasses any activity to influence the position of the national government, local government, or parliament on any law or regulation. The law suggests that NGOs and others may take part in the decision-making process only if they are “invited” by a legislator or other body. It also provides for associations to be invited to participate in legislative drafting, but does not extend this right to foundations.



In addition to the lack of capacities of NGOs to engage and participate in the preparation and adoption of laws, the expedited process of adopting laws often used by the current

## ORGANIZATIONAL CAPACITY: 3.7

Although many NGOs still do not recognize the importance of building constituencies and public support for policy changes, some NGOs have set

parliament prevents NGOs from giving their opinions on matters that affect them or their constituents. The Lobbying Law will also limit the possibilities for direct advocacy by NGOs.

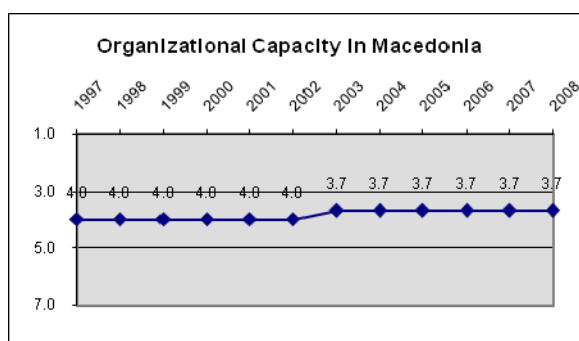
The Law on Donations and Sponsorships is in force, although there is a clear need for its improvement. The adoption of a bylaw on tax deductions and amendments that allow donations to be excluded from taxation, along with trainings for the relevant ministries' personnel, contributed to better implementation of this law. Even so, claiming tax deductions for donations remains complicated and confusing.

The legal framework for registration of NGOs is favorable and has been simplified. The requirement that NGOs register changes of address in the Central Register is burdensome and bureaucratic, however.

The new Law on Citizens' Associations and Foundations was scheduled for adoption in 2008, but the government rescheduled it for 2009. If adopted, the law will significantly contribute to the sustainability of the NGO sector. The draft law would allow NGOs to engage in economic activities if these activities are connected to the NGO's statutory goals and any profit is used to support its work. The draft law introduces new provisions for internal governance that should resolve confusion about the roles of different governing bodies within organizations. It allows legal entities, foreigners and minors to establish and be members of an NGO. The draft law also introduces public benefit status for NGOs, a prerequisite for tax benefits and other types of state support. Local legal assistance available to NGOs outside the capital continues to be weak. Also, the cost of available legal expertise is unaffordable for most NGOs.

up mechanisms for engaging communities to resolve problems at the local level. The Green Coalition in the town of Veles gathered more

than 4,000 citizens, including members of parliament, to protest against the sale and reopening of the local smelting factory, the biggest polluter in the country. This was a rare instance in which a critical mass of citizens joined an NGO initiative that received national media coverage and wide support. More often, citizens are reluctant to take part in initiatives, and NGOs still lack skills in determining and addressing critical constituency needs. As more NGOs establish for-profit subsidiaries in order to survive financially, there is a growing perception that NGOs are detached from the needs of their constituencies.



While most NGOs have defined missions, not all incorporate strategic planning techniques. An OSCE project for NGO institution building found that of twenty-six participating

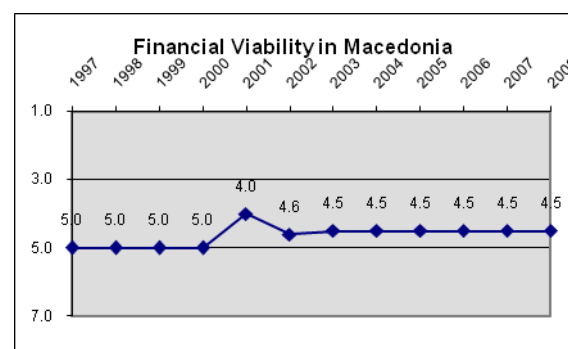
organizations, only six were interested in developing strategic plans. NGOs tend to develop strategic plans in response to donor requirements when applying for funds, and these documents are not necessarily used to guide the organizations toward achieving their missions. A number of organizations have permanent paid staff and make efforts to separate their management and governing structures. Permanent staffing remains an issue for smaller NGOs outside the capital. The Civic Platform, a network of more than thirty organizations, failed once again to adopt a code of ethics. In addition, not many NGOs, even those that are short staffed, took advantage of the newly adopted Law on Volunteering to engage volunteers in their work. An exception was the Youth Cultural Center in Bitola. With support from the USAID Civil Society Strengthening Project (CSSP), this NGO established a national volunteer center in Bitola and five volunteer information points hosted by established NGOs around Macedonia. The organization managed to recruit hundreds of volunteers for humanitarian activities, cultural events, and environmental improvements.

Although most NGOs possess necessary office equipment, some are unable to afford the cost of upgrading and replacement.

## FINANCIAL VIABILITY: 4.5

Financial viability is the biggest obstacle confronting the civil society sector in Macedonia. Philanthropic activities within the sector are at an early stage of development, and most NGOs still need to build their skills to generate resources locally. The legal framework does not allow NGOs to engage directly in economic activities. All of these circumstances have constrained the sector's financial sustainability. Likewise, unemployment remains high and economic growth has been slow, which makes it difficult for NGOs to obtain funding from local sources.

NGOs continue to rely on support from foreign donors, while funding available from other sources is inadequate. The government does



provide funding for NGOs, but the process of selecting NGOs is not transparent. The amount of government funds budgeted for NGOs in 2008 was approximately €5.5 million, which was not fully allocated. Despite the government's adoption of the Code of Positive Practices for NGO Funding, government

funding procedures were not implemented in accordance with the code. In the opinion of some NGOs, the Agency for Youth and Sport is an exception, and it applied the prescribed procedures in distributing funds to NGOs. The State Audit Office will conduct an assessment of government funding for NGOs to determine if funding procedures were applied properly.

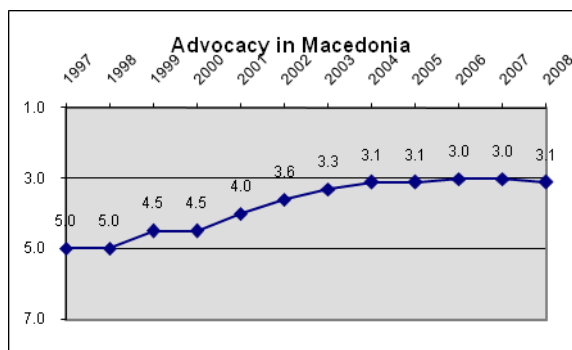
The European Commission set up a new Civil Society Facility (CSF) to promote civil society development in the Western Balkans. The CSF will include support to civic initiatives and capacity building, exchange visits to EU institutions, and partnerships between NGOs and the EU leading to knowledge transfer as well as transnational projects. The level of funding for Macedonia is approximately €1.2 million and activities are expected to start in 2009. The government is expected to take over and manage the CSF eventually.

Many NGOs attempted to raise funds locally over the last year, but the amount of available resources is insufficient to substitute for foreign

funding in the immediate future. Grantees of the CSSP Philanthropy Program, supported through the Center for Institutional Development (CIRa), worked to mobilize local resources. CIRa in cooperation with other NGOs raised approximately €10,500 in in-kind and cash donations for the Fund for Procurement of Books and School Supplies for Roma Children. Companies' increased interest in cooperation resulted in concrete partnerships between the business sector and NGOs. CIRa created and coordinated an energy efficiency education program for primary school students. It was funded by EVN Macedonia, the electricity distribution company, and was implemented in partnership with five NGOs from different regions.

The cost of a financial audit is high, which makes it unaffordable for many grassroots NGOs. A number of NGOs conduct audits, but not all publish the results in newspapers or on their websites. There is a great need for increased support for NGOs to develop their financial management skills.

### ADVOCACY: 3.1



This year NGOs continued to participate in government processes, but NGOs complained that they were included only to satisfy EU requirements regarding citizen participation. Despite instances of successful cooperation between NGOs and government institutions, in the majority of cases NGOs did not influence the content of legislation.

During 2008, several NGOs pursued successful advocacy efforts. The Association for

Emancipation, Solidarity and Equality of Women (ESE) and the Ministry of Labor and Social Policy worked jointly on the development of the National Strategy for Combating Domestic Violence, which the government adopted. The citizen association MOST assessed the performance of members of parliament. Ten municipalities, working closely with the Macedonian Civic Education Center, developed and adopted local educational policies with the involvement of local stakeholders.

NGOs maintained their places in working bodies and committees for drafting laws. For example, NGO representatives are part of working groups for drafting new laws on citizen associations and foundations and on anti-discrimination. Yet the adoption of the Law on Lobbying without any of the recommendations provided by the Macedonian Center for International Cooperation, whose representatives were invited to several drafting meetings, demonstrated that the government did not consider civil society a

serious partner. A group of organizations have challenged this law before the Constitutional Court.

NGOs still do not demonstrate an ability and willingness to monitor the implementation of laws or government policies and strategies. The Law on Equal Opportunities and the Law on Free Access to Information are two examples of well-written laws that are not adequately implemented, but the civil society sector neither

exercises independent oversight nor pushes for better implementation.

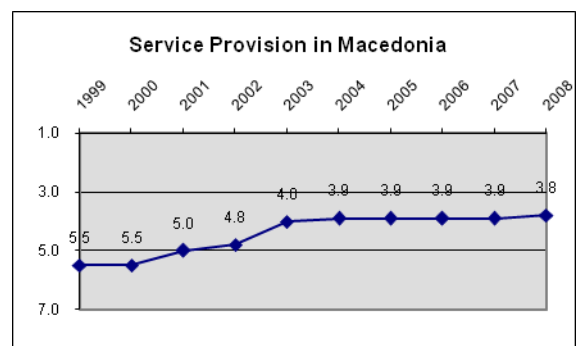
The year 2008 marked a disturbing trend of political party involvement in the civil society sector. Both the ruling and opposition parties established new NGOs and coalitions to advocate for their own political purposes and agendas. According to information from the Central Register, many of the newly established NGOs were registered en masse on the same day by the same founders.

### SERVICE PROVISION: 3.8

In addition to the continuation of many services previously offered to citizens by NGOs such as hotlines, legal advice, shelters for victims of violence, and health services, the civil society sector expanded services to children and people with disabilities, Roma, the unemployed, and people without appropriate housing. Habitat introduced affordable rental housing to low income families as a new service. The regional centers of the Federation of Farmers started providing consultation services for individual farmers at a price of MKD 300 (\$6.25). A local NGO from Bitola, Via Ignatia, supported young beekeepers from rural areas to become self-employed and start their own businesses.

Partnerships between NGOs and businesses increased and many NGOs received private sector support to provide services. For example, four schools in Strumica signed an agreement with the NGO Planetum for redemption of selected waste. The containers used to collect the recycled materials were donated by a local company.

Local governments also demonstrated increased interest in providing services to citizens in



partnership with NGOs. Local authorities in Berovo and Vinica, in cooperation with local NGOs, started citizen information centers, which the NGOs run but the municipalities support financially. The Kocani local government, in partnership with local NGOs, established a tourism development office to develop strategies for promoting the region as a tourist destination, and to provide information for tourists. The new Law on Social Protection creates the possibility for NGOs to provide social services, but the selection criteria for NGOs still needs to be established. NGOs rarely receive support from local governments to provide social services to citizens.

### INFRASTRUCTURE: 3.2

The slight improvement in NGO sector infrastructure was mainly due to the increased role of new and existing intermediary support organizations (ISOs) in the area of philanthropy, and the establishment of networks and

partnerships that involve the business community and local government.

As NGOs seek to improve their sustainability and as foreign funding decreases, a need has

emerged for ISOs to provide assistance in the area of philanthropy. To some extent existing ISOs have expanded their training and technical assistance to cover issues such as strategic corporate philanthropy and implementation of the Law on Donations and Sponsorships. A new NGO, Konekt, has been established to facilitate partnerships between businesses and NGOs in the area of philanthropy. Konekt will specialize in working directly with corporate and individual donors and will help donors give more consistently and strategically.

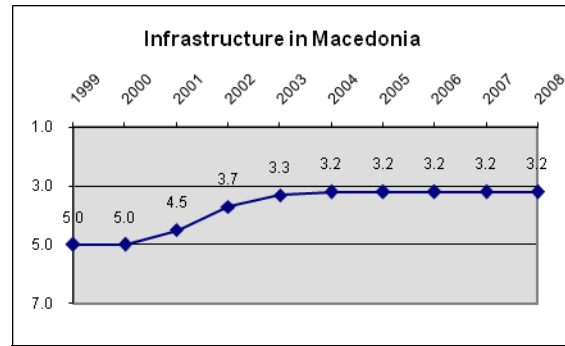
While there has been no increase in the number of local grantmaking organizations, the Macedonian Center for International Cooperation and the Foundation Open Society Institute Macedonia continue to provide re-granting services. The Local Community Development Foundation in Stip organized its first fundraising activity for a children and youth fund, and collected funds to support the children's department in the general hospital in Stip.

NGOs continued to establish networks on issues of common interest, such as the environment and women's issues, both on national and local

**PUBLIC IMAGE: 3.7**

Media monitoring conducted by CSSP in February and March 2008 showed that coverage of NGOs in the media doubled when compared to the same period in 2007. Furthermore, the coverage was mostly positive. Several membership organizations, including the Federation of Farmers, the Organization of Consumers, the First Children's Embassy Megjashi and MOST, were consistently present in the media, advocating vigorously on behalf of their constituencies and presenting their successes.

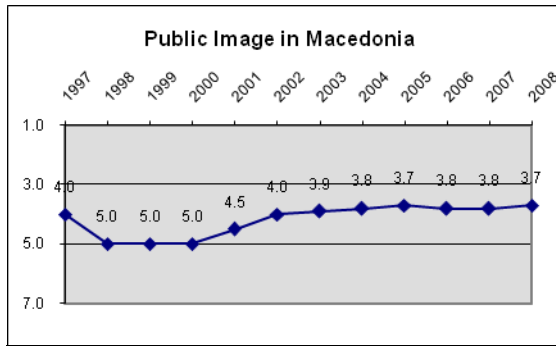
The Macedonian Institute for Media, through CSSP, played a significant role in both encouraging increased coverage of civil society



levels. A network of NGOs initiated a campaign to establish a fund against child abuse, cooperating with musicians, businesses, and relevant government institutions. A group of NGOs in the city of Veles, together with the business community and the municipality, raised funds for renovation of a youth park. The National Coordinating Body for Corporate Social Responsibility (CSR) that was established by the Economic-Social Council of the Ministry of Economy in December 2007 became operational. Representatives of businesses, chambers of commerce, employment organizations, trade unions, NGOs, government, academia, and media participate in this body. It prepared a national CSR agenda, which the government approved in October 2008.

issues and building the capacity of NGOs to better present their stories. It continued to organize the annual Civil Society Media Award, and produced a new series of TV and radio shows called *Our Circle*, covering civil society topics. Additionally, eight civil society stories by the institute's Roma interns were published in mainstream media outlets, including TV A1, Radio Free Europe, and the daily newspapers *Dnevnik*, *Utrinski Vesnik* and *Spic*.

The NGO Info Center continued to support NGOs by providing press conference space, public relations training and consulting. It charges symbolic fees and like most ISOs relies on foreign donors to support its operations.

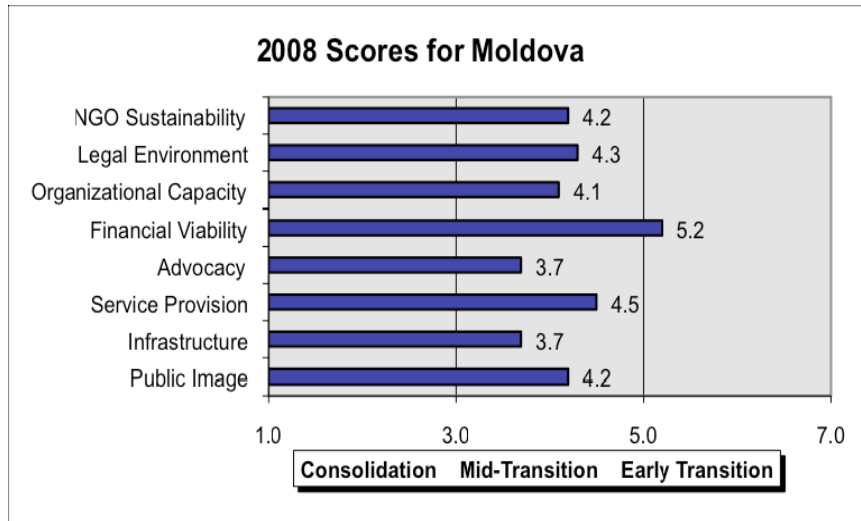


An annual USAID survey showed that the majority of citizens reported increased access to information about NGOs from various sources. In addition, NGOs are ranked as the most trustworthy institutions in Macedonia with 54.6 percent of the public trusting in their work, though the percentage of citizens who do not

know if they trust NGOs is still significant. Almost 54 percent of respondents believe that NGOs are effective in solving problems in the country; this ranks NGOs in second place after the government. The percentage of citizens who did not know whether NGOs were effective dropped by 9.2 percent compared to 2007.

While NGOs increasingly realize the importance of public relations, the majority do not have a PR strategy or a PR specialist. Only the more advanced NGOs have skills to develop effective relationships with journalists. Increasingly, NGOs make their narrative and financial reports available on their websites, though this is still not a widely accepted practice.

## MOLDOVA



**Capital:** Chisinau

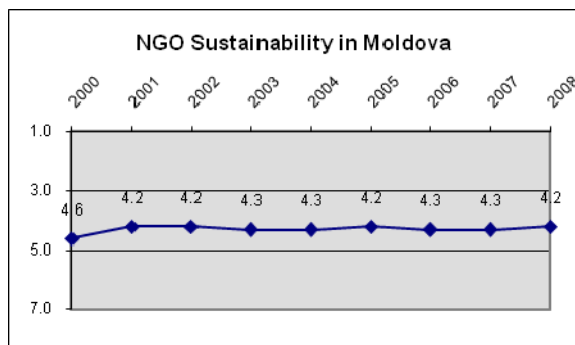
**Polity:**  
Republic

**Population:**  
4,320,748 (July 2009 est.)

**GDP per capita (PPP):**  
\$2,500 (2008 est.)

### NGO SUSTAINABILITY: 4.2

In 2008, the NGO sector in Moldova registered a very slight improvement in overall sustainability. Positive changes occurred during the year with respect to advocacy initiatives, the creation of intersectoral partnerships, cooperation with the public sector, and financial viability. At the same time, the NGO sector remains largely at the same developmental level.



A total of 7,000 Moldovan NGOs are registered at both the national and local levels. NGOs are active in a broad range of fields, although almost half are involved in the social and educational sectors. The majority of active NGOs diversify activities in order to increase their chances of attracting donor funds. Having broad missions and focusing on several areas of activities helps NGOs sustain themselves financially, but impedes overall sustainability from a long-term

perspective and limits NGOs' ability to build strong expertise and communities within particular sectors.

Moldovan NGOs have increasingly engaged in advocacy activities. Collaboration between government and civil society has expanded. NGOs and parliamentary commissions increasingly work together in the legislative drafting process and in ad hoc working groups. The amount of training and consulting offered by NGOs to the public sector grew, although these initiatives are largely donor-driven.

NGOs entered into an increasing number of coalitions, which significantly augmented their advocacy initiatives, public image, and influence.

NGOs from the Moldovan and Transnistrian regions are strengthening their collaboration. In 2008, a National Forum of NGOs from Transnistria was organized for the first time. NGOs in Transnistria for the most part remain weak and play a limited role, however.

In a positive trend, NGOs became more aware of the need for long-term strategic objectives and increased organizational and financial sustainability. They lack the capacity to



adequately market their services, however. NGOs also face obstacles to diversifying their funding sources. Tax incentives to encourage individual and corporate donations are lacking, as are legal provisions to allow NGOs to engage in income-generating activities such as social enterprises or contracting with the government to provide services.

### LEGAL ENVIRONMENT: 4.3

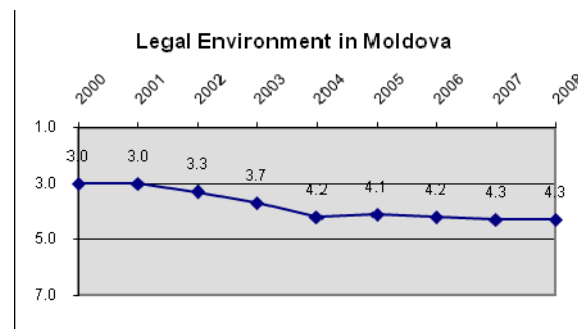
The legal environment for Moldovan NGOs changed little over the past year. The NGO registration process remains problematic. An increasing number of NGOs complain that the Ministry of Justice hampers the process of registration and amending NGOs' organizational statutes. The office within the Ministry of Justice responsible for NGO registration has become even more overburdened, with high staff turnover. During the year, UNDP Moldova financed the development of an electronic registry of NGOs within the Ministry of Justice, which may facilitate improved management of and access to data on NGOs.

Overall, NGO legislation remains vague, which allows government officials to apply provisions of the law arbitrarily. For example, the Ministry of Justice may require that an NGO provide its membership list in order to make even minor changes to its organizational statute, even though the law does not require this.

Amendments to the Law on Civic Associations made in 2007 excluded three out of four legal forms of NGO, allowing only NGOs in the form of civic associations to have the organizational and juridical status of a legal entity. All other NGOs must re-register in the legal form of civic associations. These changes affect a substantial number of NGOs whose status no longer exists under the law. Many of them lack clarity on whether they should re-register as associations or not, and they face a cumbersome re-registration procedure.

A consortium of NGOs led by Young and Free, Eco-Tiras, Resource Center for Human Rights (CReDO), and Contact Center conducted an

The NGO legal framework in Moldova remains ill defined with legislative gaps that allow for arbitrary application of the law. Staff turnover, continued dependence on donor support, the low level of trust in NGOs, and the poor visibility of NGOs and their activities are factors which continue to hamper the sustainable development of civil society in Moldova.



advocacy campaign on two key pieces of NGO legislation drafted last year with support from UNDP and Soros Moldova: a draft law on public benefit organizations and a draft percentage law. These draft laws aim to increase NGO organizational and financial sustainability, transparency, and public sector support. The draft percentage law would allow individual and corporate donors to direct up to 2 percent of paid taxes to public benefit NGOs. The drafts of these laws had not yet reached the parliament by the end of the year, although they were discussed within the government.

In the Transnistria region, local NGOs are not allowed to register under the Moldovan law and must register in Tiraspol and obey Transnistrian laws. Some NGOs also register in Chisinau under the Moldovan law, using the Moldovan identity cards of relatives or friends, even if they are not active outside Transnistrian territory. Registration in Moldova provides Transnistrian NGOs with potential access to funds from national and international donors, whereas NGOs registered in Tiraspol cannot access these funds directly because Transnistria is not recognized internationally or by the Moldovan government.

As of April 2008, public meetings are allowed to take place following a simplified notification process that does not require authorization by local authorities. Organizers are simply required to inform the municipality about the date and location of planned meetings. CReDO, with support from OSCE/ODIHR, has been monitoring public assemblies conducted since the passage of the new law and reports that the number of public assemblies has increased, although problems remain. Moldovan police

have interfered during public meetings and are interpreting the new law selectively.

The tax-exempt status of Moldovan NGOs has not changed. The ability of NGOs to engage in economic activities has not improved. NGOs have to pay all taxes, as private companies do. An NGO is exempt from paying income tax if it has obtained a Public Benefit Certificate (PBC) and economic activities are mentioned in its statute. A PBC does not allow an NGO to recover VAT on purchased goods or services, however.

## ORGANIZATIONAL CAPACITY: 4.1

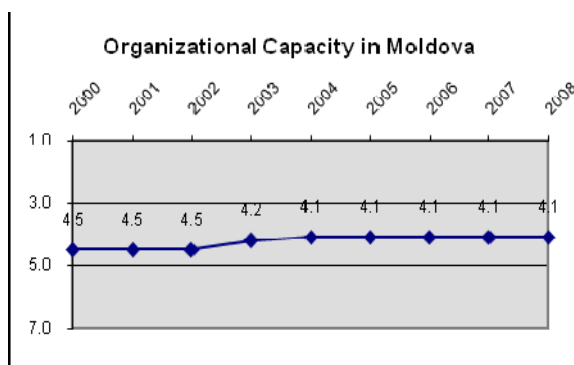
Overall, the organizational capacity of Moldovan NGOs did not change significantly in 2008. A considerable number of NGOs, however, felt the effects of withdrawal of donor support for civil society programs. A three-year UNDP and Soros Foundation program to increase financial sustainability of NGOs has ended. In some cases, donor organizations have started to scale back with the appearance of various programs between the European Union and Moldova, such as TACIS and the EU-Moldova Neighborhood Program. However, these programs focus less on direct assistance to NGOs and more on government budget support. For instance, the EU assists the Moldovan public administration through financing key reforms in the Moldovan social sector and supporting public health reform.

of their constituencies and not on opportunities created by donors. In addition, NGOs have expressed an increased interest in training and technical assistance related to strategic planning, which may augur well for greater long-term sustainability. Many NGOs are increasingly becoming aware of the importance of setting objectives to ensure long-term viability and financial independence.

The gap between the organizational capacity of Chisinau-based NGOs and regional and rural NGOs remains wide. While most NGO networks and alliances at the national level organize capacity building activities for their members, most of these activities remain donor-supported initiatives.

NGO governance practices remain weak. Most NGOs have boards of directors, which are required in order for an NGO to register. Often these boards exist only on paper, however, or their functions and responsibilities overlap with the executive branch of the organization.

While it has been difficult for NGOs to retain staff, the environment for volunteerism has continued to improve. NGOs such as La Strada and AIESEC have begun to rely increasingly on a volunteer workforce. A consortium of NGOs including Young and Free, the Resource Center for Human Rights (CReDO), Service for Peace, and the National Youth Council has lobbied for a draft law on voluntary activity. The draft law

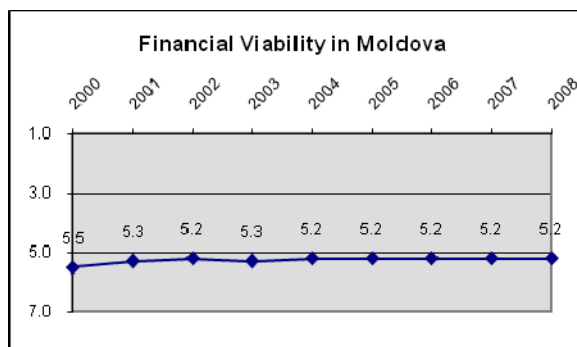


Diminishing donor funds have had a beneficial impact in some cases, causing NGOs to focus their activities strategically, based on the needs

has been discussed within the government and is currently awaiting submission to the parliament.

Over the course of the year, Internet service became more accessible to NGOs in rural areas owing to technical progress at the national level.

## FINANCIAL VIABILITY: 5.2



The financial viability of Moldovan NGOs in 2008 remains at the same level as the previous year, though some positive changes can be reported. Since Romania joined the EU and Moldova became an EU neighbor, the country has gained access to additional EU funds. Bilateral partnership initiatives between Moldova and EU countries, including Romania and Poland, have increased. The EU-supported program Strengthening Civil Society, which ended in December 2008, focused on NGOs active in the social domain, especially in rural areas. This €1.4 million program provided technical and grant assistance to NGOs working with disadvantaged groups such as elderly people with disabilities or children from vulnerable families. NGOs received technical assistance and grant support totaling more than \$1 million through Millennium Challenge Corporation funding to promote good governance, reduce corruption and improve public sector service delivery.

The community foundations that were created last year have become active and have improved

## ADVOCACY: 3.7

Overall, the environment for NGO advocacy in Moldova improved over the course of the year, thanks to an increasing focus on building the capacity of NGOs to engage in advocacy, as well as a continued expansion of government

the environment for financial viability at the local level. Community foundations in Soroca, Ungheni and Cahul registered significant progress in local fundraising and provided local grant support to NGOs working in the areas of community development, environment, youth, and social assistance. Overall, local fundraising remains quite weak, and many NGOs at the national level remain dependent on grants as their only source of funding.

The trend toward greater resource diversification is ongoing. UNDP provided training on social entrepreneurship and income-generating activities. They also offered small grants to NGOs that developed business plans and generated alternative sources of income. Contact Center financed five projects aimed at generating additional sources of revenue for NGOs.

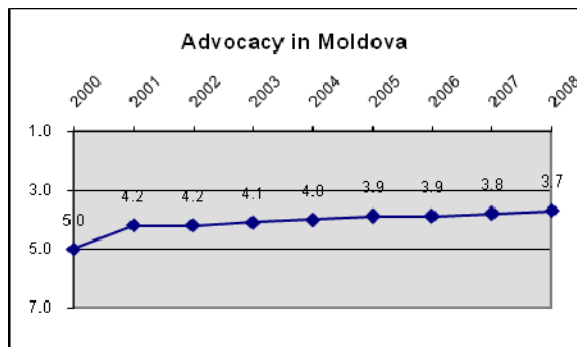
A conference on corporate social responsibility was organized by AmCham Moldova, Eurasia Foundation, and UNDP with the support of local companies such as Xerox, Bioprotect, and EuroCreditBank. This was the second year that such a conference was held, indicating continuing interest from both businesses and NGOs in partnerships and collaboration.

Moldovan NGOs often resist adherence to financial transparency and accountability standards. In many cases, financial reports are only completed and submitted at the donor's request.

and civil society collaboration. During the year, a number of donors provided training on advocacy-related issues. Soros Moldova supported capacity building trainings for twenty NGOs and provided grants for nine NGOs to

implement advocacy campaigns in different areas.

The Threshold Country Program, funded by the Millennium Challenge Corporation and managed by USAID, has supported a group of more than twenty NGOs, including the Anti-Corruption Alliance (ACA), in advocacy activities and in monitoring government progress in anti-corruption reforms. Among the main achievements of this group was the Law on Transparency in Executive Decision Making, which was adopted in 2008. Moreover, the government has acted upon many of the ACA's recommendations.



The overall advocacy environment has improved over the past three years since the adoption of the Parliamentary Strategy for Cooperation with Civil Society. The strategy has provided opportunities for direct engagement with parliamentary commissions in the drafting process, as well as through participation in ad hoc working groups. The parliament initiated an annual conference to review the cooperation between parliament and civil society.

Several government ministries exhibited increasing openness toward civil society. The Ministry of Social Protection for Family and

Children, the Ministry of Health, and the Ministry of Justice started to hold consultations, conclude memorandums, and create ad hoc working groups for drafting legislation, especially related to Moldova's EU Action Plan. The Office of the Prime Minister initiated a process of creating a National Participation Council, composed of NGOs and other representatives of civil society organizations, to advise the government on the strategic development of civil society. As of spring 2009, the cabinet had not yet issued a decision on the council's creation.

One example of government-civil society cooperation was the drafting of the Law on Assembly, which was achieved with the direct involvement of CReDO, Promo-Lex, and Amnesty International Moldova. The law, which was adopted in April, is considered a positive legal benchmark by ODIHR/OSCE. Government and civil society also cooperated in the drafting of a law on preventing and combating discrimination. A coalition of eight NGOs, including GenderDoc-M, CReDO, the League for Defense of Human Rights, the National Youth Council, and the National Roma Center, was involved in the drafting process.

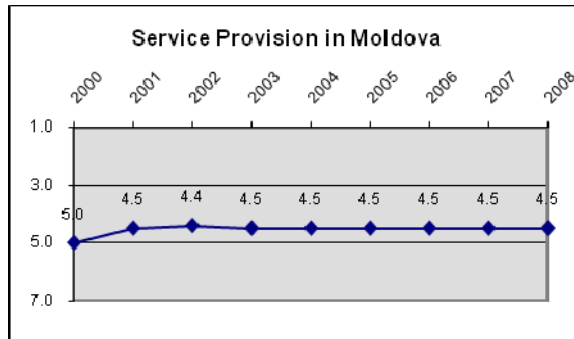
In general, lobbying and advocacy skills remain confined to a limited number of NGOs and individuals. NGOs often react to events rather than acting proactively or coherently. This is partly due to the fact that the government generally does not post information on legislative and other initiatives in an accessible manner. Another constraint is the persistent bureaucratic attitude and lack of cooperation within some ministries, and the absence of an effective communication system within the government itself.

## SERVICE PROVISION: 4.5

There were no significant changes in the range of services provided by NGOs. NGOs continue to provide services mainly in the social and educational sectors.

NGOs are beginning to take steps toward developing their service portfolios based on community needs, but this effort is still relatively limited. While the need for

diversification of financial resources has prompted NGOs to assess the types of services they offer, the majority of NGOs are not aware of the importance of marketing and lack capacity in marketing management.



Most of the services provided by NGOs continue to be subsidized by donor organizations. In order to encourage beneficiaries' buy-in, most NGOs establish symbolic fees that rarely cover operational costs. Clients negatively perceive and sometimes even challenge NGOs that have begun to charge fees. Because NGOs previously

offered only pro bono services, the population has yet to accept the idea of paying fees for services. Only a few NGOs in Moldova try to deliver financially sustainable or even profitable services. Some examples are the Center for Organizational Consultancy and Training (CICO) and the CMB Training Center, both of which have established a full cost recovery strategy.

The purchasing power of most beneficiaries of NGO services remains low. Some NGOs have begun to sell their services to other institutions such as government agencies and public and private organizations. This shift has had a positive effect on the quality of services provided, since NGOs must act more professionally to compete on the market.

Over the course of the year, some NGOs took the initiative to launch social enterprises and other income-generating activities. UNDP supported a number of these initiatives.

### INFRASTRUCTURE: 3.7

Resource centers at the local and national levels are the starting point for capacity development for many NGOs with low and medium levels of development. Yet most of these resource centers are still located in the capital and major cities. Small local NGOs that are most in need of capacity building assistance have limited access to it.

NGO coalitions also provide capacity development activities, specialized trainings, assistance and consulting services for their members. New and undeveloped NGOs and coalitions are most in need of training services and increasingly demand specialized technical assistance from more developed NGOs. More developed NGOs often prefer to receive their training abroad.

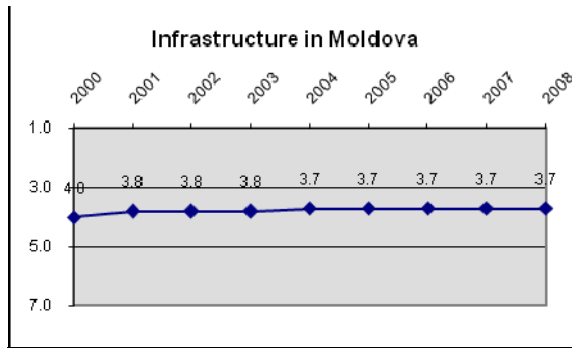
Contact Center provides managerial and community development support for NGOs. During 2008, it received a high number of requests for assistance in the NGO registration

and re-registration processes due to changes in the relevant legislation.

In 2008, many local trainers and consultants were able to participate on a competitive basis in training-of-trainer programs organized by international donors such as UNDP. A number of these trained specialists were later subcontracted by UNDP to provide training and consultancy services to a range of NGOs and local state administrations all over the country. The CMB Training Center took the initiative to form an informal community of trainers and organized five meetings during the year to discuss issues such as innovations in educational methodology and professional support for members of the training community.

Moldovan resource centers also provide capacity building in advocacy and policy development. CICO implemented a one-year program in leadership and provided consultancy and program evaluation services to NGOs. Soros

Moldova supported advocacy training for NGOs.

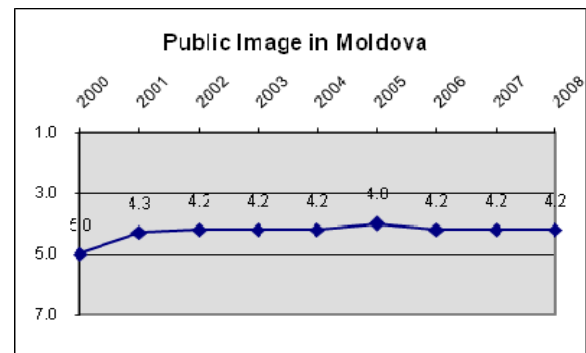


The number of intersectoral partnerships is growing due to increased requests from the donor community for NGOs to collaborate and combine their efforts. The European Neighborhood Program for Romania, Moldova and Ukraine also stimulates this kind of cooperation. The National Endowment for Democracy, the Balkan Trust for Democracy and the Black Sea Trust also co-fund regional initiatives involving partnership between neighboring countries, including both EU members and CIS countries. Several initiatives involving collaboration among Moldovan, Transnistrian, Ukrainian and Romanian NGOs have been funded over the past year.

**PUBLIC IMAGE: 4.2**

The October 2008 *Barometer of Public Opinion* published by the Institute for Public Policy showed no significant changes in the public perception of NGOs. NGOs continue to have the lowest levels of public trust compared to other Moldovan institutions: 52 percent of the population has little or no trust in NGOs and only 21 percent of the population expressed relative or total trust in NGOs. This situation is due primarily to the low visibility of NGOs and their impact. Minimal information is available about NGO projects, their impacts and results. Most contact between the mass media and the NGO community takes place through press conferences. This year, however, NGO representatives appeared more often in the mass media as special guests on TV and radio news programs as well as talk shows. In addition, TV shows produced at the initiative of or in partnership with NGOs were broadcast on national private channels NIT and N4, as well as on public television, though most were paid for by NGOs.

In 2008, negative articles about NGO leaders were published in *Moldova Suverana*, a national newspaper with a weekly distribution of approximately 20,000 copies. Even though the coverage in this case was negative, increased media coverage of NGOs is generally a positive sign of their growing importance in public discourse and opinion.



In contrast with national and Chisinau-based media outlets, local media is showing more interest in the activities of NGOs and in possible collaboration. Local TV and print media have less news and information available to present to the public on a daily basis, and are more open to covering NGO events free of charge or at a lower cost.

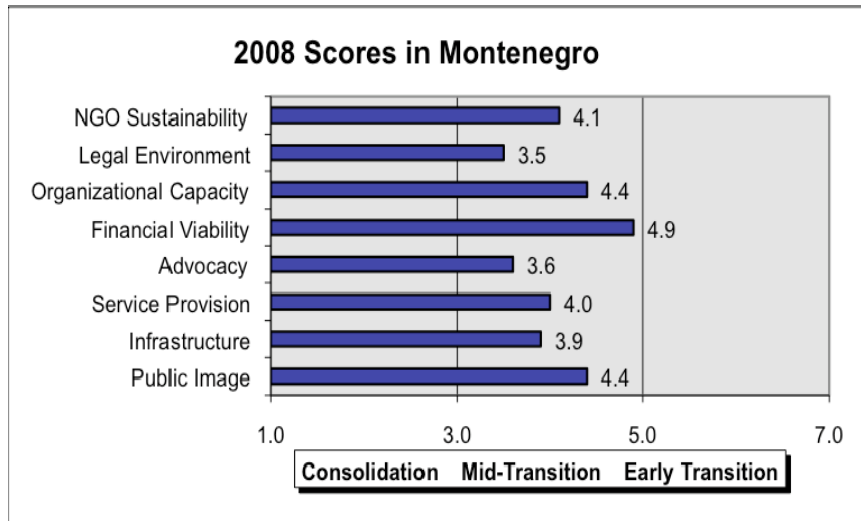
The newly formed NGO alliances have played a positive role in increasing the visibility of NGOs and in improving communication among NGOs that share the same interests and goals. For example, at the beginning of 2008 the Alliance for Promoting the Code of Ethics of NGOs was created. This alliance developed the NGO Code of Ethics, which was approved at the November 2008 NGO Forum. During the course of the year training sessions and roundtables organized by and for NGO representatives addressed issues of

organizational image, transparency, and accountability.

After a five-year hiatus, the National Forum of NGOs was organized in November. There is also

interest in reviving the National Council of NGOs. This could serve as an opportunity for the NGO sector to become more consolidated, visible, and powerful in presenting a unique voice both internally and externally.

# MONTENEGRO



**Capital:** Podgorica

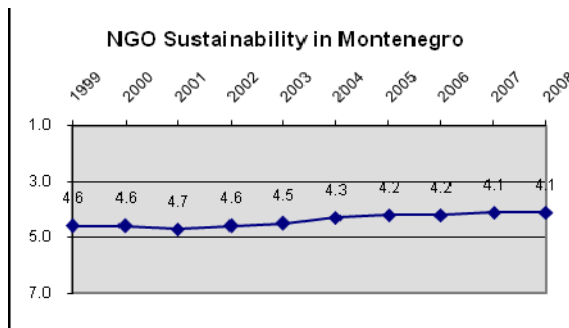
**Polity:**  
Republic

**Population:**  
672,180 (July 2009 est.)

**GDP per capita (PPP):**  
\$10,600 (2008 est.)

## NGO SUSTAINABILITY: 4.1

More than 4,000 NGOs are registered in Montenegro, although only a few hundred are active. In 2008 leading NGOs improved their capacity to build local constituencies for their work, independent of donor priorities. On another positive note, the government released public funding to NGOs through its parliamentary grants program following a two-year delay. Although NGOs continue to draw the majority of their financial support from international donors, several of the strongest NGOs are making steps towards diversifying their funding.



NGOs generally enjoy a high degree of access to policymakers in Montenegro, and often work with the government on joint initiatives. In 2008, the NGO sector and the national Office for NGO Cooperation jointly drafted a Strategy for NGO-

Government Cooperation, which was adopted in late 2008. Advocacy by local NGOs also saw a marked improvement. For example, a group of environmental NGOs in a small coastal municipality prevented a businessman from tearing down a UNESCO-protected hillside to build a block of flats.

In 2008, USAID-funded focus group research on corruption showed that citizens generally trust civil society more than their legal system or their government when it comes to dealing with corruption. Citizens increasingly approached NGOs for assistance with access to information requests, legal advice, and information. A high-profile, prime-time TV program that deals with citizens' anti-corruption complaints live on air enjoyed high popularity, and NGOs contributed to the program with information on corruption cases.

The infrastructure for NGOs continued to improve slightly during 2008. The government Office for NGO Cooperation completed its first year of operation. Although the office remains understaffed and underfunded, it marks a major improvement in the quality of cooperation between NGOs and government, illustrated by creation of the Strategy for NGO-Government Cooperation.



Despite the efforts of the two hundred-plus member NGO Coalition “Together towards the Goal,” which worked with the Ministry of Finance to revise policies and procedures for the granting of public funds to NGOs, the 2008 parliamentary grants program was as poorly managed as in previous years. Public monies continue to be granted to NGOs without any controls such as financial reporting or program evaluation.

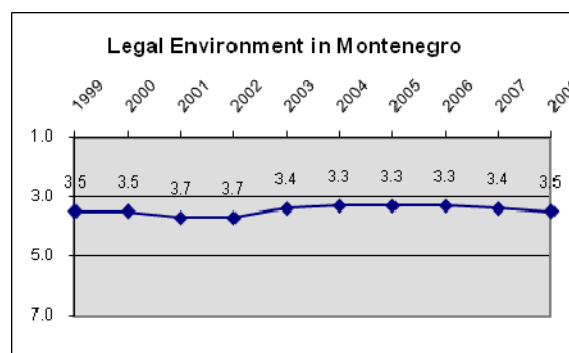
### LEGAL ENVIRONMENT: 3.5

The 1999 Montenegrin NGO Law provides simple registration procedures, allows NGOs to operate free of state control, and protects NGOs from the threat of dissolution for political or arbitrary reasons. The state’s failure on several occasions to investigate and prosecute incidents when criminal elements threatened or attacked critics of the government had a negative impact on civil society morale.

On paper, NGOs enjoy a range of tax exemptions. Membership dues and donations are not taxed as long as they are unrelated to an organization’s economic activities. An NGO is exempt from real estate tax as long as its real property is used for the organization’s statutory goals.

Dividends on NGO income are not taxed, and deductions are provided for corporate and individual donations to NGOs. In addition, the VAT Law provides broad exemptions for all services rendered by NGOs, as well as “public interest” services, including educational, cultural, sporting and religious services, as long as the exemption is not used to distort market competition. Few NGOs are knowledgeable enough about tax legislation to apply for and pursue exemptions, however. Tax legislation remains overly complicated and confusing, and NGOs are not given any official guidance on how to comply. In several instances in 2008, tax authorities demanded to see certain financial documents that NGOs are not required to have

Financial sustainability of the NGO sector remains low. Larger, more developed NGOs have succeeded in diversifying funds and in some cases generating income for their organizations. The gap is widening, however, between the large, well-developed NGOs located mainly in Podgorica, and the greater number of small organizations in outlying regions. All NGOs are concerned about the prospects for sustainability beyond donor funding.



under the tax legislation and the NGO Law, demonstrating the lack of knowledge about NGO financial requirements among civil servants.

NGOs can earn income from the provision of goods and services, and receive tax exemptions on grants and income under €4,000. The amendment to the Law on NGOs, which was adopted in late 2007, specifies that the €4,000 limit applies to total income and not just profit. This was the first year of the amendment’s enforcement. Some small businesses that were operating as NGOs in order to be exempt from taxes on their profits have had to shut down operations and reopen as businesses. The future enforcement of this amendment will depend on political will, resources, and capacity of the financial police to monitor the economic activities of NGOs.

The Procurement Law allows for any legal entity, including an NGO, to compete for

government contracts and procurements at both local and national levels. The government released public grant funding to NGOs in 2008 following a two-year delay.

With no financial incentive to specialize in NGO law, few lawyers are capable of offering legal advice to NGOs. Several intermediary support organizations (ISOs) and resource centers have tried to compensate for this deficit by engaging staff with law degrees.

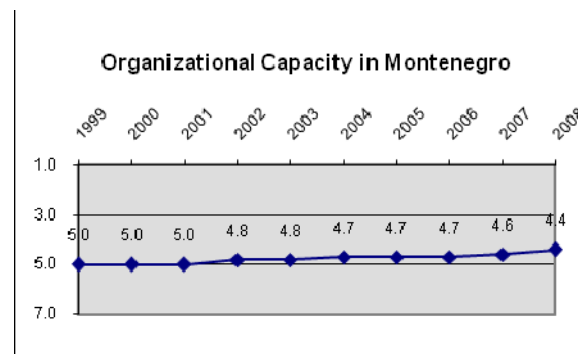
#### **ORGANIZATIONAL CAPACITY: 4.4**

The capacity gap between the small number of large, professional NGOs and the large number of small, institutionally weak NGOs continued to widen in 2008. Stronger and more organizationally capable NGOs are edging out small NGOs in the competition for dwindling amounts of donor financing. Donors prefer to invest only in NGOs whose performance is proven, while investing in small, undeveloped NGOs is seen as an unnecessary risk. The NGO sector is still not seen as a favorable source of employment, and many qualified and experienced personnel continued to leave the NGO sector in 2008 for the private sector or universities. As a result, when experienced NGO leaders retire, few staff members are qualified to assume their roles. Declining donor interest in financing training is leaving the new generation of NGO leaders without the educational advantages of their predecessors.

This year, however, saw a marked improvement in the capacity of top-tier NGOs to build local constituencies for their work, independent of donor priorities. This was particularly evident in the areas of free access to information, prevention of illegal construction, and environmental protection. Two of the leading NGOs in Montenegro opened local offices throughout the country to help citizens, moving beyond the traditionally capital-based operations of most NGOs. That said, only the top tier of NGOs, a small and exclusive group, has the financial resources, staffing levels, and know-how to build constituencies in this manner.

There were some tentative successes in improving the legal framework for NGOs in 2008. One example is the new Lottery Law, amendments to which were drafted by the USAID-supported NGO Coalition “Together towards the Goal” and accepted by the Ministry of Finance. The amended law specifies that NGOs are eligible to receive up to 60 percent of all lottery funds collected in Montenegro. This represents a significant step forward in the efforts of the NGO community to achieve long-term financial sustainability.

Smaller NGOs depend on staff that moonlights after finishing jobs in the public or private sectors.

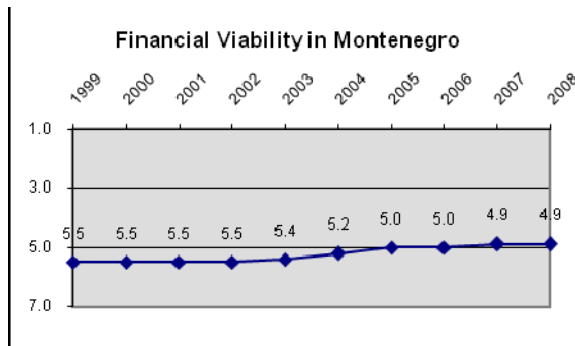


Volunteerism is extremely weak due to cultural factors and the lack of an encouraging legal framework. Neither the government nor the NGO sector draws on existing volunteer resources. The Labor Law provides an additional constraint, referring only to “volunteer apprentices,” unpaid trainees seeking to complete degrees in law and medicine. Because NGO volunteers do not fall within these categories, the occasional per diems or travel expenses that an NGO might reimburse their volunteer are taxed as they are for paid employees, discouraging NGOs from recruiting volunteers. In 2008, a group of concerned NGOs did succeed in drafting a completely updated Law on Volunteerism to address these issues; the draft law was presented to lawmakers on December 5, 2008, International Volunteerism Day.

NGOs that have access to modern, basic office equipment, such as relatively new computers and software, functional fax machines, and Internet access, are usually NGOs with access to donor funding. Even the smallest and most

underdeveloped NGOs tend to have telephones and fax machines, if not a computer terminal. Internet access has not yet penetrated all areas in the north of Montenegro.

## FINANCIAL VIABILITY: 4.9



Whereas the majority of small, less developed NGOs continue to draw most of their financial support from international donors, top-tier NGOs have become increasingly sophisticated in the diversification of financing sources. Many of the strongest NGOs now have between four and eight sources of financing a year, lowering the risk of sudden financial failure should a single donor withdraw funding. A small number of large, professional organizations charge fees for goods and services, including translations, training seminars, calendars, books, and design and architectural services. For example, one NGO, Exeditio, was able to finance 30 percent of its program activities in 2008 through fees for services and in-kind donations. Another NGO established a media tracking service to achieve long-term financial sustainability. NGOs have also begun to strengthen their relationships with the for-profit sector, with one NGO in 2008 succeeding in attracting funding from three large companies to finance 100 percent of the costs of its Women in Government program.

NGOs are also receiving grants from domestic donors such as national and local governments. The parliamentary grants program for NGOs was as poorly managed as in previous years, despite the work of the NGO Coalition

“Together towards the Goal” with the Ministry of Finance to revise the grant policies and procedures. The parliamentary commission that manages the grants lacks knowledge of the NGO sector and distributes funds to many weak or inactive NGOs without any controls such as financial reporting or program evaluation. The commission also tends to fund only limited portions of NGOs’ projects, so the NGOs are unable to complete them.

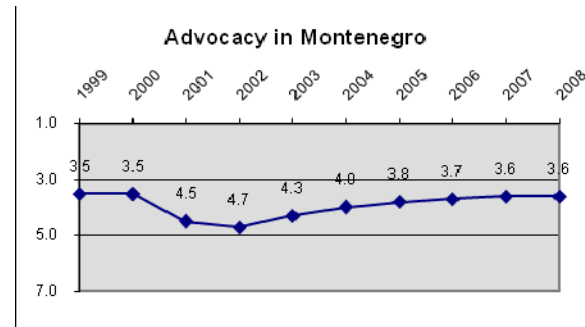
Philanthropy remains weak in Montenegro, although larger companies now have discrete funds set aside for corporate social responsibility (CSR) efforts. A disconnect exists between the civil society sector and the business sector in this regard; most of the smaller, less developed NGOs do not know how to approach the business sector with ideas or how to adapt their ideas to appeal to companies, while the business sector finances only those NGOs whose programs align exactly with their specific CSR focus.

Active, experienced NGOs with a steady stream of multiple-donor funding tend to have the most developed financial reporting and control systems. The majority of NGOs in Montenegro, however, have inadequate financial management capacity to handle donor funding. Currently, only a small handful of NGOs publish annual reports with financial statements, and it is extremely rare for NGOs to undergo independent financial audits. According to the NGO Code of Conduct signed in 2007 by over 145 NGOs, it is now a requirement that any donor or state body that wishes to view the financial reports of any signatory has a right to do so.

## ADVOCACY: 3.6

NGOs generally enjoy a high degree of access to policymakers in Montenegro and often work with the government on common initiatives. In 2008, the NGO sector and the national Office for NGO Cooperation drafted a Strategy for NGO-Government Cooperation, which was adopted in late 2008. Many NGOs in Montenegro have been able to form effective, broad-based coalitions and lead high-level advocacy campaigns. These campaigns take place both at national and local levels. One example in 2008 was the anti-corruption campaign “Society without Corruption,” which engaged three national NGOs and at least ten local NGOs in a campaign against petty corruption. Local-level advocacy by NGOs has seen a marked improvement. For example, a group of NGOs in a large industrial town to the west of the capital were able to find a legal solution for

citizens affected by pollution from a nearby steel mill. In a coastal town, a group of environmental NGOs prevented a businessman from tearing down a UNESCO-protected hillside to build a block of flats. These cases show a tentative strengthening in the capacity of smaller, more locally based NGOs to organize around an issue and address it effectively.

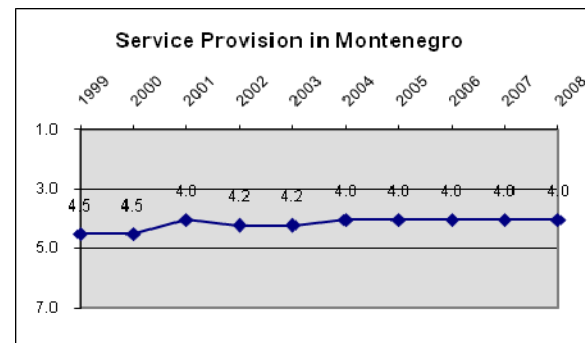


## SERVICE PROVISION: 4.0

The product line of the NGO sector is quite well diversified, with NGOs at both the local and national levels providing services in health, education, environmental protection, and governance. One NGO recently completed an eighteen-month project funded by the European Agency for Reconstruction with the Ministry of Health, Labor, and Social Welfare to improve the level of social welfare services provided to the elderly in local municipalities. Among small NGOs that do not have sustained access to financing, service provision tends to be irregular at best. Larger, more developed NGOs provide services such as information and legal advice to citizens, but again, these services depend on the vagaries of donor financing. A handful of NGOs in Montenegro provide services to citizens irrespective of donor funding. Such services include toll-free hotlines on corruption, HIV/AIDS, and consumer protection.

NGOs must be certified in order to be service providers and receive government funding, but there is no system for licensing NGOs to provide services in fields such as social services, education, and cultural preservation. For those

NGOs that are already providing services, there is no control system in place to evaluate and monitor their work.



While still rare, there are some examples of NGOs charging fees for services such as graphic design or training. Some of these services are provided to other local NGOs and some to government bodies. The local market for such services remains small, however.

Most NGOs in Montenegro that practice advocacy or similar activities lack membership bases and their efforts are aimed at the wider public. The small number of associations that do

have membership bases mostly engage in initiatives and advocacy to improve the situation of their members, such as disabled persons,

refugees, minorities, market sellers, or alcoholics, rather than a broader constituency.

### INFRASTRUCTURE: 3.9

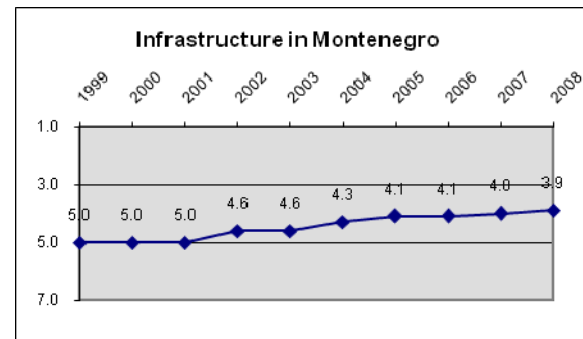
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The infrastructure for NGOs continued to improve during 2008. The government Office for NGO Cooperation completed its first year of operations, and although the office remains understaffed and underfunded, it represents a significant improvement in the quality of cooperation between NGOs and government. Particularly noteworthy was its role in developing the Strategy for NGO-Government Cooperation, which was adopted at the end of 2008. The NGO coalition “Together towards the Goal” drafted the strategy, which aims to formalize communication between government and civil society and strengthen civil society’s role in policymaking.

Several ISOs and NGO resource centers in Montenegro provide NGOs with training, learning and networking resources, legal assistance, and project writing assistance, as well as access to technical services like Internet and fax. In reality, however, only NGOs in three municipalities, including Podgorica, have access to support services on a regular basis, as the rugged terrain of the country makes travel expensive and difficult. Resource centers outside of Podgorica cannot provide the same level of services and knowledge as their counterparts in the capital. NGOs in outlying regions and difficult-to-reach municipalities suffer from limited access to information, donor resources, and contacts with the central government,

resulting in very different levels of NGO development.

The NGO sector in Montenegro is highly competitive, and networking does not come naturally. NGOs will share information with each other, but only in cases where cooperation or information-sharing will benefit both parties. In 2008, however, there was an increase in the number of relationships and mentorships formed between top-tier NGOs and local-level NGOs on specific campaigns and initiatives.



While the range and quantity of training opportunities and trainers are largely satisfactory, NGO interest in trainings is still quite low. Intersectoral relationships have improved, with many of the larger, more developed NGOs at the national level working directly with government counterparts on common initiatives.

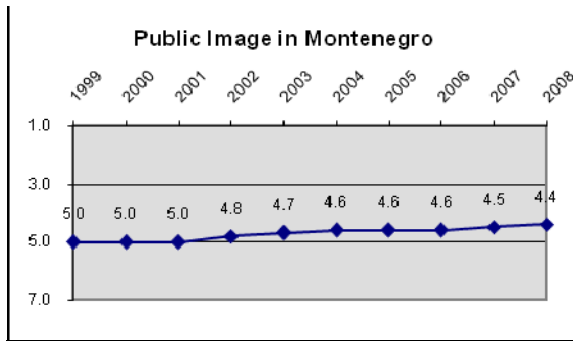
### PUBLIC IMAGE: 4.4

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In 2008, the trend towards improvement in the public image of NGOs continued. Focus group research on corruption showed that citizens generally trust NGOs more than their legal system or their government when it comes to dealing with corruption, a finding supported by the numbers of citizens approaching NGOs for information and legal advice. The TV program *Robin Hood*, which deals with citizens’

corruption complaints live on air, was popular with viewers. A public opinion poll conducted by CEDEM, a local research institute, revealed that for the second year in a row the most popular public figure in the country was an NGO leader.

The quantity and quality of media coverage on NGOs and their initiatives increased in 2008,

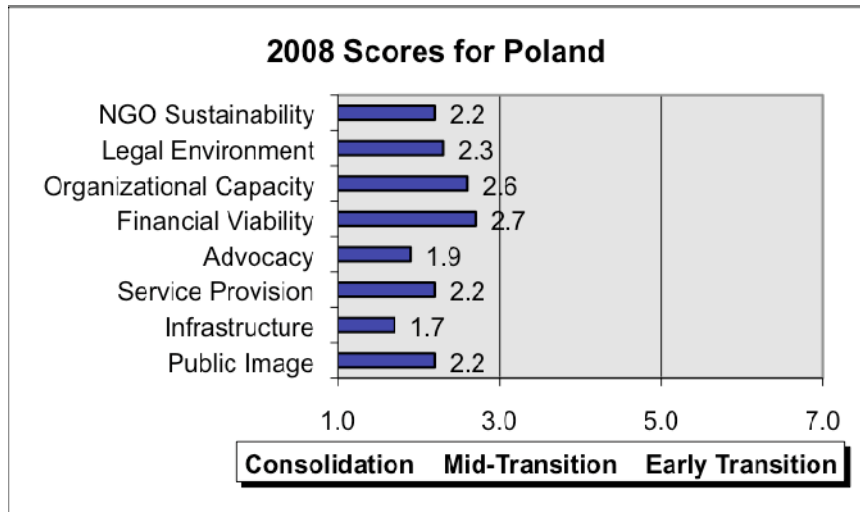


following a lull in the previous year caused by the media's focus on national elections. In

general, NGOs and media enjoy a mutually beneficial relationship, with a strong two-way flow of information.

As noted above, this was the first year of implementation of a national NGO Code of Conduct signed by over 145 NGOs, although it remains to be seen whether the code will be rigorously upheld. The NGO sector elected a seven-member self-regulatory body to enforce and monitor its implementation. No cases were brought before the self-regulatory body in 2008.

# POLAND



**Capital:** Warsaw

**Polity:**  
Republic

**Population:**  
38,482,919 (July 2009 est.)

**GDP per capita (PPP):**  
\$17,300 (2008 est.)

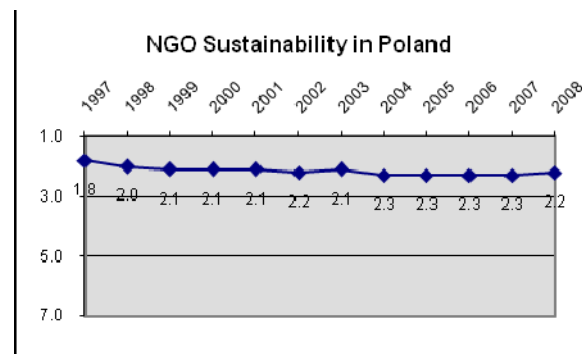
## NGO SUSTAINABILITY: 2.2

The overall condition of NGOs slightly improved in 2008, mostly in the advocacy, service provision and infrastructure dimensions.

Currently about 67,000 NGOs are registered, of which 58,000 are associations and 9,000 are foundations. The number of registered NGOs is growing every year, but because the registry does not remove NGOs that have ceased to exist, determining the actual number of active NGOs is impossible. Most data on the NGO sector comes from research conducted every two years by the Klon Jawor Association.

The NGO sector is quite young. Over one-third of all NGOs were established between 2003 and 2007 and one-fourth came into being between 1999 and 2002. NGOs tend to concentrate in urban areas, with only 20 percent in rural areas. The sector is dominated by NGOs in the fields of sports, tourism, and recreation and hobbies. Other popular fields of activities are culture and art, education, social services, social assistance, and health care.

Relations between NGOs and public administration at central and local levels have improved. The government tries to show, however superficially, that it supports NGOs.



The year 2008 marked the fifth year of the Act on Public Benefit Activity and Volunteer Work. As NGOs and local governments grow increasingly familiar with the mechanics of this type of contracting relationship, many forms of cooperation made mandatory by the act have continued to grow.

The general financial condition of NGOs improved in 2008, mostly due to the increased availability of public money. Despite bureaucratic burdens, obtaining public money is still relatively easier, less humiliating than many fundraising activities, and less risky than commercial activities. At the same time, by focusing on seeking public funds and delivering contracted services, NGOs are becoming more detached from their constituencies. New regulations limit the role the 1 percent

mechanism could play in building local constituencies.

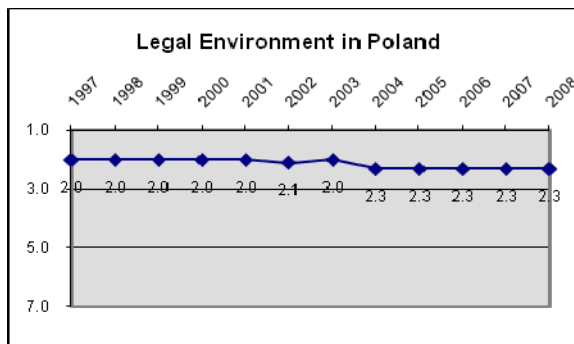
The availability of EU funding increased significantly in 2008, but the competition for EU funds is growing. In the first years after Poland joined the EU, most EU funding went to the largest organizations that were able to carry out large projects, while grant programs for 2008–2013 are intended for smaller projects. Advocacy remains the strongest dimension of the NGO sector in Poland. Awareness of the

necessity of mutual dialogue has increased, but with few tangible results. Making use of personal connections proves to be more successful than participation in formal forums. Although the sector has many intermediary bodies and coalitions, none of them really represents the whole sector's interests.

The number of support centers and trainings available to NGOs has increased. Even if the quality of training is not always high, the professionalism of many NGOs is growing.

### LEGAL ENVIRONMENT: 2.3

The legal environment governing the NGO sector did not change significantly in 2008. The registration process still takes from three weeks in big cities like Warsaw to six months in some parts of Poland. The complicated regulations have not changed, and although both NGOs and registry courts are becoming more familiar with the legal requirements, the level of knowledge is still low. Sometimes informal contacts speed up the process.



The lack of necessity to de-register non-functioning NGOs remains a problem and makes national registry data unreliable.

Another problem connected with registration is that, according to law, an association must be established by at least fifteen people. Many experts believe this number is too high, especially since it is much higher than in many Western European countries. Setting up a foundation does not require any members and the minimum capital required is very low. This increases the number of foundations with no capital. Some people find others who agree to

support the establishment of an association provided they will not have to do anything else in the future, creating masses of inactive members.

NGOs can act freely, and the law guarantees their sovereignty, although they depend on funding that often comes from local authorities. The government cannot dissolve NGOs for political reasons, and large protests by the NGO sector have stopped attempts to increase legal control over NGOs. Meanwhile, many NGOs do not abide by reporting requirements.

The public administration, having heard numerous opinions from NGO sector activists, has admitted that the Act on Public Benefit Activity and Volunteer Work imposes unnecessarily complicated bureaucratic requirements. Work to amend the law is in progress.

Local legal capacity is the only area in the legal environment context that improved in 2008. A growing number of lawyers know NGO sector specifics. Although many small, rural NGOs still lack access to professional legal services, there are more legal aid centers, mostly thanks to EU funding. The great achievement of 2008 was the establishment of the Pro Bono Center, which offers large-scale legal support for nonprofits free of charge.

For the first time, instead of paying 1 percent of their tax liabilities to organizations of public benefit status and then waiting months for



reimbursement, citizens needed only to mark their selected organizations on their tax returns. This significantly increased the amounts of money donated, yet the overall results of this change were mixed. The new regulation made donors anonymous, which deprived NGOs of the opportunity to thank donors and use this mechanism to build local constituencies. In addition, the largest, richest national NGOs that had access to mass media received most of the donations. Some NGOs distributed CDs with tax return forms where the names of their NGOs were already inserted as recipients of the 1 percent donations. Each year shows that the 1 percent mechanism is abused and often does not serve its assigned purpose.

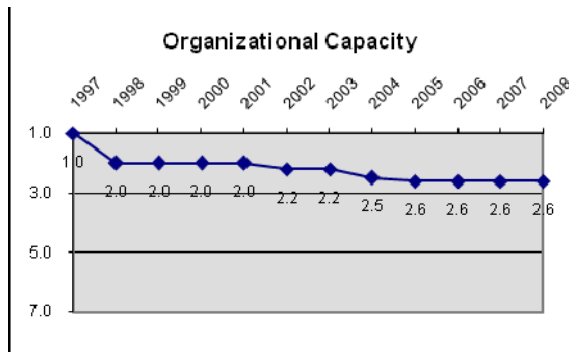
Donors still need to pay VAT on donated items, while they can deduct VAT if they throw away the unused goods. This discourages goods donations and is especially harmful for services for the hungry, such as food banks. Discussions with the Ministry of Finances give some hope that the regulations might change in the future.

NGOs are legally allowed to compete for government contracts and procurements at the local level, as well as earn income from the provision of goods and services. Yet the direction of the trend is difficult to determine. The EU program EQUAL was intended to support the so-called social economy (activities of nonprofit organizations that serve both social and economic purposes), but did not allow NGOs to sell any products produced with public money.

## ORGANIZATIONAL CAPACITY: 2.6

The overall organizational capacity of the NGO sector has stayed the same. Despite significant technical advancement, the capacities of NGOs to build local constituencies have deteriorated.

NGOs do not work to build local constituencies. The support of NGO members in terms of their work and membership fees is not significant in comparison to funding from other sources.



NGOs tend to be more oriented towards institutions or persons that can provide funding rather than towards their constituencies. Membership is often treated only as a necessary condition to create an association. Moreover, citizens are less interested in being members of local associations. As NGOs provide more

services contracted by local governments, they are increasingly perceived as commercialized government extensions. Many young people treat the nonprofit sector as part of the establishment, as opposed to a place for independent thought and action.

All NGOs have mission statements, but try to make them as broad as possible so as not to block access to any possible funding. Only large, strong NGOs can engage in strategic planning, and they often do so because particular donors require it or because having a strategy increases their chances of being selected to receive a grant. The strategy of smaller, poorer NGOs is primarily centered on planning where and when they should apply for funding.

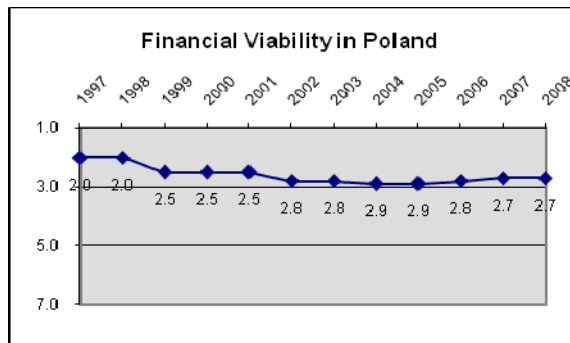
Internal management structures did not change in 2008, which is particularly a problem in smaller NGOs, where the same persons play many functions. In larger NGOs that receive EU funds, desirable practices are imposed by reporting requirements and numerous checks and inspections.

The NGO sector continues to be an unattractive workplace due to the instability of employment. Most NGOs hire people for particular projects.

Even though some larger European projects offer relatively attractive salaries, the projects rarely last more than two years. Recruiting volunteers continues to be a problem. This might be due to the tendency for many young people to go to England after finishing school, whereas in the past they might have sought volunteer work. Some also claim that NGOs focus on project funding rather than building local constituencies or attracting volunteers.

The visible improvement in the technical advancement of NGOs can be attributed to several factors. Computer equipment prices have decreased, making technology more accessible to NGOs. Many companies regularly replace their equipment, donating the older, but still good, equipment to NGOs. Also, a growing number of donors, including the EU and the government, allow NGOs to use funding to buy technical equipment.

## FINANCIAL VIABILITY: 2.7



The financial viability of the NGO sector did not change much in 2008. In general, the financial condition of NGOs improved due to the increase in public money available to the sector, although the approximately 25 percent of NGOs that primarily benefited from these funds already tended to be rich. Still, the money that has been pumped into the sector has generally come from the government and must be used for particular projects.

The sector continues to be dependent on public funds, as opposed to increasing its financial viability in the true sense of the word. Most public funds come from local governments. Many larger NGOs are also becoming dependent on EU funds. NGOs have limited commercial or fundraising activities and make few attempts to gain income from local communities, new members, or supporters. Half of all NGOs have

only one or two sources of income. Public funding is typically short-term, and grant programs and their priorities constantly change. Such a situation does not allow for strategic planning. While the changes in the 1 percent mechanism increased the amount of money to the sector, they also broke bonds between NGOs and their supporters. Furthermore, 1 percent contributions occur only once a year and, in most cases, do not constitute a significant portion of an organization's income.

Placing commercials in national media seems to be the most effective method for collecting 1 percent contributions. A growing number of local NGOs with no access to national media instead look for other tools (like the CDs with tax return programs, as mentioned above) to obtain funds rather than seeking local support.

A growing number of NGOs do proper accounting and have financial management systems in place. These systems are required as a condition of many grant institutions. Many organizations of public benefit status, however, eschew requirements to submit annual reports to the appropriate government departments. Financial information is treated as secret. NGOs' financial reports are hard to understand and often difficult to find on their websites.

## ADVOCACY: 1.9

Advocacy remains the strongest dimension, and it slightly improved in 2008, especially the atmosphere of cooperation between NGOs and governments at the central and local levels. In

late 2007, the new prime minister declared that cooperating with NGOs and strengthening civil society would be important priorities during his administration. NGOs are now able to easily

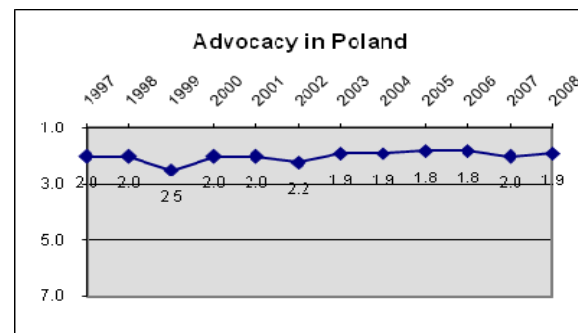
organize meetings with political decision makers. Decision makers also initiate many meetings with NGOs themselves.

Nevertheless, although many discussions take place, they do not necessarily lead to tangible results. Many NGOs complain that their opinions and proposals about various legislative acts and policy programs, although listened to, are often not implemented. Politicians at various levels argue that they cannot take into account the many recommendations of NGOs as they are often mutually contradictory. NGOs have established various coalitions, which do not represent the interests of the whole sector but only the interests of NGOs in a given field. Rather than work together, coalitions compete against each other. Even if lack of representation of the whole NGO sector might not be problematic, conflicts between related coalitions certainly are. The government is unable to choose between competing forces and these coalitions ultimately hinder advocacy attempts. Informal contacts remain the most effective medium of influence.

Partnerships between NGOs and local governments are not equal, as the local governments choose which NGOs will receive government contracts. Nevertheless, these partnerships have led to more projects being

realized. Grant proposals for partnership projects are more likely to be selected. Working together to complete projects allows local governments and NGOs to strengthen relationships and build trust, which will hopefully lead to equal partnership in the future.

Thanks to the EU funds available for advocacy in 2008, many NGOs carried out advocacy campaigns to change public opinion and influence policy programs. Still, those changes that did occur seemed to result primarily from informal contacts between NGO activists and central-level authorities.



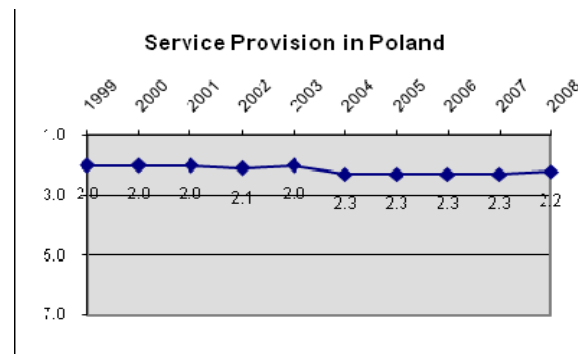
There was an intensive debate between the NGO sector and the government regarding amending the Act on Public Benefit Activity and Volunteer Work.

## SERVICE PROVISION: 2.2

As in 2007, service contracting has continued to improve as both local governments and NGOs became more familiar with contractual procedures. NGOs delivered more services.

When applying for grants funded from programs managed by local authorities, NGOs have to provide supporting data to demonstrate that the problems they intend to address are the real problems of their local communities. However, the types of services NGOs deliver still depend upon the kinds of services local governments want to contract out, or upon priorities of EU or central government funding programs managed by local authorities. Since NGOs do not have stable constituency bases, the services they

deliver typically go to a much broader group of people.



Some NGOs participating in the EU Community Initiative EQUAL Program, designed to build

Poland's social economy and set up cooperatives and social enterprises, had to look for unmet local needs to enter the market. Although some of these attempts were successful, their scale was not high at the national level.

NGOs are publishing more reports and analyses, thanks to the availability of EU funding. However, the availability of more publications does not necessarily indicate quality. Sometimes the content of publications overlaps. In the EQUAL Program, which ended in March 2008, all partnerships were obliged to organize final conferences and publish material on the development of social economy. During a few months, several conferences took place during which the same group of experts spoke and publications on the same themes by the same authors were distributed.

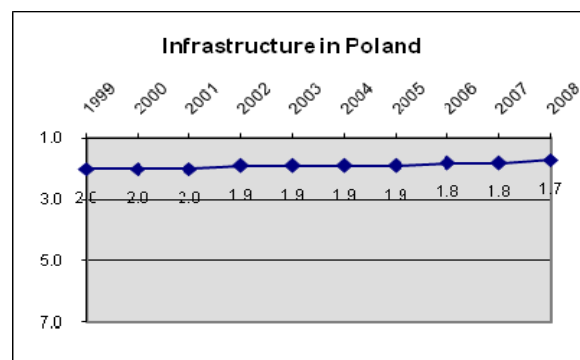
## INFRASTRUCTURE: 1.7

The infrastructure of NGOs slightly improved in the last year. The most noticeable improvement has been in the growth of support centers created within the framework of EU-funded projects. These centers provide numerous trainings, often free of charge, to NGOs, but the quality of training is not always high. Many NGOs lacking training expertise obtained funding to conduct trainings. Also, many commercial firms discovered that they could make profits organizing trainings for NGOs, sometimes with the support of EU funds.

The portal [www.ngo.pl](http://www.ngo.pl), run by the Klon Jawor Association, continues to constitute the database of NGOs in Poland and publishes information of interest to NGOs on a daily basis, including analyses of legal changes and announcements of upcoming conferences, trainings, and job vacancies. Readers post a large portion of the available information. Half of Polish NGOs have visited the portal.

The number of local grantmaking organizations is slightly growing but the number is still quite small, and their influence has decreased as a result of the significant growth of EU funds.

Overall, cost recovery did not change much in 2008. On the one hand, NGOs gained some experience in charging fees for their services to recover some of their costs. According to the Act on Public Benefit and Volunteer Work they can conduct fee-charging, mission-related activities as long as they do not exceed certain caps on salary levels of their workers. Once they exceed those caps, charging fees becomes commercial activity, which imposes additional requirements on NGOs. The popularity of charging fees for mission-related activities has been growing. On the other hand, NGOs do not have strong knowledge of the market demand, nor are they encouraged to gain such knowledge. Most services they deliver are contracted, or at least subsidized, by public sources.



Several coalitions of NGOs have formed with the aim of influencing government policies, but no single body or coalition represents the whole sector's interests. Since 2003, a Public Benefit Activity Council, made up of NGO and government representatives, has existed in order to advise the Cabinet of Ministers. NGOs nominate and elect members of the council. Representatives from smaller, less-known NGOs are unable to get enough votes to win a seat on the council, so its members tend to come from large NGOs and to represent their interests. The interests of smaller NGOs are hardly ever taken into account.

The number of intersectoral partnerships has been growing, particularly partnerships between

NGOs and local governments. Partnerships between NGOs and business or NGOs and the media are still quite rare. Some donors require

intersectoral partnerships or give extra strategic points to grant proposals that include partnerships.

## **PUBLIC IMAGE: 2.2**

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The overall public image of NGOs did not change much in 2008. The media are generally not interested in covering the work of NGOs. Few journalists write articles about NGOs, and if they do, they write about scandals in the sector or spectacular events organized by large charities. The media do not know much about the sector, and journalists complain that they are frequently approached by NGO activists who use unfamiliar terminology. The campaigns for 1 percent donations have contributed to the growth of cooperation with the media, and various media (mostly local newspapers) give space to NGOs at a reduced price or for free, but this cooperation is largely seasonal.

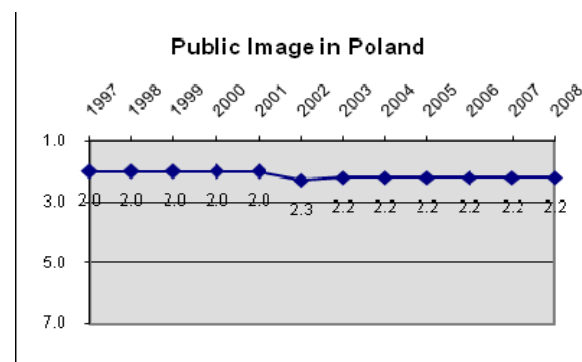
Some foundations invest in public relations and promote themselves. Some NGO issues have also been appearing in popular TV soap operas. The picture of NGOs presented by the media is, however, far from representative and does not enable citizens to understand the sector. Public opinion polls show that most citizens do not even understand the notion of the nonprofit or nongovernmental sector. They tend to identify only specific national charity organizations that are popularized in the national media by celebrities. Few people are aware of the diversity of the sector.

The government increasingly appreciates the role of NGOs in providing professional services and is beginning to look more to NGOs for expertise and information. However, many local governments still consider NGOs as institutions to whom they can contract out public tasks rather than as real partners. Partnerships are often superficial or used as a means to increase chances of receiving grants for certain projects. The same superficiality occurs in relations between the central government and NGOs. Political decision makers often invite NGO representatives to meetings and consult them on programs and laws, but opinions of the

NGO sector are often not taken into consideration in preparing and passing final versions of documents.

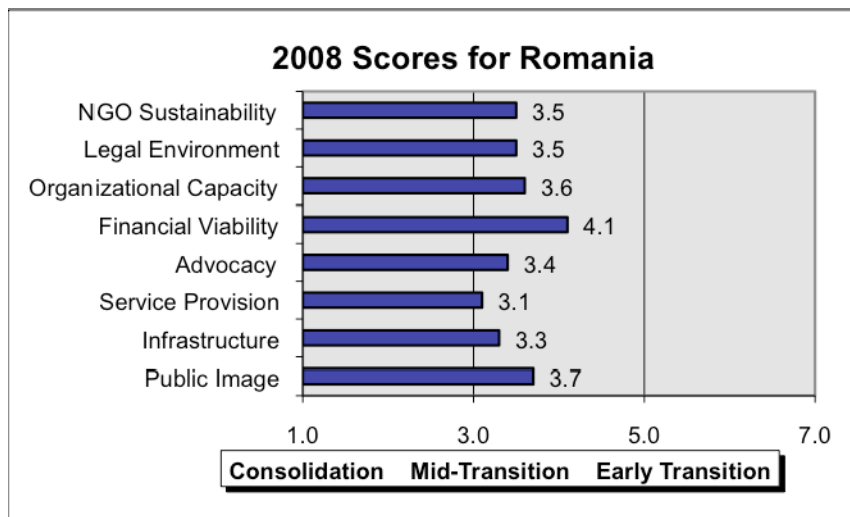
Only half of NGOs declare that they publicize their activities and promote their public image, which generally consists of creating and maintaining a website. NGOs concentrate on creating a good image among donors who can finance their projects, rather than seeking the support of local communities.

Self-regulation remains one of the weakest aspects of the functioning of NGOs. Few NGOs are aware of the Charter of Principles published in 1997 by NGO leaders. NGOs are convinced that they already face overregulation and believe that they should not engage in regulations that cannot or will not be enforced. The sector lacks a sense of common identity and unity. NGOs or coalitions sometimes treat other NGOs or coalitions like rivals in the quest for funding or influencing public policy.



Few NGOs publish annual reports, and the documents they prepare are written in hard-to-understand language and placed in hidden parts of their websites. Many websites do not contain contact details for staff, and the activity descriptions are vague. Financial information or donor lists are often regarded as trade secrets.

## ROMANIA



**Capital:** Bucharest

**Polity:**  
Republic

**Population:**  
22,215,421 (July 2009 est.)

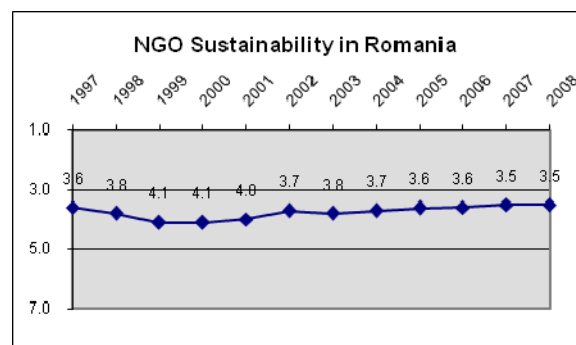
**GDP per capita (PPP):**  
\$12,500 (2008 est.)

### NGO SUSTAINABILITY: 3.5

For the first time in recent years, NGO sector development has stagnated, with the overall state of the sector remaining the same as in 2007. While a current estimate of the number of active Romanian NGOs is not available, four years ago experts estimated that the number approached 7,000.

The legal environment did not improve significantly. On several occasions, authorities attempted to intimidate NGOs, creating a dangerous precedent. Most NGO sector proposals to improve the legislative framework remained unanswered, and some legislation affecting the NGO sector was promulgated without consultation with NGOs.

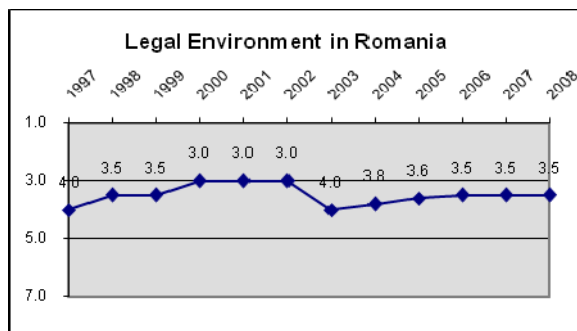
The European Union Structural Funds mechanism is still inaccessible to private and local entities almost two years after Romania's EU accession. The first projects funded through the Structural Funds began at the end of 2008, and involved fewer than fifty NGOs. For the rest of the Romanian NGO sector, the Structural Funds have remained inaccessible, and as a result, many NGOs that anticipated EU funding were forced to reduce their activities.



The quality of services provided by NGOs is generally recognized by central and local government officials, but local authorities' lack of capacity to implement the regulatory framework still impedes local budget allocations for NGOs.

NGO cooperation with public authorities did not improve, with the exception of a few successful advocacy campaigns. There is a widespread perception that advocacy campaigns are less effective than they used to be prior to Romania's EU accession. In 2008, however, public awareness campaigns and fundraising events achieved results. Most of these campaigns aimed at supporting children and the environment. More individuals and firms provided donations for social causes.

## LEGAL ENVIRONMENT: 3.5



The legal environment was less permissive compared with previous years, as the government introduced new legislative initiatives impeding the development of the NGO sector.

The draft law modifying Government Ordinance 26/2000 regarding associations and foundations has been debated in Parliament since the end of 2007. The draft law forbids NGOs to register with a name similar to that of a public institution and would require a registered NGO to change its name if it matches that of a public institution. Some of the key NGOs in Romania would need to change their names in order to fulfill this requirement. The president refused to promulgate the law after it was passed, and sent it back to parliament for reexamination. The law was not reexamined, however. A parliamentary group sent a petition to the Constitutional Court of Romania arguing that the law violates Article 40 of the Constitution of Romania, which provides that citizens may freely associate and join political parties, trade unions, employers' associations, and other forms of associations.

The Bucharest municipal council proposed dissolving two NGOs for arbitrary reasons. The proposal was repealed in court, but the case was

## ORGANIZATIONAL CAPACITY: 3.6

The year 2008 marked the launch of a national research study analyzing the state of the NGO sector in Romania. The research, conducted by the Civil Society Development Foundation

widely reported in the media, setting a precedent for authorities to intimidate NGOs by demanding their dissolution.

The NGO sector continued to raise with authorities a proposal to improve Law 350/2005 regarding state funding for NGOs, but the government did not consider the proposal. Because the law is not applied properly, local public authorities are impeded from allocating funds for NGOs. Less than 10 percent of local governments financed projects or activities for youth in 2007, even though, according to the law, it is compulsory to support youth initiatives. The director of the National Authority for Supporting Youth Initiatives (ANSIT) publicly declared that local authorities are not aware of the regulatory framework in this field or its importance.

Obtaining public benefit status remains difficult. The process is marked by bureaucracy and political favoritism. Some NGOs directly linked with politicians or political parties obtained the status even though their activity is not in the public interest. The status also offers few tax advantages to NGOs, giving them even less incentive to apply for it.

A government ordinance on criminal tax records was amended and supplemented by Law 91/2007. Criminal tax records keep track of taxpayers (natural and legal persons) that commit criminal acts related to finance or customs. A lack of a criminal tax record is compulsory for the establishment of a not-for-profit entity or for any modifications in its statute. The main concern about the requirement is that the implementing legislation is not coherent, so judicial interpretations of the law can vary significantly.

(CSDF), is the only study of its kind in Romania in the last nine years. The study will map the NGO sector and analyze its organizational and financial capacity. The first results of the

research will be available in spring 2009. CSDF conducted similar research in 1999.

NGOs working in the social and environmental fields had the most success in building constituencies. NGO projects in these areas received increasing media coverage and were acknowledged by communities.

Building stronger organizational capacity continues to be a priority for the NGO sector. Major donors such as PHARE and the Charles Stewart Mott Foundation, as well as new donors such as the Norwegian NGO Fund, maintained their support for programs and activities to build NGO capacity.

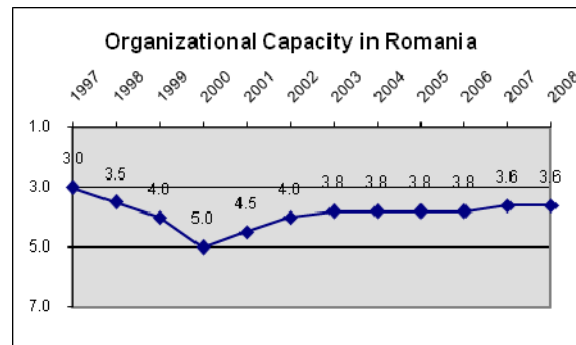
Romanian NGOs have become more aware of the benefits of partnerships and seek to develop projects with a variety of entities. Since many European programs became available for Romanian NGOs in 2008, the need to forge international partnerships has become a priority for those NGOs that are trying to build international expertise in a specific field. Romanian organizations' expertise has been recognized at the international level in fields such as youth and Roma issues. For instance, Romani Criss was awarded consultative status with the UN Economic and Social Council.

As the Romanian economy has continued to be on an upward trend and wages in the business sector have risen, the number of employees migrating from the not-for-profit to the profit sector is higher every year. Many highly qualified staff left the NGO sector for

#### FINANCIAL VIABILITY: 4.1

When Romania joined the European Union in 2007, and key international donors announced their exit strategies, less than 10 percent of NGOs' budgets were covered by domestic funding sources. NGOs in the social field and watchdog groups were the most affected by funding cuts,

consultancy and training firms, which have become profitable in Romania in recent years.



The number of Romanians involved in volunteering remained constant over the last fifteen years and varies between 6 and 8 percent of the population.<sup>1</sup> These figures are lower than in most former communist countries, and demonstrate the lack of a volunteering tradition within Romanian culture. The management of volunteers is not part of the human resources policy of most NGOs. Most campaigns to promote volunteering were conducted by small and medium-sized NGOs at the local level. Between November 2007 and April 2008, Provobis conducted the only national volunteering campaign.

For most NGOs, office equipment is no longer an obstacle in the implementation of their activities, as most previous funding programs allowed the purchase of new office equipment. Internet accessibility has increased even in rural areas.

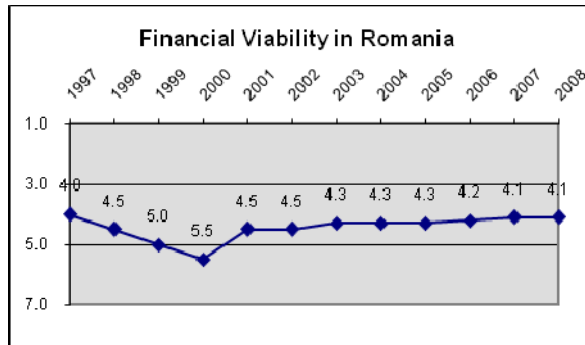
and a considerable number of NGOs was forced to reduce activities and staff.

European Union pre-accession funds continue to be one of the main sources of funding for NGOs. PHARE civil society programs totalled approximately €9 million in 2008. In June, a

<sup>1</sup> *Public Opinion Barometer*, Soros Foundation Romania, October 2007.



special NGO fund of €5 million was launched by the Civil Society Development Foundation with the support of the European Economic Area (EEA). NGO sector needs are much greater than the funds available, however.



In April 2008, the first call for proposals for EU Structural Funds was launched, but for most NGOs it is still very difficult to access these funds because of technical and financial requirements. For most of the programs funded under Structural Funds, NGOs have to cover the project expenses out of their own budgets and then obtain reimbursement from the public authorities. The

### ADVOCACY: 3.4

With the exception of several successful advocacy campaigns, no significant improvement in cooperation with public authorities was registered in 2008. As in past years, the most visible forms of collective action by NGOs continued to be informal coalitions. There is a widespread perception that advocacy campaigns are less effective than they used to be prior to Romania's EU accession. In the absence of EU pre-accession leverage, public authorities are less open to dialogue with NGOs. There are also fewer supporters at the political level for NGO advocacy initiatives. At the regional and local levels, advocacy initiatives have been less visible and successful.

The most visible campaigns were in the fields of good governance and the environment. Within the campaign "Clean Romania," advocacy initiatives were launched in several fields. The Coalition for Clean Universities continued its campaign for the integrity of the academic

lack of advance payments is one of the main obstacles for NGOs in accessing these funds. NGOs' lack of financial resources discourages them from submitting project proposals.

The global economic crisis has also reached NGOs, as donors from the United States and Great Britain are revising their predictions for budgetary allocations in 2009. Some Romanian NGOs working in the social field publicly declared their incapacity to cover the costs of their beneficiaries because of funding cuts.

NGOs continued to improve their skills in organizing public fundraising events. One charity event in 2008 raised €600,000. The most successful fundraising events were in the child protection and environmental areas. According to data provided by the Ministry of Finance, 15 percent of taxpayers used the 2 percent law to redirect part of their income tax to NGOs in 2007, 50 percent more than in 2006. The total amount donated was €7.2 million, compared with €5 million in 2006.

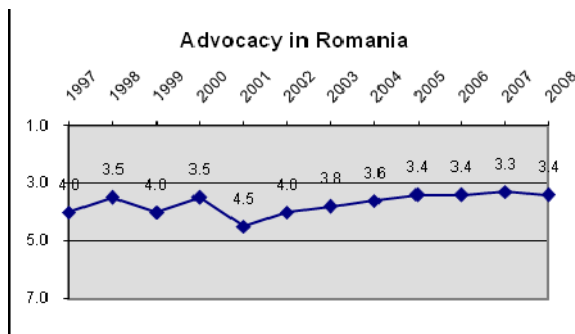
environment in Romania. In May, the coalition launched its first report, which drew attention to a series of corruption-related problems in five Romanian universities. In 2008, the coalition initiated an evaluation process targeting forty-two universities in Romania. In July, the Coalition for Clean Government called for political parties to sign a pact to respect the rule of law in upcoming general elections. NGOs continued to monitor alleged corruption within the Parliament.

In February 2008, Pro Democratia Association (APD) facilitated a consensus among the main political parties for the introduction of a uninominal electoral system, which was adopted by the parliament in March. The introduction of this new electoral system was largely the result of a campaign that APD initiated in 2007.

NGO members of the coalition "Romania without Cyanides," supported by organizations

from Hungary, Slovakia and Ukraine, continued their advocacy campaign. An opinion poll in April 2008 revealed that 66 percent of Romanian citizens support banning the use of harmful technologies in gold mining. While the coalition has received the support of several prominent MPs, no progress has been achieved in the parliament.

The Association of Bio-culturally Protected Areas launched a petition to stop hunting in protected areas and proposed a “constitution for protected areas” to the Ministry of Environment.



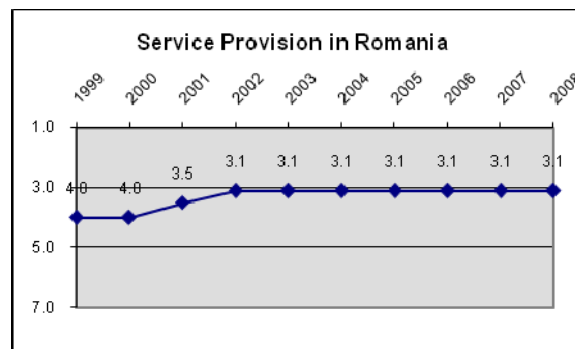
Advocacy campaigns have also been carried out in fields where such engagement is relatively new. The Federation of Parents’ Associations in Pre-university Education successfully supported a law banning the distribution of unhealthy food products at schools. With the support of CEE Trust, several Romanian NGOs have created the Romanian National Alliance for Rare Diseases, a national network of key representatives from patient organizations, communities, and public institutions. Their campaign to create more support for patients diagnosed with rare diseases has drawn the attention of the relevant authorities and mass media. The Ministry of Health adopted the National Plan for Rare Diseases, which includes provisions for new services for patients with rare diseases. Legislation on subsidized medication has also been changed in favor of such patients. In May, the majority of the candidates for the Bucharest local elections signed the Pact for Bucharest, a joint initiative of thirty NGOs. The pact included a development strategy for Bucharest, covering transport, green areas, sports, historical heritage and transparency.

### SERVICE PROVISION: 3.1

Increasingly, state authorities and other local stakeholders recognize the quality of services provided by NGOs. In 2008, local authorities contracted more services from the NGO sector. Two major state agencies, the National Environmental Fund and the National Cultural Fund, had budget allocations for NGOs.

Funding sources for social service provision are still very limited. Central and local government budget allocations are difficult for most NGOs to access. The main obstacles are the legislative framework, the local authorities’ approach toward the NGO sector and the annual central budget allocation. Under the annual allocation, a project budget can be spent only during the current budgetary year. Due to bureaucratic constraints, sometimes a project can only begin in the second half of the year, but all expenses must be incurred by the end of the year regardless of whether project activities are completed. The only multi-annual programs, the National Interest Programs for the Protection of

Children’s Rights, were approved by the Parliament in June 2008.



NGOs in the social field operate primarily as service providers, but they have become more visible through their watchdog and advocacy work. One explanation may be that donors financed programs that encouraged NGOs to obtain public information and to be involved in public policy. On the other hand, grassroots organizations have become less likely to provide

public services as traditional donors phase out and public institutions fail to develop mechanisms to finance NGOs.

The number of NGOs beginning to engage in economic activities is increasing every year, but little data are available about trends in this area.

### INFRASTRUCTURE: 3.3

Resource centers for NGOs are sustainable only in several larger towns. Those at the local level are less developed and do not manage to attract enough users to become sustainable. In 2008, the EU PHARE program for civil society provided funding directly targeting resource centers. The tendency is for each resource center to specialize in providing particular services, such as training or information dissemination, rather than offering a wider range of services.

The number of local grantmaking organizations and the amount they distributed increased over the past year, with the most funding going to the environment, child development, people with disabilities, and community development. In addition to traditional local donors such as the Princess Margarita of Romania Foundation, United Way, and the Romanian Environmental Partnership Foundation, new organizations started to be active at the local level. In December 2007, the Odorheiu Secuiesc Community Foundation (Székelyudvarhelyi Közösségi Alapítvány, or SzKA) became the first registered community foundation in Romania. In January 2008, SzKA held its first official grant round with the Ön Dönt (You Choose) campaign. In April, the Cluj Community Foundation was launched. The foundation has the support of local authorities and private companies.

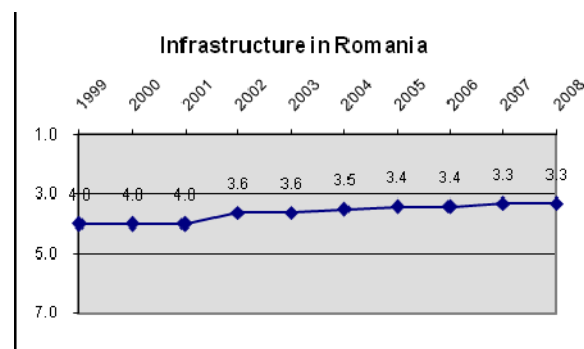
The private sector increased its contributions to corporate social responsibility (CSR) projects in 2008. According to the Romanian Donors' Forum, the top ten companies with the largest CSR budgets provided contributions of \$9.5 million, an increase of more than \$600,000 compared to the previous year. Over half of the

The types of economic activity vary from consulting to candle making. In rural areas, the NGO sector consists of grassroots or community organizations that focus on solving community problems. There is still a major lack of data about the number of active rural NGOs or types of services they provide.

total in 2008 represents sponsorships, with NGOs among the main beneficiaries.

According to the Register of Associations and Foundations, only two NGO federations formally registered over the past year. NGOs can afford to pay only symbolic membership fees. In the absence of core funding, federations struggle to maintain and develop administrative capacity. Federation secretariats often function on a voluntary basis within one of their member organizations. This situation undermines federations' effectiveness in carrying out advocacy and policy work.

Partnerships and networks were encouraged in 2008 by the EU and other donors. The Black Sea Trust for Regional Cooperation promotes the creation of international partnerships at the regional level. NGOs have continued to be eligible to participate in European programs on cross-border cooperation, but various procedural obstacles prevent effective transnational partnerships and have discouraged NGOs from submitting projects.



The training services provided to the NGO sector are diversified and a core of experts in the NGO sector is capable of providing quality

training. Accessing EU Structural Funds continues to be the topic in highest demand from training providers, even though NGOs are not eligible for most of the current operational programs. Public institutions recognize the quality of NGO training providers and use their services.

Intersectoral partnerships continued to develop in 2008. The number of partnerships between public institutions and NGOs has increased with the influx of EU Structural Funds. Public institutions started to realize that they do not have enough capacity to access Structural Funds and that NGOs often can supply needed expertise.

### **PUBLIC IMAGE: 3.7**

The NGO sector benefited slightly from better media coverage in 2008. Most of the reporting was related to private companies' growing interest and involvement in CSR activities which, thanks to their PR departments, usually receive coverage in the media. The media continued to be supportive of CSR activities that included the participation of NGOs and they offered space for public service announcements.

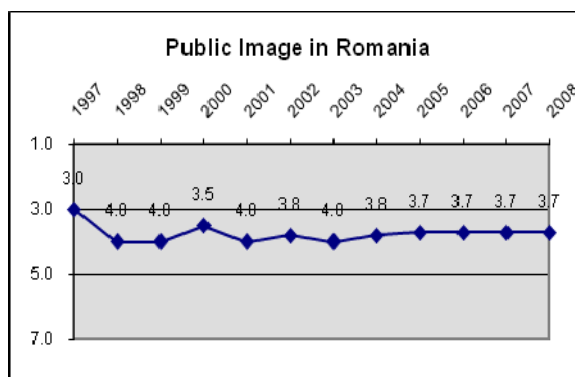
Business and government attitudes towards NGOs improved in 2008. NGOs are more often mentioned in speeches by public officials and politicians. Still, less than 10 organizations are regularly invited to participate in public debates or other media programs. Media coverage of NGOs is often focused on an individual NGO leader rather than the organization he or she represents.

Media coverage of NGO activities increased to reflect NGOs' growing involvement in advocacy, watchdog and research activities, and as a consequence of NGOs' greater communications capacities and their implementation of public awareness campaigns.

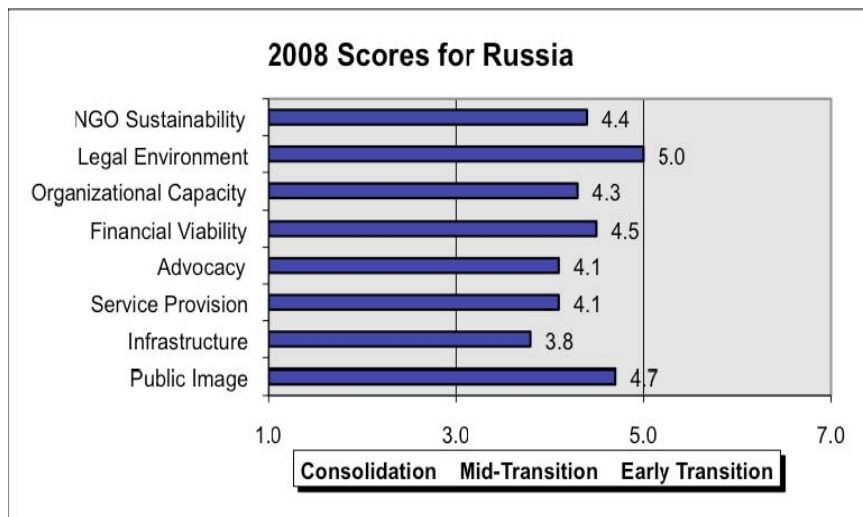
In 2008, there were more public campaigns and fundraising events, with better results. More individuals and firms provided donations for social causes, primarily in the areas of child protection and the environment. National television stations started to affiliate with certain campaigns, some on a regular basis and others occasionally. The media group Realitatea Catavencu was among the most active, with CSR campaigns in the social and environmental fields.

Generally, the public in Romania remains unfamiliar with the NGO sector and does not yet fully recognize the benefits of NGO activities. Fewer than 30 percent of Romanians have great trust in NGOs. However, the situation is improving each year.

While NGOs rarely have the power to set the public or media agenda, they have increased their presence on the Internet. NGO resource centers created dedicated web portals. The first online portal containing news on the NGO sector, [www.stiriong.ro](http://www.stiriong.ro), was launched in 2008. The portal also aims to create the most updated NGO database in Romania. NGOs conducted online advocacy and fundraising campaigns. Most NGOs with limited PR and communications capacities usually disseminate information through dedicated web portals and e-mail lists.



## RUSSIA



**Capital:** Moscow

**Polity:**  
Federation

**Population:**  
140,702,096 (July 2008 est.)

**GDP per capita (PPP):**  
\$15,800 (2008 est.)

### NGO SUSTAINABILITY: 4.4

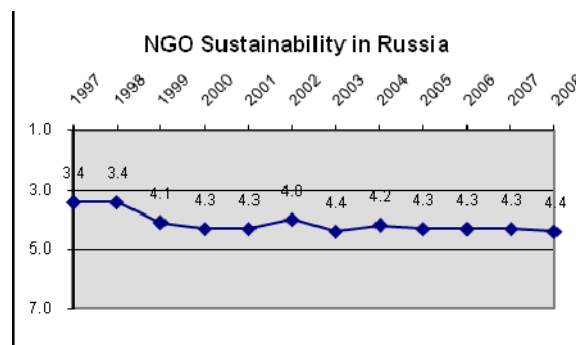
According to the Ministry of Justice, more than 217,000 noncommercial organizations are registered in Russia. Of these, 57 percent are public associations and 11 percent are religious groups. Experts estimate that 40 percent of registered NGOs are actually functioning. In addition, 248 affiliates and representative offices of international and foreign organizations operate in Russia.

As in 2007, government policy toward the nonprofit sector was the key factor that affected changes in NGO sustainability in 2008. The Russian government has formulated its priorities regarding how civil society should develop and in what activities NGOs should be involved. The state has become more active in funding selected NGOs and choosing NGOs to be engaged in policymaking.

The state has created numerous institutions and mechanisms for integrating NGOs into the power structure, such as the Public Chamber, public councils at ministries and agencies, and similar entities at the regional level. Municipal authorities are proactively establishing NGO resource centers that are guided by government priorities. Most NGOs see neither the need nor the potential to build constituencies, believing

that lobbying through government officials is more effective.

The amount of funding that NGOs receive from foreign foundations and international organizations shrank compared to the share from federal and regional budgets. The government supports a limited range of activities, however, and does not cover NGOs' operating expenses. NGOs increasingly have to pursue projects outside their missions and strategic goals in order to obtain resources for core projects.



The state has formally recognized NGOs as social service providers. Legislative amendments make NGOs eligible to participate in tenders for service provision contracts that are subsidized by regional and municipal

government funds. Often NGOs are unprepared to compete in the services market, however.

The overwhelming majority of citizens surveyed are positive about various community and charitable activities. Yet, public awareness of NGOs' work is still very low. Only one in five

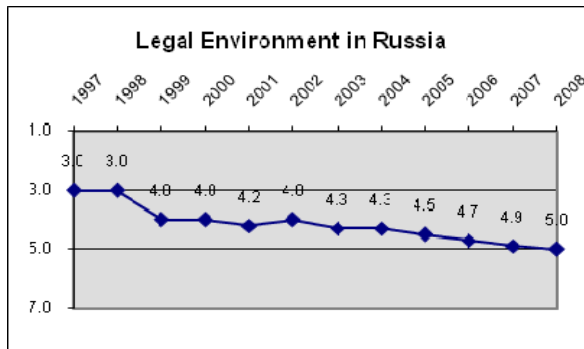
respondents in a recent study was able to name one NGO. NGOs often fail to publicize their work. Both NGOs and the public are rather pessimistic about the NGO sector's capacity to solve social problems and still view this as the prerogative of the state.

## LEGAL ENVIRONMENT: 5.0

Although no substantive changes occurred in the legislative and regulatory framework which governs the NGO sector in Russia, the government's policies towards NGOs became more restrictive. NGO advocacy efforts helped to prevent adoption of restrictive changes to some laws. For example, no negative amendments were made to the NGO laws, notwithstanding several proposals by the Ministry of Justice. A resolution reducing from 100 to twelve the number of international grantmaking organizations whose grants are exempt from profit tax might have a negative impact on the third sector.

In May 2008, a presidential decree dissolved the Federal Registration Service (FRS) as a stand-alone governmental body, and FRS' functions were transferred to the Ministry of Justice. This led to cancellation of the inspections of NGOs that were initiated by FRS. The transfer of functions sometimes led to delays in NGO registration.

The Civil Society and Human Rights Council under the President of the Russian Federation was officially dismissed following the election of the new president earlier in the year. A new council was appointed in February 2009.



Judicial practices still leave much to be desired. In arbitrating disputes between NGOs and government authorities, particularly the FRS, the Supreme Court often based its rulings on technical grounds. A number of reputable, proactive organizations were closed due to legal technicalities. It should be noted, however, that legal and financial documents of NGOs are not always in compliance with the laws and regulations.

The government declared development of philanthropy to be high on its agenda. Measures to encourage private giving and volunteerism were discussed at the All-Russia Forum organized by the Public Chamber in November 2008. A package of laws related to NGO endowments was prepared and is pending with the Ministry of Economic Development. In 2008, laws on self-regulated organizations and mutual loan societies were passed, but these changes affected only a small group of specialized NGOs.

Tax inspections and financial and legal audits are often spearheaded against organizations that voice views that differ from official ones. These are mostly human rights organizations. At the same time, authorities are usually more tolerant toward NGOs that provide services to local communities. Insufficiently developed legislation on the NGO sector makes it possible for government officials to make discretionary interpretations of ambiguous laws and regulations.

Legal practices vary across Russia and with respect to different types of NGOs. NGO registration problems rarely occur in

Novosibirsk and Samara Oblasts. In Samara, several NGOs even managed to fight and successfully defend their interests in court. In Moscow and Moscow Oblast, registration and amending registration documents are very complicated procedures that can take up to several weeks.

NGOs face other types of challenges related to non-NGO specific legislation. For example, laws that regulate the provision of educational services are interpreted very strictly. Tough licensing requirements are applied to all programs deemed to be educational, including

advocacy and informational programs. Another restriction relates to the geographic boundaries within which NGOs can legally operate. The activity of any NGO is restricted to the boundaries of the municipality or region where it is registered. The Federal Law 108 FZ on Concessions, adopted in June 2008, and amendments to the Law on Protection of Competition have changed the process for concluding agreements related to municipal and state property. As a result, NGOs face difficulties in concluding low-cost office lease agreements.

### ORGANIZATIONAL CAPACITY: 4.3

The organizational capacity of NGOs declined over the last year. Only the level of technical equipment and access to the Internet improved. NGOs typically have necessary office equipment, but it is often obsolete. NGOs have few opportunities for upgrades and purchases of new software.



The availability and quality of financial resources strongly affects the institutional development of NGOs. With few exceptions, NGOs do not develop strategic plans and have no resources for institutional development. Their main focus is survival. Frequently NGOs

accept any potential project, sometimes at the cost of their mission and strategic goals, in order to survive financially.

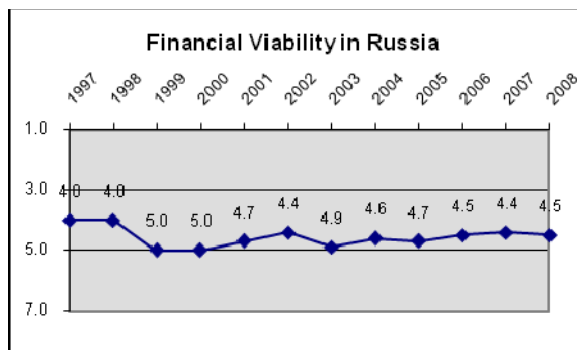
Employees with experience in NGO management increasingly leave NGOs because of poor salaries. Jobs in the third sector no longer offer strong career potential, and professionals are leaving NGOs to find better paying jobs in business or government. Only leading NGOs manage to retain a core group of employees. NGO accounting and reporting activities have improved somewhat as regulators such as the FRS, the Ministry of Justice and the Federal Tax Service have strengthened their reporting requirements. Still, studies show that even NGOs themselves evaluate as poor NGO transparency and openness.

NGOs' efforts to build constituencies are ad hoc and targeted mostly at local issues. Initiative groups and informal community networks have recently been more successful than NGOs in building constituencies.

### FINANCIAL VIABILITY: 4.5

While financial resources of the NGO sector did not grow over the last year, NGO funding sources have changed. The share of funding from regional and federal budgets has increased substantially. For example, Novgorod and

Leningrad Oblasts included support to NGOs as a separate budget line for the first time. The federal government allocated 1.5 billion rubles (\$55 million) in the 2008 budget for NGO projects.



The increase in government funding does not cover NGO needs, however. Tenders for government contracts require a deposit that is often impossible even for larger NGOs to make. Government funds are usually provided at the end of a year for a short period, are typically for low-cost projects and rarely exceed \$5,000. In addition, government funds support only a very limited range of activities. Many NGOs simply cannot meet the narrow criteria.

Many organizations have realized the need to diversify sources of funding, but only a handful of them have managed to do so. Some NGOs have begun proactively developing more volunteer projects. NGOs also receive nonfinancial assistance from local businesses that provide free goods and services. It is difficult, however, for NGOs to implement full-fledged projects or strengthen their institutional development by relying mostly on nonfinancial resources.

NGOs are trying to develop private donations as a source of funding but only a few have been successful. These include recently established foundations that focus on addressing acute social

#### ADVOCACY: 4.1

The trend toward strengthening the state's influence over the NGO sector became more visible in the form of mechanisms and institutions that fit NGOs into the governmental power structure. On the federal level this process is controlled by the Public Chamber as well as public councils at ministries and agencies. Similar institutions exist at the

problems, such as providing urgent surgeries for seriously ill children.

International donors are gradually wrapping up their programs, partly because of the growing financial restrictions on their work in the Russian Federation. Domestic sources of funding for NGOs now exceed foreign funding. According to the Russian Donors' Forum, the aggregate charitable expenditure of Russian and international companies operating in Russia amounted to \$493 million in 2008. Of this amount, ten companies accounted for \$485 million. Several new foundations were established under the patronage of large companies or their owners. These include the Russian Railways Fund for Social Assistance to Children "Spread the Wings," the Fund for the Development of Social Entrepreneurship "Our Future" founded by the president of LUKOIL, and the foundation "Evolution and Philanthropy" founded by the owner of the financial corporation URALSIB. In general, however, NGOs typically lose out to corporate philanthropy programs run by large businesses that raise private donations for their projects.

Many NGOs have strong professional capacity, particularly in educational services, social technologies and consulting. Some part-time NGO employees combine their work at NGOs with work in the business sector. This is often the only way the organization can survive and retain core staff. The number of NGOs that re-registered as nonprofit partnerships or autonomous nonprofit organizations, legal forms that offer broader opportunities for profit-earning activities, increased significantly over the past year.

regional level and act as platforms for interaction between government and NGOs.

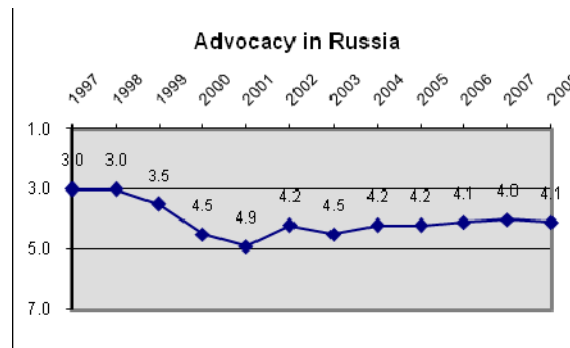
An expert group that includes NGO representatives was established at the federal level and managed to achieve progress in discussions with the FRS to make necessary amendments to the Tax Code. NGOs contributed to the drafting and passage of some



laws, such as the federal Law on Custody and Guardianship, which regulates child welfare. The new Fund for Support of Children in Difficult Situations has been proactively involving NGOs in consultations to develop its strategy and prioritize its activities. NGOs also took part in drafting the government concept for the development of philanthropy.

NGOs are only allowed to participate in the discussion of laws that are of interest for the state, which typically are limited to social services laws. The authorities prefer to invite experts from the NGO sector and avoid collaboration with larger groups of NGOs that are capable of advocating their own interests and those of the public.

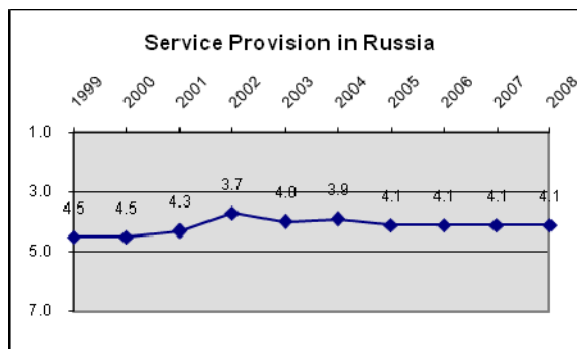
Authorities use NGOs as a tool for public support of government initiatives in the social



sphere. In many areas that are not priorities of the state, such as homelessness and family violence, NGOs find it difficult to operate and to advocate for policy change. Human rights organizations that express views different from those of the authorities face difficulties conveying their message to the public because they do not have access to major media outlets.

#### SERVICE PROVISION: 4.1

Provision of social services to the public has not yet become a well-established NGO activity. Although NGOs provide a wide range of services, they often lack scope and capacity to address the public's needs for social services.



The state has formally recognized NGOs as players in the market for social services. However, neither the government nor the public perceive NGOs as service providers. Most NGOs do not study the needs of their beneficiaries and as a result respond poorly to these needs. NGO services tend to be of mediocre quality and are generally not in high demand. NGOs are not prepared to charge fees for services and often do not calculate the cost of

service provision. The authorities often refund NGOs' costs in non-cash form, such as by providing premises and equipment rather than covering NGO staff salaries.

Amendments to the Budget Code allow NGOs to receive government budget allocations. Now NGOs are on a level playing field with other market participants, such as municipal institutions, for-profit organizations and entrepreneurs. Regional and municipal governments can now subsidize social services that are included in the state register and that NGOs provide to their target groups. NGOs are still unprepared for competition in the services market, however.

Existing financial mechanisms do not facilitate the development of service provision by NGOs. The 2008 amendment to the Budget Code introduced a provision according to which an organization that has signed a contract with the government receives 30 percent of the funds as a down payment and the remaining 70 percent only after submitting a performance report. It is difficult for most NGOs to meet such conditions because they are limited to using their existing financing for a specific purpose. In most cases

NGOs are restricted to providing services for which they obtain targeted financing.

Today a larger number of social services require standardization and licensing, but only a small number of NGOs meet these requirements. These are mostly organizations that have been established in such legal forms as nonprofit partnerships, autonomous nonprofit

organizations, or nongovernmental institutions whose chartered activities include fee-based services. While such organizations are socially oriented, they are proactively engaged in business operations and offer affordable prices for high-demand public services such as care of the elderly and teaching children with special needs. Other NGOs are still cut out of most social service delivery.

### INFRASTRUCTURE: 3.8

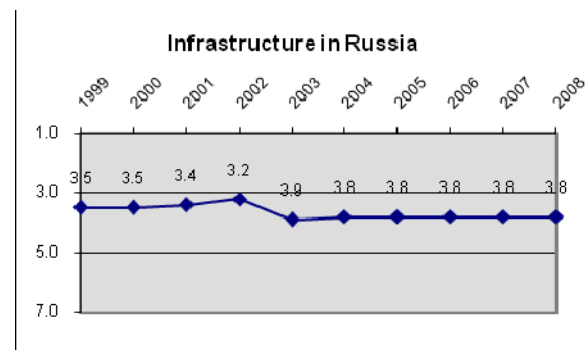
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Resource centers for NGOs exist in almost every region, but the quality of their services strongly depends on sufficient funding. Large cities where sustainable, strong resource centers operate have a surplus of training services. The situation is different in remote regions that still have a high demand for trainings in various aspects of NGO activities. There is also a need to train new staff that enters the sector. Even when training is free for NGOs, small or remote NGOs are often unable to cover travel and accommodation costs.

A recent trend is the establishment by municipal governments of resource centers for NGOs. This process has been particularly evident in the Novosibirsk Oblast where municipal resource centers provide the full scope of necessary technical services to NGOs. In Samara, municipal institutions such as the youth center, the people's friendship center and the veterans' center have begun acting as resource centers that supply technical assistance, consultations and training services. Often municipal resource centers are guided by state priorities for the NGO sector, however.

The NGO sector has been weakened by the lack of independent funding institutions. The development of community foundations has slowed down in comparison to previous years.

The role of NGO coalitions that join efforts to address common concerns is now played by expert working groups. Examples include the group of experts that lobbied for changes to the Tax Code, as well as a group of NGO representatives whose recommendations formed the basis of the concept for a government foundation supporting at-risk children. From time to time either NGOs or the government establish expert groups that are fairly proactive in addressing issues that affect the NGO sector as a whole.



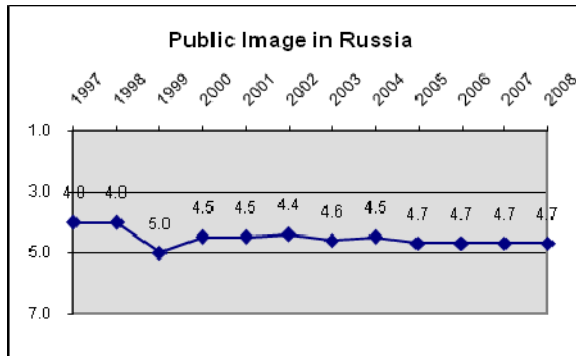
The Internet is also making a strong impact on the development of infrastructure. It has provided NGOs with greater access to relevant information, promoted active dialogue within professional circles and created additional opportunities for outreach to target groups.

### PUBLIC IMAGE: 4.7

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In the spring of 2008, a Moscow-based think tank, CIRKON, conducted a survey, *Public Support of NGOs in the Russian Regions*:

*Problems and Prospects.* It showed that the vast majority (76 percent) of citizens 23–45 years old were positive about civil society



organizations and various public and charitable activities. However, only one in three respondents had heard about NGOs, and only 18 percent were able to name one particular organization. On average, more than half of total respondents (from 44 percent in Kaliningrad to 68 percent in Barnaul) said they would like to know more about NGOs.

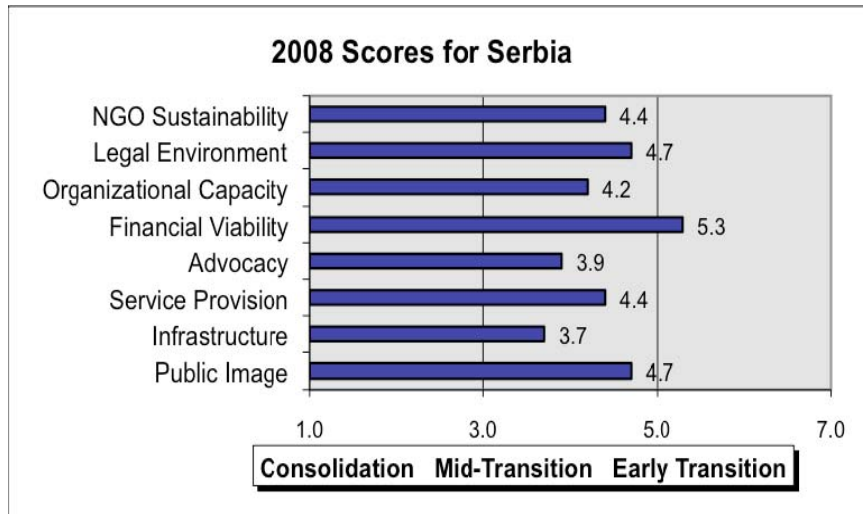
Because of social and economic hardships, people simply do not have enough time or resources to take part in the work of NGOs as members or volunteers. On the other hand, NGOs themselves often fail to make the effort to advertise their work and provide public access to information about their activities. NGOs that have PR managers who have regular contacts

with journalists account for only a small part of the NGO sector. Few organizations publish annual performance reports. A lack of professionalism on the part of NGOs is sometimes the reason for this, but the root of the problem is that nonprofits do not have the money for outreach to external audiences.

Recent coverage of NGOs in the national and regional media is increasingly favorable. Socially responsible businesses recognize NGOs as important intermediaries in implementing projects. At the same time, businesses point out that NGOs lack professionalism and should perform better if they are to become equal partners. The government's approach is historically negative to some NGOs, such as human rights groups, but authorities draw on the experience of a fairly large number of NGOs in consultations to resolve current social concerns.

NGOs developed an ethical code to outline the principles that should govern NGOs' work, but these principles are not self-regulated in the NGO community. Although the ethical code has not brought about any major changes, it might become the foundation for further self-regulation of NGOs' activities in the future.

## SERBIA



**Capital:** Belgrade

**Polity:**  
Republic

**Population:**  
7,379,339 (July 2008 est.)

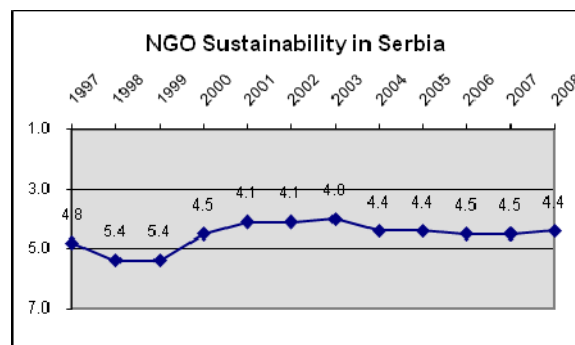
**GDP per capita (PPP):**  
\$10,900 (2008 est.)

### NGO SUSTAINABILITY: 4.4

Serbia experienced numerous tumultuous political events in the first half of 2008. These included presidential elections in January, with a second round in February, pitting the policies of the incumbent, western-oriented president against those of a strongly nationalist political leader. In February, Kosovo's unilateral declaration of independence from Serbia resulted in large-scale protests and rioting that left scores wounded, one dead and several symbols of the West, including various embassies, vandalized. Partly owing to these events, general elections in May became in essence a national referendum on whether the country should embrace western overtures to join the European Union or seek to expand ties with Russia.

The country's Democratic Party (DS) garnered the most votes, but in order to be able to form a coalition, DS reached out to the Socialist Party of Serbia, its erstwhile opponent for much of the past twenty years. By early July, the two sides reached an agreement and formed a pro-European government that many observers consider the most stable in recent years, as well as the most likely to live out its full mandate.

In mid-July Radovan Karadzic, one of the most notorious indicted war criminals from the war in



Bosnia, was arrested and extradited to the International Criminal Tribunal for the former Yugoslavia in The Hague. Subsequent protests led by nationalist and extremist groups failed to spark the kind of political instability that many feared would follow Karadzic's arrest. Instead, the government set to work in earnest by the end of the summer.

The situation in the country and the mood among NGOs can best be described as one of cautious optimism. NGOs continue to have an important role to play in advancing the kinds of policies and practices that will move Serbia closer to EU accession. With the pro-European mandate from the public, Serbian civil society organizations have an immediate opportunity to prove their value to society by advocating on

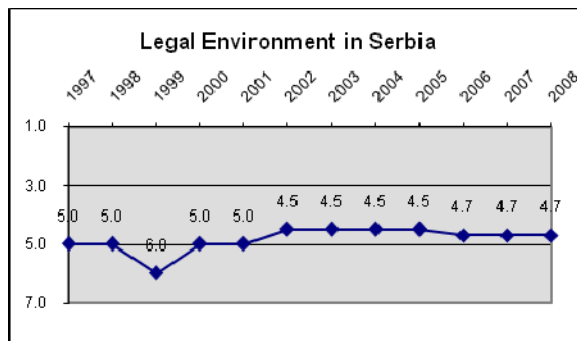
issues that citizens care about and that support Serbia's path to EU accession.

While exact data is not available, the Statistical Office of the Republic of Serbia indicates that over 10,000 NGOs are registered, including sport and recreation clubs and art and cultural

associations. The number of active NGOs is considered to be much smaller. The *Directory of NGOs* issued by the Center for Development of Non-Profit Sector lists 2,100 active public benefit organizations, including human rights, women's rights, environmental, advocacy, peace, and youth groups.

## LEGAL ENVIRONMENT: 4.7

Serbia continues to be the only country in Central and Eastern Europe that has not yet reformed the basic legal framework governing NGOs. The sector remains subject to outdated legislation including the Law on Associations (1982), the Law on Foundations (1989), and the Federal Law on Associations (1990), although the last refers to a defunct governmental structure including the now-independent Montenegro. Efforts to pass new legislation have dominated the attention of civil society for the seven years since the fall of Slobodan Milosevic.



Reflecting the cautious optimism noted above, civil society organizations expected the government to pass the new draft Law on Associations within the closing weeks of 2008, particularly after the legislative committee of the Serbian parliament confirmed that the law is in accordance with the country's constitution and legal order. In December, however, the government withdrew the law from parliament in order to clear the agenda and focus on passing the 2009 budget.

In October, the government's Poverty Reduction Strategy Team and the Belgrade Center for Political Excellence co-sponsored a forum

highlighting institutional cooperation between the state and civil society in which it was hoped that President Tadic himself would participate. In the end, Tadic did not appear, although the government was represented by several cabinet-level officials. NGO activists point to this as an important example of the government's commitment to improving the overall environment for civil society.

The draft Law on Foundations, prepared over the past year by a coalition of organizations including the Balkan Community Initiatives Fund (BCIF) and the Ministry of Culture, is pending approval following several public discussions during the course of the year. The law is the result of a six-month process that involved recognized legal experts, economists, representatives of funds and foundations, NGOs and the government, highlighting increasing cooperation between the government and civil society in the legislative arena. Though the government originally expected to hand over this piece of legislation to the parliament by November 2008, by year's end it was still in the process of completing a series of four regional discussions, to be followed by a larger public event in Belgrade. The Ministry of Culture sent a copy of the draft law to the Council of Europe for their comments and determination whether the draft complies with European practice and standards.

Human rights organizations and activists continue to experience some harassment. The government was sometimes unwilling or unable to follow up on threats and attacks made against organizations both in and outside of Belgrade.

While NGOs that belong to coalitions generally have adequate access to legal support, individual organizations—especially those outside of

Belgrade—do not. There is no systematic legal support network for NGOs across the country.

## ORGANIZATIONAL CAPACITY: 4.2

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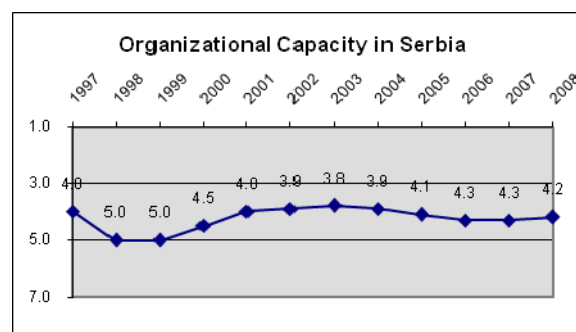
NGO constituency building initiatives saw a definite improvement during the year. This was due to a combination of factors, such as NGOs becoming increasingly attuned to issues that people care about, especially on the local level. While a few years ago there may have been a taboo associated with joining an NGO, now Serbians are more inclined to participate in projects, especially those with tangible benefits for the surrounding community. Government support of and willingness to work with NGOs have also reinforced efforts to build constituencies. Even human rights organizations, which were long considered the least popular civic initiatives, now report an increase in the number of citizens, especially students, seeking volunteer opportunities.

Despite these positive developments, many of these initiatives are still donor funded. It is unclear whether they will continue without some type of support, be it from foreign or domestic sources.

Many NGOs lack clear strategies for long-term sustainability, much less a strategic planning process. NGOs continue to develop projects based on donor interests and lack guaranteed long-term funding.

The increase in the number of organizations supporting internal audits of their own programs is a positive development clearly related to

donor influence. Whether this will continue as some donors withdraw from Serbia is uncertain.



NGOs have a difficult time retaining permanent staff. While some might see a positive side to this—high turnover means a higher number of people exposed to NGO programs—the reality is that this puts an increased burden on staff to constantly recruit and train new personnel instead of being able to focus on the work at hand. Some argue that high turnover has also served to improve cooperation and understanding between civil society and the government or private sector as people move between sectors. Civil society simply cannot match private sector salaries, so high turnover is to be expected for the foreseeable future. With many NGOs still largely driven by charismatic leaders, building the capacity of mid-level staff to assume program management, citizen outreach, and fundraising duties remains a pressing need.

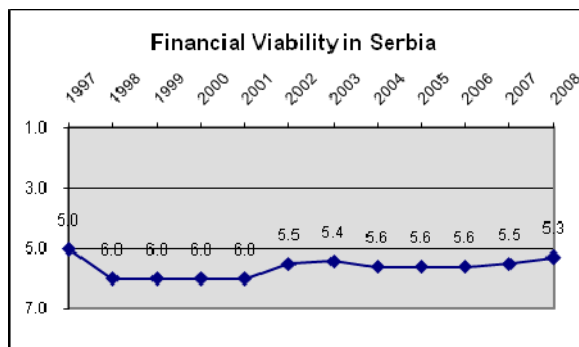
## FINANCIAL VIABILITY: 5.3

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Serbia lacks any significant membership-driven organizations and civil society has yet to figure out a way to survive without external donors. NGOs continue to rely on foreign funding in spite of stiff competition and a general decrease in available funds. The year 2008, however, saw an important increase in government and private

sector support of civil society, especially on the local level. For example, the Ministry of Youth, which relied heavily on NGO participation and consultations while developing the country's national strategy, also works through local youth offices on the strategy's implementation. NGOs have become more effective in lobbying the

government to support their efforts. In addition, certain areas of the country, such as Novi Sad, turned away from radical-controlled governments to more democratic leadership in the recent elections. Other areas, such as Nis, are home to large companies such as Phillip Morris, opening up partnership opportunities for NGOs from such regions.



In 2008, BCIF renewed its partnership with Erste Bank to manage the bank’s philanthropic activities. A representative of Price Waterhouse Coopers participated in the selection committee for BCIF’s second annual VIRTUS award, which recognizes outstanding achievements in the field of social responsibility. BCIF also continued negotiations with U.S. Steel/Serbia and Holcim Srbija on potential cooperation, and received a grant from the Office of the Deputy Prime Minister for the creation of a database of NGO projects.

### ADVOCACY: 3.9

Though the first half of the year created uncertainty for the entire country, including the NGO sector, the formation of a more stable government in July opened up new prospects for advocacy efforts. Effective advocacy vis-à-vis the government, however, remains limited to what personal connections NGOs may have with specific representatives or institutions, as there are no formal mechanisms for cooperation. Many organizations, especially those outside of Belgrade, have limited personal contact with national government representatives, but more direct contact with local-level representatives.

Corporate social responsibility initiatives continue to gain momentum, and 2008 saw the launch of the country’s first ever Business Leaders Forum, sponsored by the NGO Smart Kolektiv. The forum is meant to serve as a gateway for businesses interested in getting more involved in NGO activities.

The improved score in this dimension reflects the optimism slowly building as the year progressed. Further improvements in the legal environment will help NGOs increase the diversity of local sources of funding, including individual philanthropy and private corporations, by legitimizing the status of NGOs in society and providing much-needed tax incentives. Community-based NGOs are increasingly obtaining local funding, including from companies. Meanwhile, national NGOs are somewhat more willing to seek out corporate resources, though some fear that a connection with business interests will compromise their values or that business interests do not want to be connected with them, a particular concern for those organizations dealing with sensitive subjects such as human rights.

Many NGOs, particularly smaller organizations and those outside of Belgrade, lack adequate financial management and plans for the future. Financial management training continues to be in high demand.

Lobbying is not legally regulated, which contributes to a reliance on personal contacts.

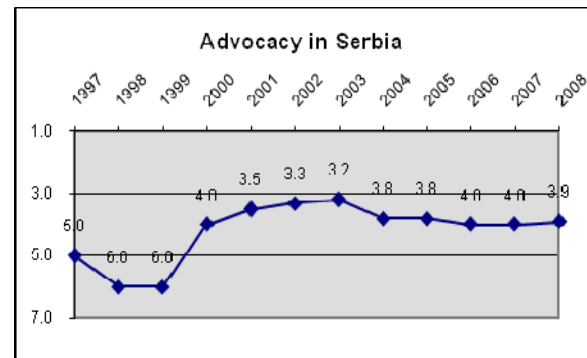
The term lobbying has a negative connotation among the public, state officials and even a majority of NGOs. This makes efforts to engage in effective lobbying even more challenging. Nevertheless, the government now conducts public hearings as a matter of course when considering new legislation or initiatives, a significant improvement over recent years.

Various legal reform initiatives including the draft Law on Associations and the draft Law on Foundations gained momentum in 2008,

although neither law was passed due to the unstable political situation. NGOs cite the difficulty of sustaining public attention in a country still struggling with regular political crises and scandals. An issue may capture the public's attention one week, only to be replaced by another issue the following week.

Though leading organizations are starting to see success in advocacy, their achievements are not indicative of the sector as a whole. Most advocacy initiatives remain discussions between NGOs and government elites. NGOs have made limited strides towards mobilizing citizen support and influencing public opinion around issues of national importance, including those

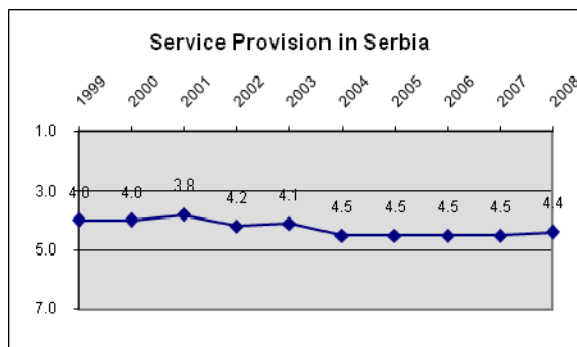
related to Euro-Atlantic integration. One exception was a large pro-EU integration campaign launched by NGOs during the general election.



#### SERVICE PROVISION: 4.4

NGOs provide a range of services across Serbia. These initiatives are often poorly funded, however, and organizations live project to project, which is neither sustainable nor good for business.

There appears to be an increase in the number of organizations interested in expanding into service provision, reflecting a growing awareness on the part of civil society that they must better market their skills and services to their communities. Some organizations continue to rely on outdated methods such as sponsoring roundtables.



A majority of Serbian NGOs, particularly human rights organizations, continue to have problems making that crucial connection with the communities in which they are operating and that they ostensibly support. Human rights

NGOs that provide free legal aid to individuals whose rights may have been violated have no government support and the public has little knowledge of them.

Increased government recognition of the role of civil society, including NGOs involved with service provision, has led to increased awareness and support of NGOs by the public. While there remains no official government strategy for working with NGO service providers, the number of social service organizations supported by various government ministries has grown. The Poverty Reduction Strategy Implementation Focal Point, an office created within the Deputy Prime Minister's Office in September 2004 to oversee implementation of the Poverty Reduction Strategy, continues to be the leading example of government-NGO cooperation in service provision. Businesses also increasingly cooperate with NGOs; the Business Leaders Forum and Smart Kolektiv jointly sponsored an NGO fair in Belgrade in June to showcase the role of NGOs in local communities across Serbia.

The ability of NGOs to receive contracts for services remains hindered by the weaknesses of the tax structure and the limitations on income generation. While some NGOs are looking into creating for-profit subsidiaries, such endeavors are limited. The country's complicated tax



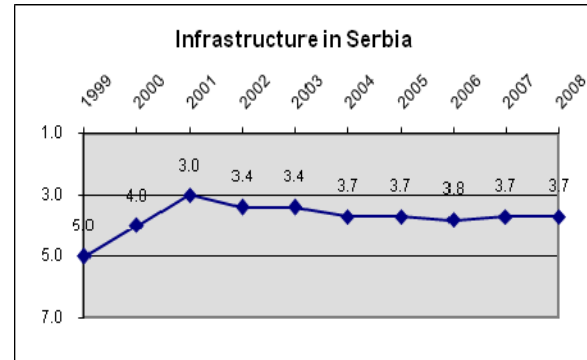
structure makes little distinction between NGOs and for-profit organizations, nor does it provide

incentives for the private sector to donate to charities or engage in philanthropy.

### INFRASTRUCTURE: 3.7

Networking and coalition building are becoming more common, especially as NGOs become aware of the benefits of such endeavors. Coalitions on access to information and decentralization are two prominent new initiatives. Nevertheless, if ad hoc initiatives are to become stronger, they must be more structured and formal, with clear roles and responsibilities for members.

Partnerships with the government and private sector continue to improve. NGO efforts to promote corporate social responsibility, such as Smart Kolektiv's establishment of the Business Leaders Forum, have increased the credibility of the NGO sector as a legitimate private sector partner. BCIF continues to position itself as a national foundation with the capacity to receive philanthropic funds and re-grant them for local community initiatives.



Though Serbia has very capable trainers, there are no institutionalized mechanisms for funding training outside of a handful of donor activities, and little thought has been given to the sustainability of current efforts. Individuals rather than organizations are often contracted as training providers because they are less expensive. NGOs most in need of training are least likely to be able to pay for it. Trainers are often poached by private sector companies that can pay more.

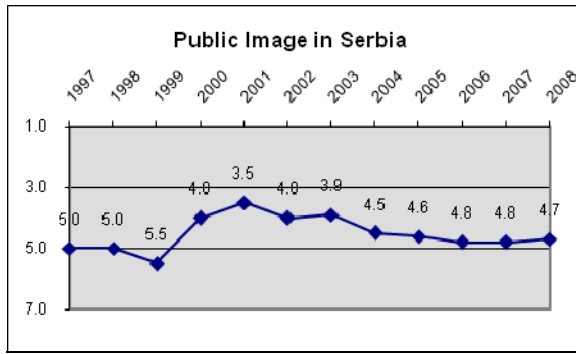
### PUBLIC IMAGE: 4.7

NGOs continue to battle their image as donor-driven, foreign-funded mercenaries that fail to respond to citizens and lack transparency and accountability. Some politicians and media outlets still brand as traitors human rights organizations that speak out on sensitive topics such as war crimes, casting a negative shadow on the NGO sector as a whole.

Certain issues seem to inspire community responsiveness and participation. Chief among these are environmental issues within communities, such as polluted riverbanks and illegal dump sites. Organizations dealing with these issues seem to garner the most public support, as evidenced by the high numbers that turn out in towns and communities to help NGOs clean up various sites.

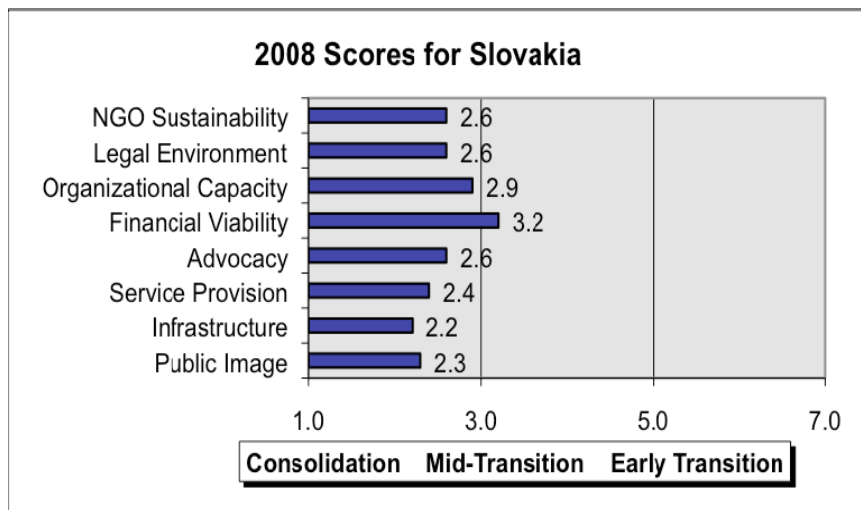
NGOs that focus on citizen concerns receive more favorable media coverage. Those outside Belgrade, where NGOs are closer to the communities they serve, have a more positive image and enjoy better cooperation with the local media. National media coverage, still the most influential source of information in Serbia, remains a challenge for NGOs. Large events with high-profile participants tend to attract more media attention, such as the Balkan Communities Initiative Fund's annual VIRTUS awards ceremony, which features well known celebrities, or Smart Kolektiv's work with the Business Leaders Forum.

The NGO sector has yet to adopt a code of ethics. The lack of progress towards greater



transparency and accountability leaves NGOs vulnerable to easy stigmatization and unfair characterization as non-transparent, foreign-funded mercenaries. NGOs often respond defensively to negative attacks, further alienating the public. However, NGOs are becoming more proactive in presenting themselves to the public and building relationships with the media.

## SLOVAKIA



**Capital:** Bratislava

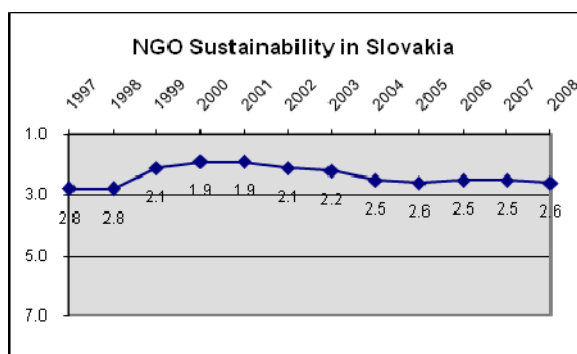
**Polity:**  
Parliamentary Democracy

**Population:**  
5,463,046 (July 2009 est.)

**GDP per capita (PPP):**  
\$21,900 (2008 est.)

### NGO SUSTAINABILITY: 2.6

According to Slovak Interior Ministry data, there were 31,601 NGOs as of the end of 2007. Some types of organizations were gradually excluded from the NGO category during 2008. For example, the Act on Wild Animal Care and Hunting, submitted by the Ministry of Agriculture, indirectly excluded hunting organizations from the NGO sector. Through these types of changes in laws, the number of NGOs has decreased, weakening the power of the sector.



The second year of the term of Róbert Fico's government brought several new proposals and measures that could have negatively affected the sector. The proposed changes included the cancellation of the 2 percent income tax donation. NGOs responded by

organizing protests that led the government to halt its initiative.

The biggest problems NGOs faced included centralization of state power, limitation of control mechanisms, attempts to cancel the 2 percent income tax donation both for legal entities and individuals, and efforts to amend the Act on Free Access to Information, as well as to adopt the controversial Law on Associations, which proposed strict new regulations. NGOs registered under this law would only be allowed to develop the activities of their members, as opposed to serving the larger population. Further, they would be prohibited from carrying out self-financing activities. Also, organizations applying for the 2 percent tax donation would have to use double-entry bookkeeping and pay for an audit report, which is very expensive for small organizations. Some of the restrictions also apply to the way financial statements, such as revenues, interest on deposits and loans, and subsidies provided are presented. Legal experts have noted that even political parties and businesses do not face such strict requirements. These and other restrictions could essentially force some organizations to close.

In 2008, the situation in the sector was marked by legal and financial uncertainty and the

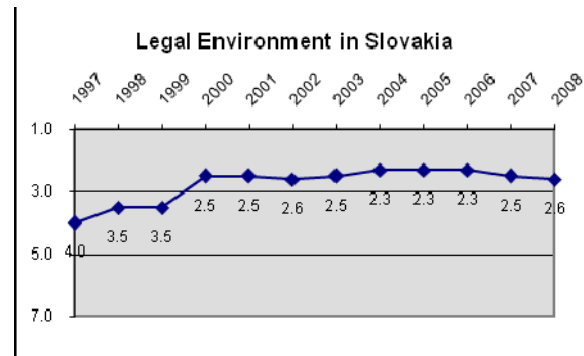
absence of the use of cooperation mechanisms between the government and NGOs. Financial flows, the legislative environment, and the complexity of organizations (a large number of

small NGOs functioning on a voluntary basis) contributed to the decrease in the sustainability and development of Slovak NGOs.

## LEGAL ENVIRONMENT: 2.6

Legal uncertainty was a major challenge during 2008. In December 2007, the draft Law on Associations (as opposed to the existing Law on Associations of Citizens) was published for review. According to the 1<sup>st</sup> Slovak Nonprofit Service Center (1<sup>st</sup> SNSC), this draft was unconstitutional and did not consider the previous partial legislative changes in the Act on Foundations, the Act on Public Benefit Organizations, and the Act on Income Taxes. NGO representatives came together to found *Iniciatíva za slobodné združovanie*, or the Initiative for the Freedom of Association, and submitted a collective comment. The comment was signed by 5,800 people and more than 680 NGOs by the end of January 2008. As a result, the draft bill was not submitted for government negotiation. The legislative group at the Council of the Government for NGOs was to elaborate and submit a new draft bill, but had not yet done so by the end of 2008. According to the Interior Ministry, the draft bill has been withdrawn, and it is not clear when it will be submitted for comment. The state of threat and uncertainty, however, has remained, since the government may renew the process at any time. Some NGO representatives believe that no new act is necessary; an amendment to the existing Act on Foundations and Law on Associations of Citizens would be sufficient.

The registration process has not changed except for the launch of the registration of civil associations on the Interior Ministry website, which is updated with newly registered associations only. The passivity of the government has been a problem, and the fractionalism of the existing legal regulations, the lack of specialists on nonprofit legislation, and the weak communication and information exchange among NGOs have further complicated the issue.



An example of the disconnect between the NGO sector and the government is the Act on Social Services, which guarantees citizens rights in the area of social aid, respecting the current trends of development and EU guidelines. The act introduces new social services and was approved by the National Council of the Slovak Republic in September. The approved act considerably restricts the right of citizens to select their own social service providers by imposing an extremely high sanction on those who select non-public providers. Further, the non-public provider will not be reimbursed for costs and will have to demand the whole payment from the service recipient. Also, non-public lodging houses and sanctuaries will not be allowed to accept applicants for their services until a higher territorial district or municipality decides that they may do so.

Social enterprises are intended to help address unemployment of marginalized groups. Thirty percent of a social enterprise's employees must be considered disadvantaged job applicants such as mothers returning from maternity leave, disabled, or people who have been unemployed for a long period of time. The state contributes to the operation of social enterprises in the form of subsidies, but social enterprises interested in such a subsidy must have an agreement with the relevant labor office. Social enterprises have been operating since September 2008, but they

have shown minimal results. For the government, the employment of disadvantaged groups was the biggest advantage of a social enterprise; however, in connection with the financial crisis, the government is considering making changes to this law. Changes might include dropping current requirements to employ at least 30 percent disadvantaged applicants and to put 30 percent of profits back into the organization towards the improvement of working conditions.

Since there is no legal definition of volunteerism, the Open Society Foundation, C.A.R.D.O., Partners for Democratic Change, and the 1<sup>st</sup> SNSC organized four workshops throughout the year to prepare an act on volunteering. In October 2008, 1<sup>st</sup> SNSC submitted the first draft definition of volunteerism. There is an ongoing discussion among NGOs that directly work with volunteers or do volunteer work, and lawyers who look at the issues from a legislative viewpoint.

In March 2008, the Education Ministry passed the Act on Support of Work with Youth. When writing the final version of the act, however, youth organizations' comments were ignored. The act partially deals with issues of volunteerism, but does not resolve issues such as the inclusion of voluntary service into work years for pension purposes or volunteerism by NGO members. The act does not extend protection to young people who are under thirty, gainfully employed, and not from the EU who volunteer in Slovak organizations. The act requires a criminal check of volunteers. Also, organizations must sign agreements with volunteers, in addition to providing pocket

## **ORGANIZATIONAL CAPACITY: 2.9**

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The vast majority of NGOs have prioritized implementing approved projects, as opposed to building the capacity of their employees. Generally, NGO employees fulfill multiple roles. For example, one person is both the expert who designs and implements projects and the administrator who takes care of day-to-day administrative tasks. NGOs do not create full-time jobs and prefer external consultants. Often

money, reimbursing volunteers for travel expenses, and paying insurance premiums, all of which many organizations cannot afford.

Throughout the year, the government tried to limit civic participation and freedom of speech. For example, according to the Freedom of Information Act, NGOs had the right to comment on what was happening with highways and the environment, but the government created a new law, the Act on Considering Influences on the Environment and on Acceleration of the Construction of Highways, which essentially removed the right of access to information regarding environmental procedures. Offices do not have to deal with comments from civil associations, and if an office breaches the law, the association cannot make claims to fix it. As a result, Občan a Demokracia (the Citizen and Democracy Association) and nineteen other organizations filed a motion to the European Commission, which initiated a proceeding against Slovakia for infringement of European legislation and of public rights.

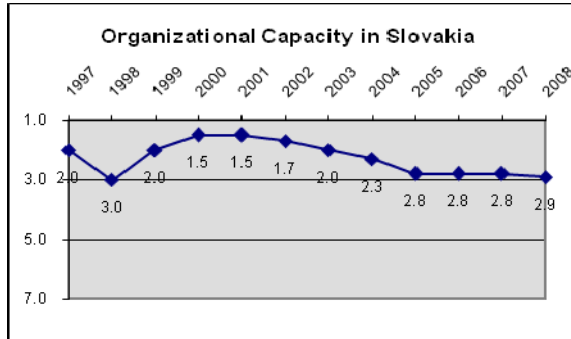
The Parliament approved the Press Act, which represents a threat to the freedom of speech. The act introduced new regulations such as the right of correction, which grants people and state institutions the right to respond to published information with a published correction. Giving state institutions this right, however, can potentially lead to misuse, as the editorial office is not allowed to react to the published reply.

Slovakia lacks lawyers involved in NGO legislation. There are no legal advisory centers due to lack of funds, and the sector does not have enough capacity to monitor the situation.

NGOs simply do not have anybody to send to receive additional training.

Ad hoc coalitions are created, as in the case of the Iniciatíva za slobodu združovania (the Initiative for the Freedom of Association), as well as long-term partnerships, such as the thirty organizations that came together to fight against discrimination.

Regional differences within Slovakia lead to uneven organizational capacity. For example, the region of Eastern Slovakia, which is quite rural, is the most disadvantaged, whereas the most rapidly growing region is Bratislava, which



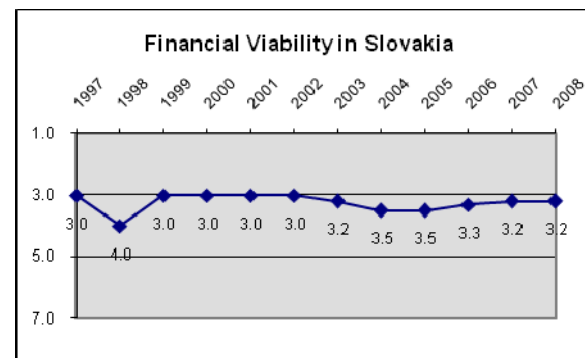
is metropolitan with a high concentration of inhabitants, low unemployment, and a developed infrastructure. This urban/rural imbalance reflects the considerable differences between national NGOs and smaller, local NGOs. Large NGOs have better access to financial resources, such as corporate resources, EU Structural Funds, or foreign resources. Locally operating NGOs cooperate mainly with local companies and primarily use domestic resources. Their projects are often local in nature and solve the problems of a given area or region. NGOs in urban regions are better equipped to address their organizational capacity than those in rural regions.

### FINANCIAL VIABILITY: 3.2

Some types of NGOs, particularly watchdog and advocacy organizations, began to feel endangered in 2008. Only funds from domestic sources are available and these are insufficient to cover human resources needs in the sector. Moreover, as a grantee, an organization may only receive 80 or 90 percent of the total funds for a project, leaving the organization to provide the rest of the funding. Organizations are not always able to secure the additional 10 to 20 percent. Further, the government often delays reimbursement of grant money, which causes additional problems. The situation is particularly difficult in the case of big projects financed from EU Structural Funds. Due to an enormous administrative and financial load, NGOs are not able to implement several projects at the same time.

must satisfy a long list of requirements. The reporting processes for NGOs are very bureaucratic, and it is difficult to make changes to the budget or project activities. The approval procedure is long, and many activities and prices are out of date by the time of project approval. Some NGOs are actually suing the government because of these issues.

The combination of delayed reimbursement of funds and co-financing requirements restrains NGOs' ability to receive EU funding. While some organizations are able to get bank loans to assist with this problem, most NGOs struggle. The requirements associated with EU funds are so inflexible that NGOs have difficulty managing them and find themselves being forced to increase their capacity. Additionally, EU funds have created a power imbalance in that the government can hold NGOs accountable, but NGOs are not able to hold the government accountable. For example, NGOs



European Economic Area (EEA) and Norway Grants, which fund investment and development projects in the areas of environmental protection, human resources development, children's health and childcare, cultural heritage protection, science, research and regional policy, are remitted in advance. NGO funds are administered by the Ekopolis Foundation, Open Society Foundation, and Socia (Social Reform Foundation). However, the Norwegian funds suffer from shortcomings such as insufficient

expert advice regarding time limits, forms of contact, and knowledge of the consultants about the published calls, in addition to requiring co-financing from a source other than government. Approval of an individual grant can take up to 10 months.

As for foreign resources, the Trust for Civil Society in Central and Eastern Europe (CEE Trust) has been operating for several years. In autumn 2008, the CEE Trust, which provides institutional support, published the last call valid for Slovakia. Few donors provide institutional support for NGOs; thus, the departure of this funding has the potential to affect NGOs greatly. In general, NGOs still depend on external resources. Self-financing is disadvantageous for NGOs, since they are subject to total taxation. The tax exemption for the first SKK 300,000 (\$13,400) in income from commercial activities is no longer valid.

Despite the fact that Róbert Fico's cabinet declared that the 2 percent tax donation cancellation would not be proposed during his electoral term, the threat is still present and creates an atmosphere of financial uncertainty. In connection with the financial crisis, it is rumored that 2 percent donations from legal entities are to be cancelled but retained for individuals. The tax holiday of many foreign entities doing business in Slovakia ends in 2009,

and their earnings will be a significant item in the state budget. Tax write-offs should be an alternative to the cancelled 2 percent donation.

Corporate as well as individual philanthropy is gradually developing. Several foundations promote corporate philanthropy. Companies, as well as NGOs, are interested in learning more about it. The Pontis Foundation organized a conference called Forum about Corporate Philanthropy in October. Fórum Donorov (the Donors Forum) publishes a list of the biggest corporate donors in Slovakia every year. The Pontis Foundation carries out a competition evaluating the quality of philanthropic and corporate responsibility projects and bestows the Via Bona Slovakia Award to the best project(s). Dobrý anjel (the Good Angel) association helps families whose members suffer from cancer with regular financial contributions from individuals. Recently, SKK 6.8 million (\$305,000) was redistributed to 1,500 families. The Well Giving civil association ([www.dakujeme.sk](http://www.dakujeme.sk)) has a similar tool for individual donations. The Donors Message Service (DMS) project managed by the Donors Forum collected almost SKK 900,000 (\$40,350) for eighteen NGOs.

Funds for institutional support are lacking. Most NGO funds come from government or EU institutions, which are often the institutions that NGOs are monitoring and advocating against.

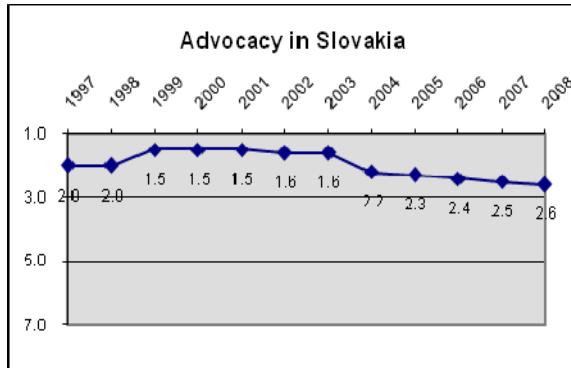
## **ADVOCACY: 2.6**

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NGOs continue in their efforts to defend their interests through campaigns, comments and petitions. The same groups of activists continue to lead the efforts, however, and the campaigns fail to generate new supporters. Also, the excessive number of campaigns has caused these NGOs to lose their credibility with the press. For example, the *Sme Daily* newspaper has stopped publishing stories on advocacy campaigns both in their newspapers and on their website. The inability of NGOs to generate new supporters, combined with their alienation of the press, demonstrates that NGOs lack efficiency when running advocacy campaigns.

In 2008, one of the most noticeable advocacy activities was the Initiative for Freedom of Association. The Interior Ministry put the draft Law on Associations up for comment; NGOs considered this law to be very damaging to the sector (see Legal Environment). Authorized representatives of 370 NGOs formed a group which communicated the comments to the Interior Ministry, cooperated with the media, and established the [www.sloboda-zduzovania.sk](http://www.sloboda-zduzovania.sk) website, where almost 6,000 people and over 600 nonprofit organizations joined the mass comment. The draft was withdrawn as a result, and the Ministry of the Interior promised active cooperation with NGOs. Although the legislative group at the

Council of the Government for NGOs claimed it would prepare a new legal regulation by March 2008, and the Ministry reportedly wished to have the new draft by summer, it did not happen by the end of 2008.



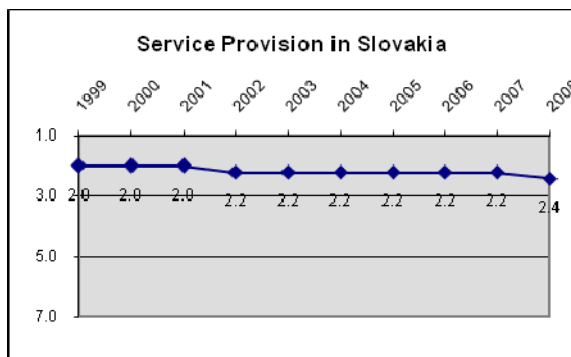
On one hand, NGOs succeed in asserting themselves in the legislative process through mechanisms such as the Law on Associations of Citizens, collective comment, and the uniform portal of legislative regulations. On the other hand, in decisions where there is an economic interest, such as when gains of developers are at stake, NGOs are not successful in pursuing their interests. For example, the Pezinok waste dump is operated with no effective protective measures

and represents a threat to the environment; the inhabitants of Pezinok have attempted to become involved in the decision-making processes since 2002. Currently, they are arguing for their rights at the Constitutional Court.

The sector has difficulty pushing through changes in areas which either do not directly affect people or to which people are not sensitive. For example, the Fair-Play Alliance campaign, which called for the resignation of the Minister of Justice, had relatively little support compared to the Pezinok campaign despite the fact that nine out of ten citizens expected the minister to resign.<sup>1</sup>

One of the tools by which NGOs can defend their interests in the state administration is the Council of the Government of the Slovak Republic for Non-governmental Nonprofit Organizations. It is an advisory body of the government, consisting of government and NGO representatives. This body, however, is not very effective due to their low frequency of meetings and absence of key persons.

## SERVICE PROVISION: 2.4



The nonprofit sector provides services in several areas, but the social and environmental spheres still prevail. NGOs implement trainings, educational activities, health care and sport programs, human rights and minority rights

programs, humanitarian and development aid, and social care. Among the services in demand are those provided by the Odyssey organization, which conducts prevention and “terrain” social work for persons addicted to drugs and those who provide sexual services; Upstream Organization, a sanctuary for the homeless and publisher of the *Nota Bene* street magazine, where part of the proceeds goes directly to the homeless sellers; and the Kaspian or MIXklub clubs, working with youth. While NGOs can acquire subsidies from the state for the implementation of their activities, the subsidies come with an extreme delay and usually have to be spent by the end of a calendar year, which is difficult from an operational standpoint.

<sup>1</sup> The Minister of Justice maintained friendly relations with a prosecuted person and was convicted of deception.



Additional services in the social area include care for seniors and disabled people or nursing facilities. The homes also frequently run services. These services are usually provided by social care homes, which operate as accommodation or nursing sheltered workplaces to provide employment opportunities for the disabled or other disadvantaged populations, as well as art therapy. The clients' products also provide minor revenues to the facility. The new Act on Social Services that was passed in 2008 (see Legal Environment) considerably undermines the status of these types of organizations.

Large foundations traditionally work with corporate donors and individuals who take advantage of the 2 percent tax donation. They specialize in the administration of foundation funds, corporate foundations and consultancy in

the area of philanthropy and responsible business. Examples include Centrum Pre Filantropiu (the Center for Philanthropy, [www.cpf.sk](http://www.cpf.sk)) Nadácia Ekopolis (Ekopolis Foundation, [www.ekopolis.sk](http://www.ekopolis.sk)), Open Society Foundation ([www.osf.sk](http://www.osf.sk)), Nadácia Socia (Socia Foundation, [www.socia.sk](http://www.socia.sk)), and Nadácia Pontis (Pontis Foundation, [www.nadaciapontis.sk](http://www.nadaciapontis.sk); [www.blf.sk](http://www.blf.sk)). The consequences of the financial crisis will be seen on a larger scale in 2009; however, in 2008, there were already concerns about cutting corporate resources for the nonprofit sector.

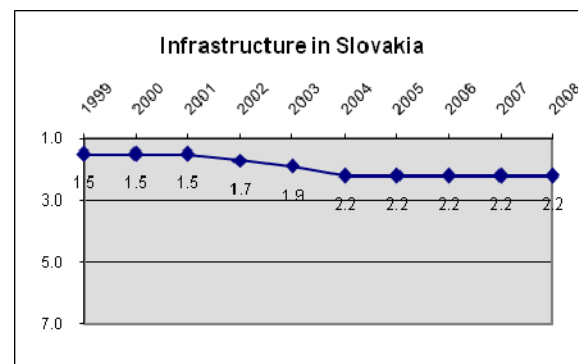
NGOs are still in the initial stages of conducting self-financing activities. They are starting to create products that they can provide as services for the private and state spheres. Still, most NGOs are struggling due to a lack of financial start-up capital and marketing skills.

## INFRASTRUCTURE: 2.2

NGOs associate in platforms; the most active platforms are Ekofórum, Sociofórum and Platforma Mimovládnych Rozvojových Organizácií (the Platform of Non-governmental Development Organizations). Further, NGOs continue to foster partnerships with the private sector (for example, the Business Leaders Forum and the Pontis Foundation), with public institutions (the General Directorate of the Prison and Justice Guard Force, Presidium of the Police Corps, and the Citizen and Democracy Association), and the public administration (the Higher Territorial District of Košice and Partners for Democratic Change Slovakia). Few formal coalitions exist; however, NGOs do sometimes join together to form informal coalitions in order to work together to solve a particular problem, such as the Initiative for the Freedom of Association.

In 2008, the activities of the ENGAGE international network continued under the management of the Pontis Foundation. The ENGAGE Group involves eighteen well-known, socially responsible companies in Slovakia, which involve their employees in various voluntary activities. The ENGAGE Group organized, for the second time in Bratislava and

for the first time in Košice, corporate volunteerism events with the participation of 1,300 volunteers.



Web portals established in 2007 continue their activities, such as [www.ideaxchange.sk](http://www.ideaxchange.sk), [www.dobrovolnictvo.sk](http://www.dobrovolnictvo.sk), and [www.obnova.sk](http://www.obnova.sk). In addition to these, a new portal, [www.3sektor.sk](http://www.3sektor.sk), offers space to organizations and to people who are looking for employment in the third sector, and the portal [www.neziskovsky.sk](http://www.neziskovsky.sk) contains comprehensive information for NGOs, the media, and donors and partners who want to participate in the activities of the nonprofit sector. The portal [www.changenet.sk](http://www.changenet.sk), which has been functioning

for several years, had problems with its technical operation in July, when several databases and contributions for the last six months were erased, which made the work of several initiatives harder and highlighted the need for a stable, common platform. Two portals were established in the area of discrimination

[www.ruzovyamodrysvet.sk](http://www.ruzovyamodrysvet.sk)

and [www.diskriminacia.sk](http://www.diskriminacia.sk). Priatel'ia Zeme-CEPA (the Friends of the Earth-CEPA) operates [www.eufondy.org](http://www.eufondy.org), focusing on information about EU funds and monitoring their use.

Another source of information about EU funds as well as about responsible business is the [www.euroactiv.sk](http://www.euroactiv.sk) portal. Information about corporate donors is published by the Center for Philanthropy at [www.cpf.sk](http://www.cpf.sk), and by Pontis Foundation at [www.nadaciapontis.sk](http://www.nadaciapontis.sk) and [www.blf.sk](http://www.blf.sk). The website [www.partnerstva.sk](http://www.partnerstva.sk) informs about the cooperation of the public, business and nonprofit sectors.

Inštitút Pre Verejné Otázky (Institute for Public Affairs) conducted a study on the use of information technology by the nonprofit sector. The study found that overall IT capacity of the sector is insufficient. Based on previous experience, the NGO sector predicts that the government is not going to invest in the sector's use of IT. For example, the government gave little support to NGOs in its Operational Program to Support the Society with Information Technology 2007–2013. In this program, the NGO sector received less than €1 billion.

The 1<sup>st</sup> SNSC issues the bimonthly magazine *Efekt (Effect)*, which focuses on legislative and legal advising, as well as information about management and control of NGOs and their activities. The 1<sup>st</sup> SNSC also provides legal consulting for both individuals and NGOs, and represented the Initiative for Freedom of Association by commenting on the draft Law on Associations. The center also coordinates the [www.rozhodni.sk](http://www.rozhodni.sk) portal, which publishes all information about the 2 percent tax donation, including forms and the list of beneficiaries.

Another organization, Via Iuris, provides legal aid through inspection of public authority and removal of corruption. Partners for Democratic Change and Centrum Vzdelávania Neziskových Organizácií (Center for Education of Nonprofit Organizations) provide professional education, consulting, advisory, and intervention services.

A variety of organizations prepared educational trainings for NGOs in 2008. The Center for Education of Nonprofit Organizations organizes educational activities and focuses on project management and European funds. Smaller educational programs and workshops for nonprofit organizations are provided by Nadácia Na Podporu Občianskych Aktivít (the Foundation for Supporting Civil Activities), Vzdelávacia Nadácia Jána Husa (the Educational Foundation of Jan Hus), and Nadácia Otvorenej Spoločnosti (the Open Society Foundation). In September, Fórum Donorov (the Donors Foundation) prepared a workshop called “How the Euro Affects the Life of NGOs” and the educational program “Shout, They May Hear You,” which was focused on communication and brand building. A similar workshop for NGOs was organized by the Fair-Play Alliance. The training, called “Communication with the Media and the Public,” aimed to help Slovak NGOs achieve their goals, acquire support of the wider public, and promote themselves through media or in other ways. Education in the area of writing annual reports was provided by the INEKO organization. Finally, a number of organizations organized training on volunteerism, both corporate and individual. Consulting and advisory services were provided in 2008 by Centrum Poradenstva a Vzdelávania (the Center of Advising and Education) in Žilina, which opened the portal [www.poradamvo.sk](http://www.poradamvo.sk). The website provides information on laws, tips on how to improve daily work activities, various supplementary materials and, above all, qualified answers from expert advisors regarding NGO issues in the field of accounting, such as taxes, wages, and financing organizations not established for business purposes.

## PUBLIC IMAGE: 2.3

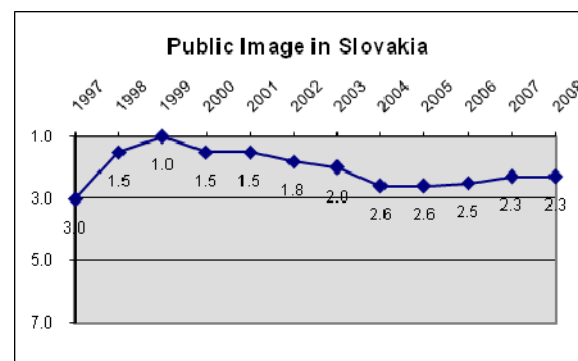
Media coverage of NGO activities slightly improved in 2008, especially at the regional level. At the national level, there is a tendency to communicate only content that the media finds will attract their target audience and achieve high ratings. For example, the media reported on the controversial draft Law on Associations. The media still lacks a system for regular reporting on the functioning of NGOs.

Most NGOs still do not publish annual reports that delineate their activities. For example, out of 31,601 registered NGOs, only thirty-six participated in a competition for the best annual report organized by INEKO and nonprofit organizations, which called for beneficiaries of financial resources to submit electronic annual reports. The goal of these competitions is to improve NGO communications with the public.

Awards are also good tools to bring media or public attention to NGOs. The Fair-Play Alliance and the civic association Via Iuris established the White Crow Watchdog award, which recognizes people who contribute to the betterment of society. Another significant award that recognizes the media is the Infočín Roka (the Annual Investigative Activities for Journalism Award) organized by the Open Society Foundation.

The Pontis Foundation organized, for the third year, Trhoviská Neziskoviek (Nonprofit Fairs) with the aim to enable NGOs to inform the public about their activities. During 2008, the Pontis Foundation organized three fairs, at which seventy-four NGOs presented themselves. One of the fairs took place at the largest music festival, Bažant Pohoda. From the launch of the program in 2006, 149 NGOs have had the opportunity to present themselves at eight marketplaces. At the fairs, nonprofit organizations are able to promote themselves, their projects, and their activities, and they are able to sell their products and offer their services. Participation at the fair is free; all costs from building the stands to the accompanying

program and media costs are covered by the Pontis Foundation. The fair at the Pohoda Festival included the “Pontis Arena,” which hosted a theatre and film festival and discussions on current universal social topics. Almost 11,500 people saw the NGOs’ presentations in 2008.



At present, the Internet is a viable medium for establishing social networks and presenting the NGO sector and its activities to the public. For example, via the Internet, the NGO Voices used a set of short video films to promote interesting NGO ideas and projects. According to the Institute for Public Affairs, out of 400 randomly selected NGOs, 16 percent have websites that are used for self-promotion.

Throughout the year, the sector played a crucial role in bringing public awareness to important topics through a variety of campaigns. In addition to drawing attention to selected issues, these campaigns also allowed NGOs to promote themselves. For example, the Integra Foundation ran a campaign called Nie je nám to jedno (“We Do Care”) to support fair trade; the Ekopolis Foundation presented Strom roka (“The Tree of the Year”) campaign and the Greenways project, and Človek v ohrození (“People in Peril”) held its annual campaign for the documentary film festival Jeden svet (“One World”). These campaigns drew media attention and contributed to the improvement of the public image of the sector.

However, the wider public and a larger spectrum of NGOs show apathy, reluctance, or fear

toward participating actively in civic campaigns. One of the reasons is the unfriendly attitude of the government toward the nonprofit sector. At the beginning of the year, Prime Minister Fico sharply refused the summary report of Inštitút Pre Verejné Otázky (the Institute for Public Affairs), *Slovakia 2007*. He accused the authors of the report of being connected to the rightist opposition and of bias. He announced that it was absurd that “the so-called analysts ... presented their opinions and deductions as independent and impartial.”<sup>2</sup> In September, Prime Minister Fico verbally attacked some NGOs. When the Fair-Play Alliance published the prices for which Smer, Prime Minister Fico’s political party, leased offices, he declared, “The Fair-Play Alliance manipulated the facts and was

connected to Soros' money, whose main goal is to harm the Slovak government.”<sup>3</sup> Transparency International Slovakia also suffered from attacks. The statements of the prime minister clearly demonstrate the unfriendly position toward NGOs and contempt toward what they do.

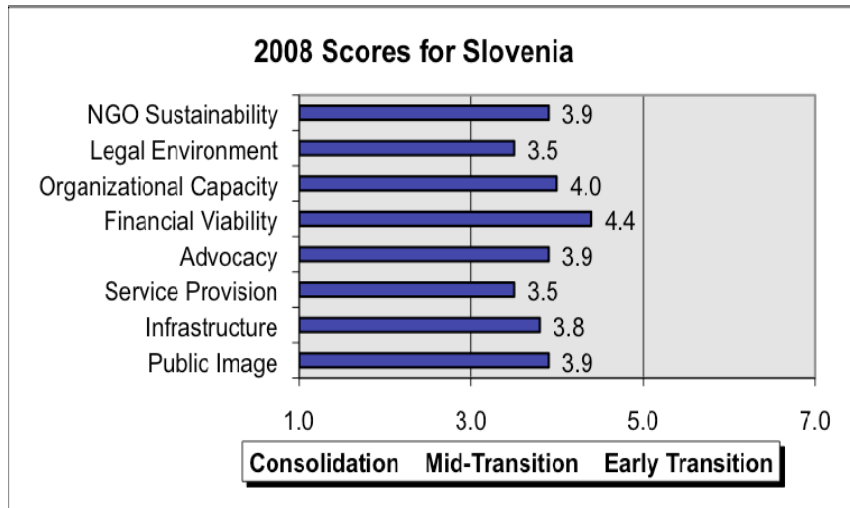
In another example of antagonism toward NGOs, Minister of the Environment Ján Chrbet considered disciplinary action against independent forest engineers and experts who had monitored the valleys Tichá Dolina and Kôprova Dolina, where timber harvesting was carried out with the highest level of protection.

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<sup>2</sup> *Webnoviny.sk*, February 19, 2008, <http://www.webnoviny.sk/slovensko/clanok/4969/Fico-odmietol-spravu-IVO-ako-neobjektivnu.html>.

<sup>3</sup> *Sme.sk*, September 26, 2008, <http://komentare.sme.sk/c/4093958/stary-a-nechutny-motiv.html>.

## SLOVENIA



**Capital:** Ljubljana

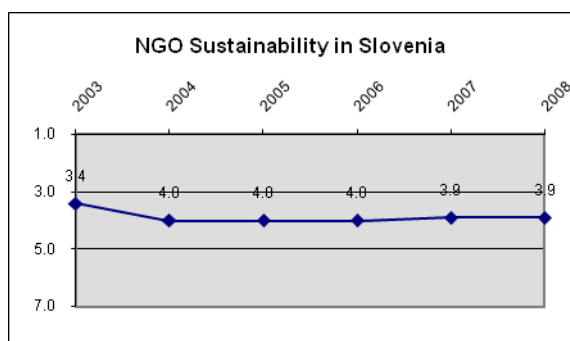
**Polity:**  
Parliamentary Republic

**Population:**  
2,005,692 (July 2009 est.)

**GDP per capita (PPP):**  
\$29,500 (2008 est.)

### NGO SUSTAINABILITY: 3.9

The number of NGOs in Slovenia is close to 22,000 and is still rising. The majority of NGOs, which are mostly interest-based and service provision organizations, operate at the local level. Advocacy NGOs work mostly at the national level.



The year 2008 was very busy and full for the whole country, including NGOs. In the first half of 2008, Slovenia was the first new EU member state to preside over the Council of the European Union. The presidency facilitated more contact with European NGOs and created platforms for Slovenian NGOs. For example, NGOs were frequently asked for information about Slovenia and the positions of the Slovenian government,

and they spoke to ministries in the name of European networks of which they were members. With government support, NGOs also established a web portal for information sharing during the presidency.

The year 2008 also marked the first time that Slovenian NGOs were able to draw from European Structural Funds. The funds placed a special priority on service provision projects at the national and regional levels. The projects resulted in capacity-building activities such as workshops on strategic planning and project management, legal and project counseling, and development of web pages and other ICT technologies.

At the end of September, Slovenia had parliamentary elections, which brought changes in the government. NGOs were very active in trying to put their issues on the agenda and influence the content of the coalition agreement.

Overall, 2008 was a positive year for the sector, ending with many expectations for future developments.

## LEGAL ENVIRONMENT: 3.5

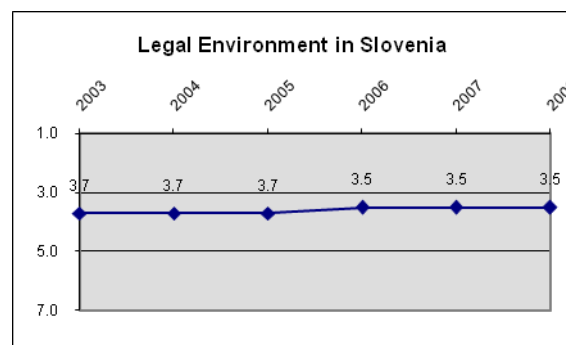
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The year brought no major changes regarding tax laws; however, the new Personal Income Tax Act that came into force in 2007 brought its first visible results. The law allows citizens to donate 0.5 percent of their income tax to political parties, representative trade unions, or public benefit organizations. The preliminary data for 2008 shows that 20.8 percent of all taxpayers decided to donate 0.5 percent of their income tax. Humanitarian organizations, such as Karitas Slovenia (the charitable organization of the Roman Catholic Church), UNICEF Slovenia, and Sonček (the Cerebral Palsy Association of Slovenia) received the bulk of the donations.

Registration for some organizations has become easier. For example, changes in legislation led to the cancellation of court fees for private institutes, which can now be registered electronically with the help of a notary.

The Ministry of Public Administration adopted mechanisms to simplify registration procedures. In practice, however, the local administrative units do not always provide

equal assistance to founders of an association. Sometimes registration at the local level is an easy process, and sometimes it is more difficult.



Changes to the Free Legal Aid Act in 2008 made it harder for NGOs to access free legal aid in the form of first-time legal advice (i.e., an initial free legal consultation). They now need to apply for this service at the local district court and obtain a referral. On the other hand, with the help of EU funding, free legal advice to NGOs was available in and outside of the capital city, though not many NGOs outside the capital used this service.

## ORGANIZATIONAL CAPACITY: 4.0

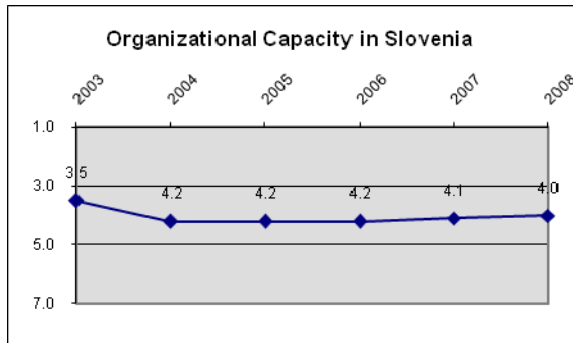
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NGOs are becoming increasingly aware of the importance of strategic planning and capacity building, particularly as many have participated in European projects, which require organizational capacity, technical knowledge, and efficiency. On one hand, most NGOs have a clearly defined mission; on the other hand, NGOs often change strategic plans for the sake of donors and neglect to follow through after they have received funding. Not many NGOs have their own strategic plans, but some groups of NGOs – primarily those that provide services rarely provided by the government such as care for homeless people or drug abusers – share joint strategic plans.

Capacity building in the NGO sector has been rising during the last few years. NGOs attend many workshops, meetings and debates where

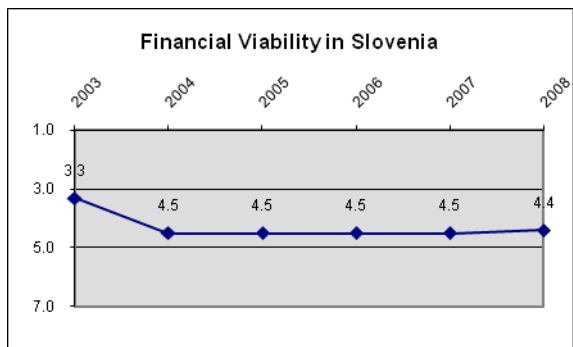
they not only learn new skills, but also contribute with their experience to the quality of the discussion. The increase in capacity-building events is closely linked to the establishment and development in 2008 of regional NGO centers, which give support to NGOs on different levels. The Quality System for Slovenian NGOs Project, with support from the Ministry of Public Administration, is well underway. As of December 31, 2008, three NGOs had successfully implemented the Quality System and received a quality certificate. They are very pleased with the early results and the first outcome of the system. Seven Slovenian NGOs were expected to implement the Quality System by the end of January 2009. The whole cycle of the Quality System implementation consists of workshops, implementation by the organization, and certification. The year 2009 will bring two new

rounds with fifteen to twenty organizations participating. Even though three NGOs have already implemented the Quality System and the first results are very positive, it is too soon to make broad conclusions about how the system really works and how much it will really bring to the organizations.



Organizational capacity remains limited, since the structure of NGO staffing and the numbers of NGO employees have not changed very much. NGOs still do not have permanent staff – paid or voluntary – because no policies encourage employment in the NGO sector. Many NGOs are actively trying to motivate the government to adopt the Law on Voluntary Work, and this year they received some positive feedback from the Ministry of Labour, Family and Social Affairs. Nevertheless, voluntary work is still not officially recognized. Organizations and their volunteers still work on the basis of a Code of Ethics of Volunteerism that was signed by 331 NGOs. Most NGOs have improved their techniques regarding how to recruit and motivate, so those few people who agree to volunteer for NGOs are very well integrated into the work of the organization.

#### FINANCIAL VIABILITY: 4.4



The inadequacy and unpredictability of funding flows still cause problems for NGOs. Problems with the regularity of government and EU payments remain. Payments are often delayed for a month, particularly for ministry projects that are EU-funded, because the ministries also experience delays in receiving funding from the EU. In these cases, NGOs often receive funds a few months after all project activities have been concluded and are forced to cover the costs of the project in advance.

NGOs deal with this issue by using funds from other projects or taking out bank loans.

Still, NGOs' financial viability improved in 2008, largely due to the EU Structural Funds, which have dedicated more than €12 million to the development of the NGO sector from 2007-2013. Among other activities, a project called "Strukturokop," carried out by the Ministry of Public Administration and CNVOS, aims to inform NGOs about EU funding opportunities and to help them apply.<sup>1</sup> Also, European Economic Area (EEA) grants and Norway grants contributed to the financial viability of Slovenian NGOs, making more than €1.7 million available to the NGO sector in 2008. The purpose of this funding is to provide institutional, capacity-building support to NGOs working in the priority sectors of the EEA Financial Mechanisms, with the overall objective of increasing solidarity, creating opportunities and supporting cooperation at the international level and short-term. Also, the number of NGOs is

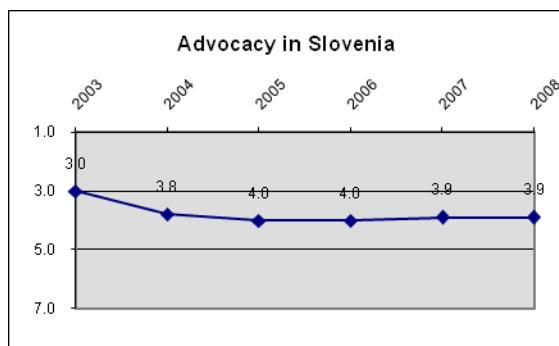
<sup>1</sup> CNVOS (Center for Information Service, Co-operation and Development of NGOs) was founded by twenty-seven NGOs in 2001 as an independent, nonprofit and nongovernmental organization with the aim to empower NGOs in Slovenia, promote their role as an important part of civil society, and ensure the realization of their objectives.

increasing yearly, so the amount of funds per organization is actually decreasing. However, between Slovenian NGOs and the donor countries of Iceland, Liechtenstein, and Norway.<sup>2</sup>

The level of funds at the local level slightly increased. Still, these resources are very limited

### ADVOCACY: 3.9

In 2007, the Ministry of Public Administration introduced a system of informing NGOs about draft legislation before it was proposed to the legislative body and collecting NGO comments in order to achieve broader public participation. Despite rather short deadlines to respond, NGOs welcomed the system. However, in 2008, the system stopped running as the government began preparing a special web portal called “E-Democracy,” which will serve as a space for public debate on draft legislation.



In the first half of 2008, the Slovenian presidency of the EU Council negatively affected civil dialogue with NGOs because the public administration was busy with EU issues. During that period, NGOs were not actively invited to participate in the processes of adopting regulations. Nevertheless, the government financially supported an NGO EU presidency web portal that served as an open forum for information and communication between the government, NGOs, and the public. On the site, the public and NGOs were invited to voice their priorities for the EU presidency. The governmental communication office and the

NGOs at both the local and national levels earn some money through service provision and making products for local and national companies. This cooperation is at a very basic level, so such income is a minor contribution to NGOs’ total revenues.

portal team signed an agreement on communication sharing during the presidency. The portal was quite well-known even in other EU member states, but it was not broadly used and is not likely to have any significant, long-term impact. On the other hand, some NGOs initiated more advocacy activities, particularly after elections when NGOs lobbied to get some important issues included in the coalition agreements. One of these initiatives was an appeal to the prime ministerial candidate to improve civil dialogue with NGOs, set up a unified system of financing for NGOs, and support public benefit organizations. The initiative, signed by approximately 200 NGOs, was rather successful; part of it was actually included in the written coalition agreement between ruling political parties. Environmental NGOs submitted a similar appeal regarding climate change, and Slovenian NGOs working in international development made appeals for development aid and development education. Many NGOs, as well as informal groups, were formed or activated in the field of environmental protection in order to address activities affecting nature and urban planning, such as building new motorways or neighborhoods. Local authorities recognized many such groups and organizations as an important factor and invited them to participate in further discussion regarding changes that could potentially affect the environment; however, the organizations’ suggestions were not necessarily implemented, nor did their contributions always have a visible impact on policies.

<sup>2</sup> These priority sectors are protection of the environment, sustainable development, human resources development, cultural heritage conservation, health, and childcare.



In addition to the above-mentioned field of environmental protection, certain NGOs at the local level were successful in lobbying the local

government for financial support of youth activities.

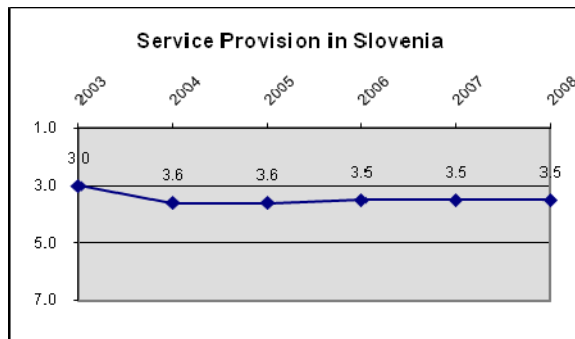
### SERVICE PROVISION: 3.5

No major changes affected the range or quality of goods and services provided by NGOs, their community responsiveness, or cost recovery. As a consequence of an almost 7 percent growth of consumer prices (including food and energy

prices), NGOs' costs grew and they increased prices for their services such as organizing workshops or summer camps for children.

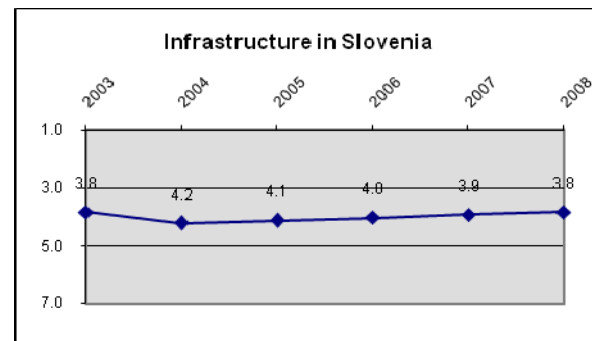
The impact of the world financial crisis has not yet reached the NGO sector in Slovenia, but NGOs expect there will be more demand for their services, such as social services, because they have lower prices than the private sector.

The financial support from EU Structural Funds has not yet had any impact on NGO service provision. One of the goals of the coalition parties is to increase NGO service provision by outsourcing some activities to the NGO sector. The results will be seen in the next couple of years.



### INFRASTRUCTURE: 3.8

Information sharing between NGOs occurs at different levels in Slovenia. Information is shared through NGO networks such as CNVOS and umbrella organizations. NGOs often share information regarding their projects and activities via web pages, mailing lists, and other Internet exchanges, sometimes dedicating a percentage of their time or money within a project to achieving a wider impact, even if the project does not identify this as a goal.



In 2008, Slovenia saw the induction of seven regional NGO centers where NGOs can get support in carrying out their activities. There are also four local development foundations (community foundations) which obtain funds from the EU, local and national government, and companies, and distribute them on the basis of different tenders to local NGOs.

Society for the Development of Voluntary Work Novo Mesto has an eight-year partnership with BTC City Novo Mesto to promote social responsibility and organize children's workshops. Another organization partnered with Toyota to develop and distribute environmentally focused learning packages for schools. In general, companies are still very reluctant to work with NGOs because they do not view them as reliable partners, but once an organization commits to working with an NGO, the cooperation is usually very successful. A three-day corporate social responsibility event

NGOs still share the opinion that not enough cooperation exists between NGOs and companies. Every year there are a few examples of good practices, however. For example, the

organized by the U.S. Embassy showed that interest in and understanding of NGO-company partnerships is increasing.

There are numerous trainings for NGOs, but the sector still lacks local NGO management trainers. Nevertheless, Slovenian NGOs have sufficient knowledge to promote and strengthen organizational capacity in the sector.

### **PUBLIC IMAGE: 3.9**

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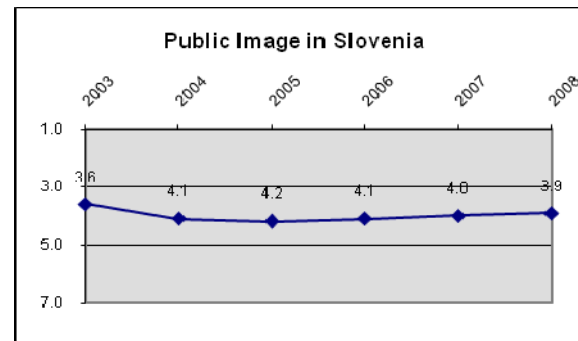
The public image of NGOs is slowly improving as they appear daily in different local media. The national media, however, remains rather uninterested in covering NGO events and campaigns. Major differences exist among NGOs regarding public relations knowledge. Some have no knowledge at all, while other NGOs are more aggressive or have professionals to help them communicate with the media and the public.

Slovenia still lacks journalists who specialize in the NGO sector and in reporting on its development and activities.

Sometimes major events organized by NGOs remain unnoticed or ignored by the media because they are not recognized as important or interesting for viewers or readers.

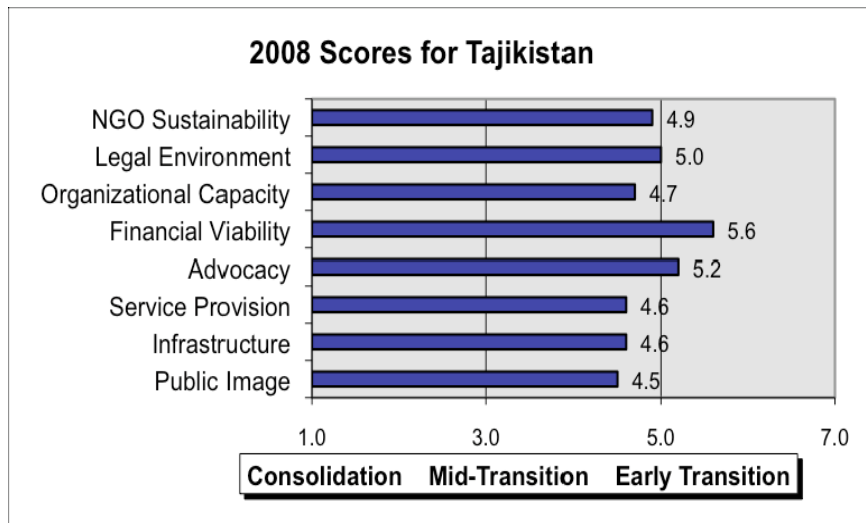
With the help of EU funding, regional NGO centers and NGO networks have organized workshops on how to communicate with media

in many different localities, which should help NGOs to appear in the media more often and improve their public image.



The Quality System has helped improve transparency by encouraging NGOs to publish their reports on the Internet and to report to donors more regularly. Communication with donors is an important element of the Quality System. The Quality System may improve transparency as more NGOs adopt it and become certified in the future.

## TAJIKISTAN



**Capital:** Dushanbe

**Polity:**  
Republic

**Population:**  
7,349,145 (July 2009 est.)

**GDP per capita (PPP):**  
\$1,800 (2008 est.)

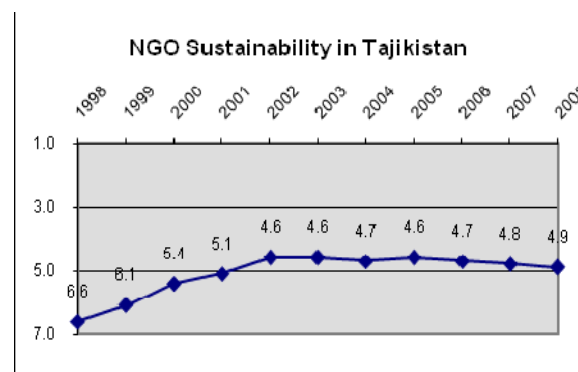
### NGO SUSTAINABILITY: 4.9

Overall NGO sustainability declined modestly over the past year. Despite significant changes to the NGO legal environment in 2007, many NGOs in 2008 experienced bureaucratic impediments and a lack of clarity about their status. Some NGOs were unwilling to re-register as required by the Law on Public Associations, partly because of the lack of incentives to compete for scarce donor funding, the inability to retain professional staff, and a deteriorating public image. Nonprofit lawyers worked hard to help unregistered NGOs clarify their status. Overall, the number of NGOs decreased from 3,130 in 2007 to 1,040 by January 2008. By the end of 2008, the number of officially re-registered NGOs was about 1,700.

Individual NGOs' attempts to forge new partnerships had little impact across the sector. The growing distrust and increased competition among NGOs prevented them from consolidating their efforts or networking. The new Law on State Social Orders may facilitate

future NGO partnerships with government agencies. Organizations continue to be financially unstable.

The first Tajikistan National NGO Forum and the adoption of two very important documents, the Tajikistan National NGO Development Program and the NGO Code of Conduct, were significant steps in the political and social life of the country as well as major achievements for NGOs. The forum also created an environment of trust between the government and NGOs.

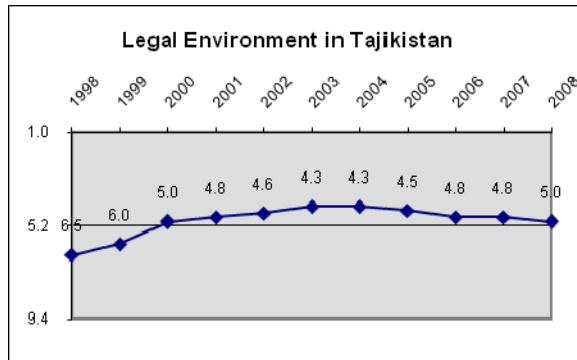


### LEGAL ENVIRONMENT: 5.0

The Law on Public Associations adopted in 2007 required all local and international NGOs to re-register by the end of the year. On March 3, 2008, the Ministry of Justice issued a

resolution cancelling the registration certificates of NGOs that did not re-register before March 2008 even though they were still registered with other government agencies, such as statistics and

tax authorities. The re-registration procedures required the submission of numerous documents. Registration officials often complicated the bureaucratic process by scrutinizing every document.



At the beginning of March 2009, of the 3,130 previously registered NGOs, 66 percent were without certification, while 1,040 NGOs had managed to re-register. Within seven months, 1,700 NGOs had officially re-registered. No data was available on the number of NGOs that registered with regional departments of justice. An overall decrease in the number of registered NGOs was expected, as many previously registered NGOs existed only on paper or were established to raise funds from donors. Now that donor funds are declining, many of these NGOs have become inactive.

Despite improvements to the Law on Public Associations, NGOs fear that the law has the potential to restrict their activities. The law gives authorities undue powers of intervention. For example, it permits them to sit in on the meetings of registered groups. Furthermore, the registration process allows authorities to demand arbitrarily inordinate amounts of information. For example, one NGO was required to provide all of its project reports from the past seven years. Another negative aspect is that the new law requires the branch offices of national organizations to register with their respective regional departments or local governments. The additional time, money, and effort involved with obtaining local registration could discourage NGOs from establishing branch offices.

Administrative obstacles to registration are present at the local level as well. Regional and local governments still have an attitude of distrust toward NGOs. It takes time for local NGOs to earn the trust of new local government officials. The changes of mayors and administrative staff in Khatlon region often contribute to harassment of NGOs in cities and rural areas, as new staff are not aware of NGO activities and had a negative attitude toward NGOs. The situation in Kuhistoni Badakhshan is not as difficult for NGOs, while no data was available on the Sughd and RRS regions.

There is a shortage of attorneys who specialize in civil society issues, especially in the regions. The number of local and national centers providing legal consultations to various target groups increased to one hundred, and almost ten organizations are involved in noncommercial consultations. The increase does not ensure quality, however, as the number of lawyers experienced in noncommercial legislation is limited.

The law exempts NGOs from paying VAT, as well as taxes, on their grants. NGOs are required to pay social security tax, income tax, and other taxes. The law allows NGOs to engage in economic activities, but to date has failed to provide mechanisms that facilitate contracting between the government and NGOs for social services.

In 2008, two laws facilitating the development of civil society in Tajikistan were adopted. The Law on Public Initiative Bodies adopted on January 5, 2008 enables the growth of community-based organizations in Tajikistan. The Law on State Social Orders adopted on December 31, 2008 provides a legal basis for governmental institutions to outsource social service contracts to local nonprofit and for-profit organizations.

The legal framework provides incentives and mechanisms to promote philanthropy.

Corporations may take a tax deduction of up to 5 percent of their incomes for donations to NGOs.

The number of businesses that make donations has slightly increased.

### ORGANIZATIONAL CAPACITY: 4.7

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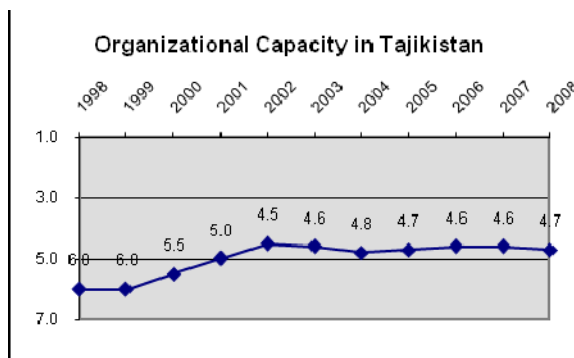
Constituency building is still a challenge for local NGOs in Tajikistan. Due to economic hardships including a decline in remittances from Tajik migrants working in Russia, NGO attempts to get individual citizens or citizen groups involved in their activities have not been successful. Many unregistered groups at the neighborhood or community level, so-called nongovernmental initiatives (NGIs), and village organizations (VOs), which are primarily in Badakhshon Oblast, were established in rural areas due to the direct intervention of international donor organizations at the local level. Some of these initiatives duplicate the roles of local NGOs, while others cover new areas, like *dehqan* farms (formed when groups of farmers jointly lease land for the purpose of cultivation). These NGIs address local needs and the interests of citizens' groups through implementation of small community-based projects, such as construction of sports fields or rehabilitation of water pipelines.

A few NGOs have strategic plans, although they are not analyzed or updated on a regular basis. Many organizations fail to understand the importance of strategic planning. Only a few NGOs produce annual reports, as they are not required to do so and have little understanding of an annual report's purpose or benefits.

The majority of local NGOs has clearly defined missions, management structures, and responsibilities of boards of directors and staff, but often minimizes the roles of boards of directors. NGOs are transparent to some extent, but choose not to disclose fully their staffing and budget information to local officials in order to avoid administrative impediments and state harassment.

Most organizations have small permanent staffs and hire employees only when funding is available for specific tasks. Over the past year, many leading NGOs failed to attract volunteers, as the third sector no longer has a reputation as a prestigious workplace. Many NGOs do not keep records of their personnel.

Numerous organizations have very basic office equipment and communications technology. Generally, donor support does not provide resources for replacing older equipment. Access to the Internet remains an obstacle to information sharing, though it has improved over the past year. In many regions, use of equipment and the Internet is hampered by an irregular energy supply. NGOs have little or no access to software or funding to maintain their equipment and supplies.



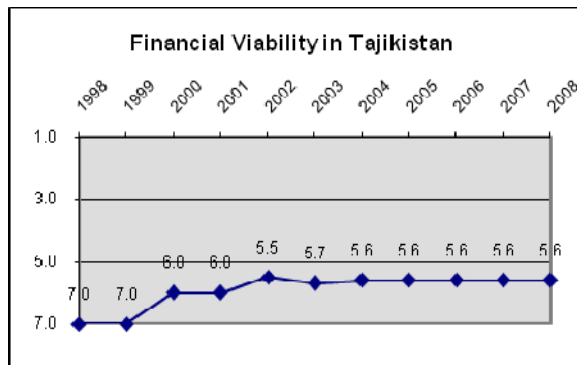
### FINANCIAL VIABILITY: 5.6

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While the decrease in foreign funding continued to limit the availability of grants, most leading organizations are actively searching for alternative sources of funding. Some organizations are paying close attention to

expanding and developing membership, local philanthropy, and fee-for-service activities, including leasing office space and equipment and providing training and capacity building services. Local philanthropy seems to be weak,

however, and other economic opportunities for NGOs are limited. Fundraising has increased as a result of training and consulting, but NGOs continue to be financially unstable.



The law does not restrict the ability of NGOs to engage in income-generating activities, but does not provide tax benefits for endowment incomes. Some organizations fear that, given the current environment, they could be easily targeted by tax authorities should they engage in economic activities. No clear mechanisms exist that enable the state to support NGOs financially.

The relationship between the NGO and business sectors is still undeveloped, and business support for NGOs occurs only at the grassroots level.

## ADVOCACY: 5.2

NGOs often have productive relationships with local authorities, but frequent changes in local government leaders have set back relations. Not all NGOs possess a sufficient degree of professionalism to maintain a full-fledged dialogue with government authorities.

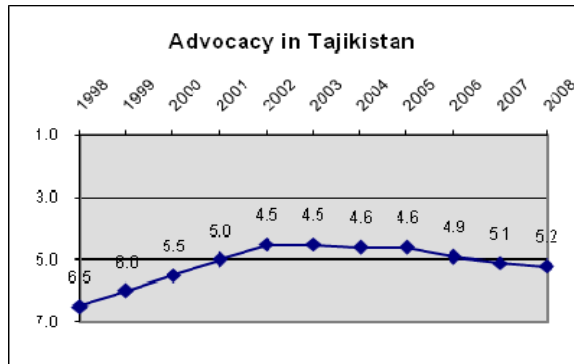
Some NGOs have had training in advocacy, though many of them are passive and prefer not to be involved in political issues. NGOs' awareness and understanding of existing laws is poor. NGOs continue to have difficulties lobbying for their interests and have limited access to decision makers. When necessary, NGOs use the Internet, list-servs, and other means of communication, as well as personal relationships with government officials, to

Few businesses are aware of the 5 percent tax benefit to business entities involved in charitable activities and socially oriented projects. NGOs are trying to urge private business owners to support their activities. For example, in July, the Aga Khan Foundation Civil Society Development Program conducted a workshop on corporate philanthropy and charitable activity for interested commercial partners. As a result, some commercial banks and telecommunications companies started to support local NGO activities. The board of trustees of the Agroinvest Bank launched a grant program, while Babilon Company provided free access to Internet services. Local philanthropy is supporting media associations.

Some organizations lack financial management systems and do not understand the need for financial transparency and accountability. While many NGOs can adequately account and report to donors and tax authorities, there is a need for improved management in both attracting and using resources. Local NGOs are mostly using traditional fundraising methods and do not plan for financial sustainability or asset diversification.

further their advocacy efforts. After many unsuccessful attempts to influence Parliament and other government bodies, however, many NGOs lost interest in working toward this objective. While lobbying for policy change requires long-term intervention to achieve successful results, many international donors support start-up initiatives or one-year projects. One example is the Association of Young Politologists of Tajikistan effort to conduct a survey on household consumption and to lobby Parliament for a new law on consumption capacity. The project was funded for one year and then closed. NGOs have formed issue-based coalitions to increase the effectiveness of their advocacy activities, but their strategies and methods of influencing public opinion have

generally lacked impact. Coalitions have formed to focus on issues such as women, media,



### SERVICE PROVISION: 4.6

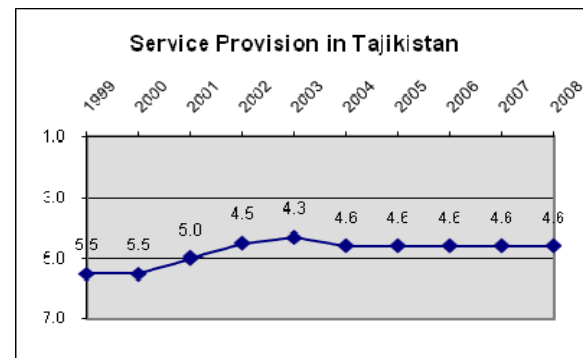
NGOs continue to provide a variety of services ranging from basic social services to conducting research and analysis for private and public entities. The most frequently provided NGO services are consultations, education and social services to vulnerable groups, and environmental preservation. NGOs have little opportunity to expand their clientele as a result of decreasing donor support and an undeveloped local culture of philanthropy. Instead, leading NGOs are focusing on assessing existing clients' needs and introducing feedback and quality control mechanisms. For example, intermediary support organizations are modifying their training and consultation modules to be more focused on client needs. While some organizations have capacity to compete for government contracts, government funds for outsourcing services are limited. Only a limited number of government bodies, such as women's and youth committees, are involved in contracting out social services.

The number of government grants and contracts to NGOs for the provision of social services increased in comparison with previous years, but the government poorly manages the process. There is no transparency in announcing tenders, selecting contractors, or reporting on procurements. The new Law on Public Associations provides incentives for NGOs to

children, the environment and adult learning. An Adult Education Association of Tajikistan with twenty-two local NGO members was created.

Most coalition representatives meet once a month in Dushanbe to discuss problems and exchange information to create cross-cutting programs. These monthly meetings are known as the Dushanbe Informal Club of NGOs. Despite NGOs' attempts to form coalitions, the number of advocacy campaigns and lobbying efforts did not increase.

apply for government contracts in the housing area, but the provisions are unclear and considered much more difficult than under the old law.



The new Law on State Social Orders determines the priority areas for social services and proposes possible mechanisms to outsource social partnerships, which will provide opportunities for NGOs to apply for social service contracts.

Some NGOs were invited to conduct monitoring and evaluation of Tajikistan's Poverty Reduction Strategy for 2005–2015. Such examples of collaboration demonstrate growing state recognition of NGOs' expertise.

## INFRASTRUCTURE: 4.6

A donor-supported NGO infrastructure has existed for several years, consisting of leading NGOs that developed into seven civil society support centers providing training and grants to smaller NGOs throughout the country. Support centers are experiencing financial problems, as donor funding has significantly decreased over the past few years. The centers can no longer provide the same level of support to their target NGOs and communities. Fees for services do not cover expenses, and the centers only occasionally receive international funding. The center in Dushanbe is no longer active. At the same time, the number of community resource centers providing services to communities and citizens' groups increased over the past year. A total of 134 UNDP-supported centers at the district and *jamoat* (local self-government) levels operate throughout Tajikistan. While these centers do not provide support services to NGOs, they promote intersectoral partnerships to address local development issues.

Informal NGO coalitions were established in the hope that they would ease access to grants and improve NGOs' image with the government and international community. The first National NGO Forum was held in May 2008. Delegates from NGOs across the country discussed and adopted two important documents, the Tajikistan National NGO Development Program and the Code of Conduct. The national program is based on an NGO sector situational analysis and sets goals for future development. After the National NGO Forum and a series of regional meetings, ten local NGOs founded the National Association of NGOs of Tajikistan, which was registered in November 2008.

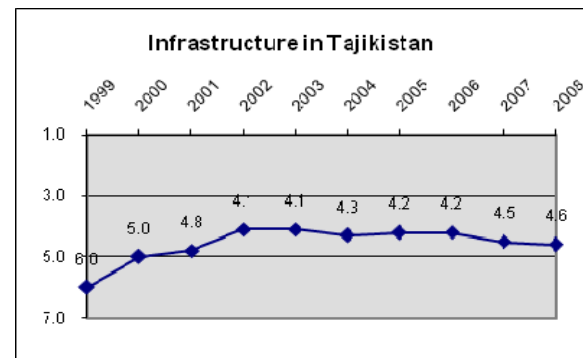
Open information exchange is now available to NGOs through the information portal

## PUBLIC IMAGE: 4.5

Media coverage of NGO activities is scarce and often limited by the inability of NGOs to pay. In general, the media understands that social advertising is different from that of a

[www.tajikngo.tj](http://www.tajikngo.tj). The newly established national association will create another information-sharing portal, [www.cso.tj](http://www.cso.tj).

Both the government and international donors have compiled lists of NGOs classified by fields. This allows for the selection of organizations that can address a particular issue, but at the same time it impedes transparency. Often there is no bidding process, and NGOs that are not on the list have little chance to apply for funding. Partnerships between NGOs and government agencies are generally subject to the personal interests of government officials.



The NGO sector does not enjoy a collaborative partnership with media outlets due to the commercial nature of the independent media and the uncooperativeness of the state-run media. Media associations are trying to assist with this issue, however.

Businesses' tendency to conceal their actual income hampers the development of partnerships between NGOs and businesses. Local entrepreneurs try to keep a low profile to avoid harassment and are not interested in partnerships.

commercial nature. At the same time, the media rarely provides free or discounted advertising or broadcasting opportunities to NGOs because their primary interest is in increasing their

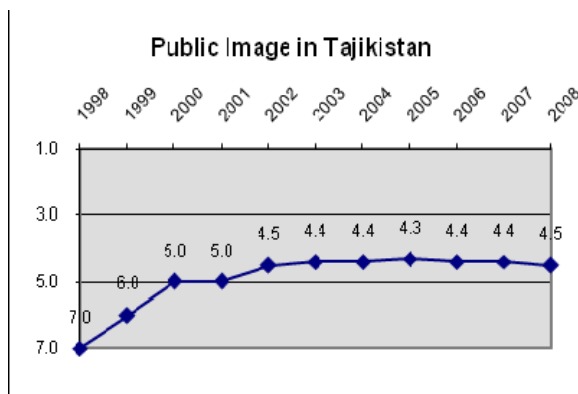


revenues. Media outlets receive the same 5 percent tax benefits as businesses if they are involved in charitable activities, but only a few media outlets know about this incentive.

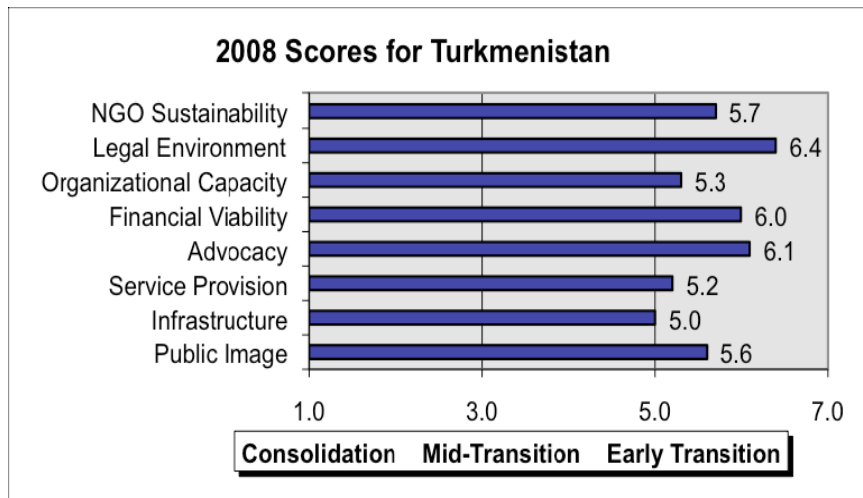
The public perception of NGOs is not always positive. The term “nongovernment” tends to be associated with the opposition. The Ministry of Justice requires registering NGOs to use “public organization” in their titles instead of NGO. According to the ministry, this helps to reduce the negative public perception of NGOs as opposition organizations. The negative public perception is partly the result of a lack of transparency and accountability regarding NGO activities. Some organizations work in a limited

environment, serving their constituencies and communicating only with donors. The general population, especially outside of urban centers, remains relatively uninformed about the NGO sector.

According to case studies of public opinion, 45 to 65 percent of the population lacks information about NGOs and their activities. Leading organizations attempted to increase public awareness of the sector through the National NGO Forum and other events. The websites, list-servs, and electronic newsletters that NGOs employ mainly cater to the limited number of people employed in the sector and are not widely accessible due to the lack of Internet access. People in Tajikistan are more accustomed to using newspapers and meetings to exchange information rather than modern communications technologies.



## TURKMENISTAN



**Capital:** Ashgabat

**Polity:**  
Republic

**Population:**  
4,884,887 (July 2009 est.)

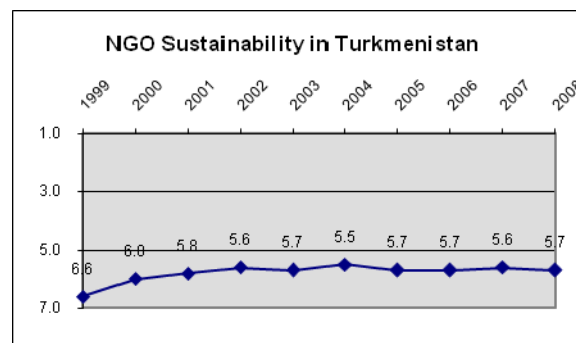
**GDP per capita (PPP):**  
\$5,800 (2008 est.)

### NGO SUSTAINABILITY: 5.7

Currently, eighty-nine registered NGOs are operating in Turkmenistan. This number includes professional associations and sports organizations.

In 2008, legislative reforms reflecting President Gurbanguly Berdimuhamedov's new political course were introduced. The new course emphasized human rights and social protection as the government's key priorities and was captured in the slogan "The State is for the People." In addition to a new version of the constitution, newly adopted laws included the Law on Migration, the Law on State Guarantees of Equality for Women, and the Law on Anti-Trafficking. Amendments were made to the Social Protection Code, Labor Code and Tax Code. The government has expressed serious intentions to bring Turkmenistan's legislation into compliance with international standards. Changes in legislation on taxation and women's rights protection opened up opportunities for civil society actors and local NGOs to be involved in different social projects.

The legal framework for the activities of NGOs and other civic groups has not changed since 2003, when the Law on NGOs was adopted. Although the government stance toward registration and NGO activities did not change



dramatically, dialogue between the NGO sector and the government reportedly improved during the year. One example was a two-day seminar on international standards for NGO legislation arranged by the International Center for Not-for-Profit Law (ICNL) in partnership with the Turkmen National Institute for Democracy and Human Rights (NIDHR), a government agency, in April 2008. A similar event, a roundtable on improvement of NGO legislation, took place in November 2008, and the participants agreed on the need to amend the NGO Law.

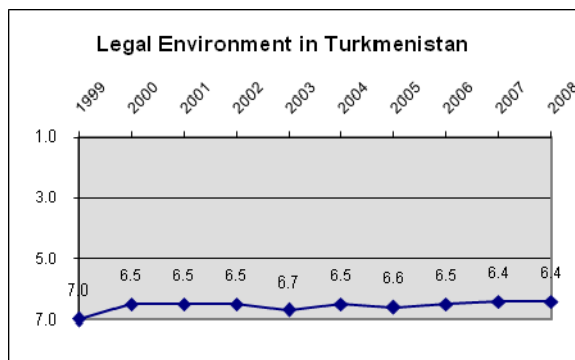
In some regions of the country, local authorities increasingly recognize the contributions made by civic groups to improve local infrastructure. Local officials have become increasingly receptive to local initiatives and are willing to provide support within their authority under the

Law on *Archins* (local authorities). For example, local authorities in Akel village, Koytendag town, Parahat village, Saglyk village, and Ahal village provided resources, specialists, and equipment for projects initiated by villagers and implemented under international organizations' grant programs.

In discussing NGO activity in Turkmenistan, it is important to differentiate between registered NGOs, community-based civic groups and government-supported GONGOs. With the 2003 NGO Law still in place, many NGOs continue to

face challenges with obtaining legal status, which has led to the continued presence of informal civic groups. While the informal groups are quite active, their impact on civil society development is difficult to estimate. Moreover, their activities are considered illegal under the NGO Law. GONGOs, on the other hand, are registered NGOs backed by the government of Turkmenistan. They implement projects with funding from the government and in some cases from UN agencies. Some GONGOs, such as the Women's Union and Nature Protection, are very active.

## LEGAL ENVIRONMENT: 6.4



Registration remains a serious issue for NGOs. The NGO Law has never been amended since it was adopted in 2003. Although the law has many legal flaws, it allows NGOs to register and provides a legal basis for NGO activities. The law requires a national NGO to have 500 members to register as a legal entity. This requirement can rarely be met, and its application by the state appears to be selective. For example, the Union of Entrepreneurs, a national NGO, was closed down because it did not have 500 members, whereas the Union of Entrepreneurs and Industrialists, a GONGO, was registered with only about seventy members.

Some civic groups applying for registration to the Ministry of Justice (MoJ) received refusals that were not substantiated by legitimate reasons. Instead, the comments referred to minor details or even grammatical mistakes in the text of the application. The official period in which the ministry must respond to registration applications is one month, but some civic groups

have waited for three to fifteen months for a decision. There has been some progress, however, such as the registration of the Gardeners' Society NGO in Ak Bugday *etrap* (district) and the Union of Entrepreneurs and Industrialists. The re-registration of the Association of Accountants, which was not able to re-register in 2007, represented a real breakthrough.

Increasingly, MoJ officials agree to meet with applicants, provide feedback, and at times even encourage them to re-apply. Typically, because they lack legal knowledge and mechanisms for asserting their rights, groups do not dispute MoJ refusals of registration. The groups often believe that their objections will not lead to reversal of the decision. In addition, they fear that questioning government officials could lead to retaliation in the future.

Given the relative ease of registering for-profit organizations, civic activists increasingly opt to register as businesses in order to continue providing services to their constituents.

The MoJ closely monitors the activities of registered NGOs. NGOs report on their activities in compliance with set reporting requirements. Requirements for the education sector remain unclear, however. As a rule, a commercial educational center must obtain a license and approval of its curricula from the Ministry of Education. An NGO seeking to provide short-term training is also required to obtain a license

from the Ministry of Education, but this is difficult, restricting NGOs' ability to provide services in the education sector.

Civic group members lack access to quality legal consultations on various issues related to their activities, such as taxes, paid services, registration, entrepreneurship, and licensing. In most cases, civic group members obtain information directly from ICNL and the American Bar Association (ABA), the only civil society legal experts in Turkmenistan.

In April 2008, the NIDHR requested ICNL to prepare an analysis of NGO legislation in Turkmenistan. This request was preceded by a two-day seminar on international standards for

NGO legislation conducted by ICNL. In November 2008, ICNL and NIDHR held a two-day roundtable with government officials and leading civil society organizations to discuss ways to improve NGO legislation.

The Tax Code has not changed in regard to NGO activities since 2005. The existing Tax Code is favorable to organizations working with disabled people and exempts them from paying taxes on income from educational activities, but does not extend this exemption to NGOs that provide educational training. Taxation has not presented a burden for civic groups because they do not have income-generating activities. If they start earning income by providing paid services, however, they are charged VAT.

### **ORGANIZATIONAL CAPACITY: 5.3**

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In general, a growing number of civic initiatives are being implemented. Leading NGOs contend that the level of activity of registered and informal groups varies greatly from region to region, as does local authorities' interest in local initiatives.

International donor priorities and funding have shifted from NGO capacity building to community development in light of the legal restrictions. This may have adversely affected NGOs' organizational capacity and growth. Currently, there is no institutional training provider for NGOs, although there is a clear need for NGO capacity building. Most civil society development programs are focused on building the capacity of community groups. Recognizing NGOs' needs for capacity building, Counterpart International conducted strategic planning and financial sustainability trainings for its branch Civil Society Support Centers, partner Resource Centers, and NGO network members.

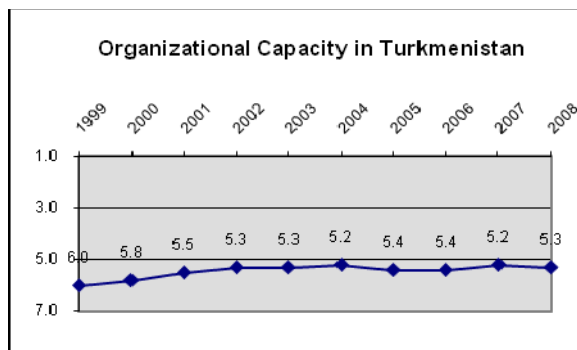
Because of the lack of training providers and training in strategic planning, registered groups do not place enough emphasis on strategic planning when designing and implementing their activities. Their decision making, although participatory in nature, tends to be done on an ad hoc basis and is limited to discussions at general

meetings, nor do they dedicate enough time and resources to reflecting on and assessing the impact of their activities.

The NGO Law stipulates that the MoJ must approve the internal structure responsible for NGO governance, contrary to international standards that specify that a board of directors should carry out this function. In the majority of registered NGOs, NGO management implements day-to-day activities and develops strategy simultaneously. It is even more difficult to discern the level of strategic planning among informal groups, which tend to have very loose organizational structures.

The distinction between paid staff and volunteers is nominal. When an NGO is implementing a grant project, it compensates staff. Once the project funding ends, the staff automatically becomes volunteers. This presents a challenge to the retention of qualified staff.

Registered and informal groups generally have outdated office and computer equipment. The only chance NGOs have to upgrade their inventory is through donor grants. Although several Internet cafes have opened across the country, Internet access remains a challenge due to the low speed and relatively high cost.



Internet access is currently limited to the main cities of the country. NGO support centers are

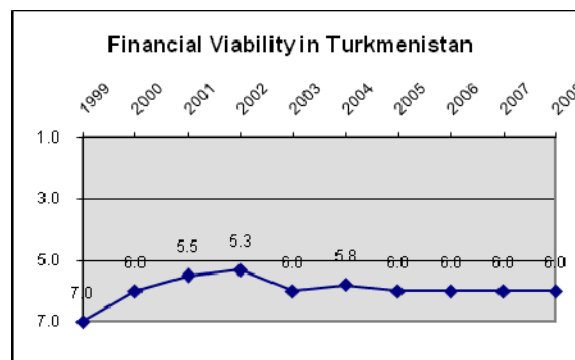
### FINANCIAL VIABILITY: 6.0

Civic groups try to diversify their funding sources to sustain themselves. While most NGOs do not charge fees for services, NGOs increasingly understand that they need to start doing so as a way to sustain themselves financially. Even those who do, such as the Society of Deaf and Blind People, cannot earn sufficient income to sustain their organizations. Some groups generate revenue by providing paid services such as copying materials or filming videos, although these activities are not very profitable.

Most NGOs cover their operational expenses through membership fees and grants. Given that most for-profit activities require licenses, which are very difficult to obtain, NGOs find it extremely challenging to introduce fees for services. Moreover, to be able to engage in profit-generating activities, civic groups have to create affiliated commercial organizations. To date, only NGO Keyik Okara has managed to obtain a license for rendering paid educational services, which may allow the organization to open a commercial entity in the future. Agama has started to charge fees for services; for example, it charges a fee of 70 cents per person to cover costs associated with organizing mountain climbing expeditions. Agama also earns money from industrial alpinism (performing repair and construction work on tall buildings), which allows it to maintain its office, organize climbing trips and provide training.

not able to charge clients for Internet access according to Turkmen Telecom's user agreements.

Most NGOs have poor financial management systems, seldom make their annual reports and financial statements available to the public, and rarely conduct external audits. NGOs do not yet understand the importance of an objective audit and are usually unwilling or unable to pay for auditing services by an outside organization or individual.



NGOs and informal groups are exploring additional sources of financing. While government social contracting could be a potential funding source, NGOs have yet to develop strategic, quality services that can be marketed to state agencies and the private sector. In addition, it is culturally accepted that NGOs are not paid for their consultations to government agencies. Only a few government institutions at the national and local level contract NGOs and GONGOs for service delivery. For example, Nature Protection Society works extensively with the Ministry of Nature Protection on the implementation of joint programs.

The concept of philanthropy is almost nonexistent in Turkmenistan. Businesses have little desire to contribute to charities or support civic groups due to the absence of tax incentives. It is significantly less complicated and more desirable for businesspeople to make personal contributions than to act in the capacity of a

business sponsor or donor. In many cases, businesspeople do not wish to publicize their contributions out of fear that their finances may attract undue scrutiny by state officials. The spirit of anonymous giving is also consistent with the Islamic tradition of *zakat*, or charitable giving. Potential for philanthropy may grow in Turkmenistan as incomes and standards of living rise.

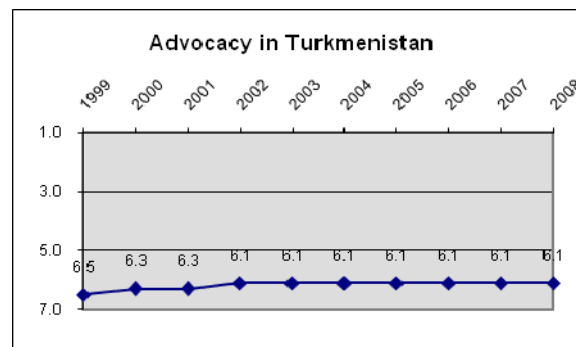
Typically, community civic groups are able to raise some funding and in-kind contributions from local sources to supplement donor grants. For example, they cook meals for training participants; volunteer their time and labor for project activities; or leverage funding,

equipment, or construction materials from local governments. The ability of community groups to raise money is an indicator of their relative sustainability. In some cases, community leaders raise funds from the private sector, including local and international businesses. Counterpart International's Community Action Grants, designed to support community-driven projects to improve local infrastructure and services, require a 20 percent cost share or in-kind contribution by the participating communities. So far, the communities were able to generate a total of \$77,000 in in-kind contributions, or almost 40 percent of the \$200,000 provided in grant funding.

### ADVOCACY: 6.1

No visible progress in advocacy was made in 2008 compared to previous years. Currently, NGOs implement almost no advocacy initiatives. However, 85 percent of community-driven projects financed by the USAID-funded Turkmenistan Community Empowerment Program implemented by Counterpart International promote social partnership between communities and local government. These projects have led to successful advocacy initiatives at the local level on issues such as improved roads, access to gas and electricity, and waste collection. Such accomplishments increase trust and cooperation between the government and citizens.

The NGO Union of Economists recommended reforming the Law on State Guarantees of Equality for Women and the Law on Entrepreneurial Activities. The Union of Economists proposed recommendations to the Law on Small Businesses to a Mejlis (parliamentary) committee, which welcomed them.

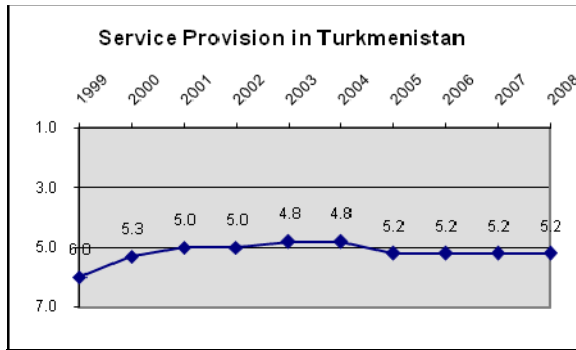


The dialogue initiated by ICNL with the Turkmen National Institute for Democracy and Human Rights resulted in a November 2008 roundtable at which participating NGO representatives raised their concerns regarding the NGO Law. The roundtable was the continuation of ICNL's seminar for Turkmen government officials in April 2008, which reviewed how other countries in the region regulate the financing, registration, and operations of NGOs.

### SERVICE PROVISION: 5.2

Services provided by NGOs to their target groups mostly depend on donor support. Unfortunately, donor-funded grant programs do

not always correspond to the demands of NGO constituencies, pointing to a lack of needs assessments among potential target groups.



NGO Keyik Okara provides educational services under OSCE, UNHCR and British Embassy grants. NGO Agama provides leadership training under a World Bank grant. Hemayt and Tagt provide access to office equipment, information, and consultations, and deliver seminars to their target groups. Community Resource Points, earlier donor-supported and now operating independently, provide basic services such as access to office equipment, information, and consultations to their communities and civil society activists throughout Turkmenistan. The Union of Economists and the legal NGO Bosfor

provide access to their libraries and information for professionals and the public.

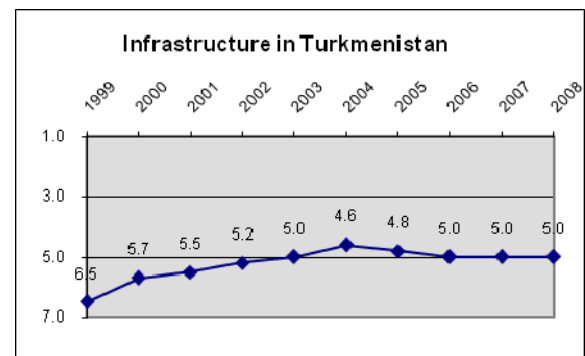
Some NGOs have tried to expand the scope of their services. For example, NGO Agama organized a mass climb to the Markau peak and regularly conducts bard song evenings. Some NGOs would like to start conducting surveys in the economic sector but cannot obtain licenses for this type of activity, even though they have expertise. NGO Keik Okara focuses on youth development issues and recently obtained a license for paid educational services to conduct English, French, and computer classes.

NGO objectives, activities and services are very poorly understood by state agencies, and the government has yet to accept the practice of social contracting. Only a few NGOs have had experience contracting with state agencies, including Keyik Okara, which works with the Social Protection Ministry; Agama, which works with the Ministry of Nature Protection to clean government buildings; and Accountants of Turkmenistan, which works with the Ministry of Finance.

## INFRASTRUCTURE: 5.0

The countrywide network of Civil Society Support Centers, Resource Centers and Community Resource Points continues to provide services to a broad range of local civil society actors, but available grant funding limits their services and restricts their geographic outreach. Resource Centers and Community Resource Points also lack capacity in certain technical areas.

Other local associations and NGOs such as the Youth Union, Women's Union, Union of Economists, Entrepreneurs and Industrialists Union, Bosfor, Keyik Okara, Agama, Accountants of Turkmenistan, and Women's Resource Centers, as well as various international organizations, provide issue-specific or specialized services to NGO clients.

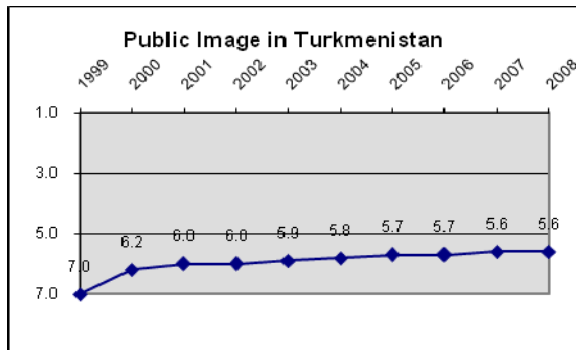


Organized NGO coalitions do not exist, mainly because the number of registered NGOs is very small, nor are there coalitions of informal groups working to address particular issues. The communication and cooperation between existing NGOs and informal groups occurs on an ad hoc, short-term basis.

## PUBLIC IMAGE: 5.6

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In general, the government realizes that NGOs have a role in the development of society, but it prefers to deal with GONGOs to promote the active participation of civil society organizations in reforming the country.



The few registered, independent NGOs receive limited coverage in local and national media. Even then, the media typically covers NGO-organized sporting events. GONGOs and sports

organizations invite the media to cover their events, while many independent NGOs are afraid that media coverage may lead to undue scrutiny by the authorities.

Another factor that impedes NGOs' ability to improve their public image is that the government carefully reviews and censors all newspaper and TV content. Editors-in-Chief prefer to receive materials from permanent contributors that are considered safe to publish rather than materials from unknown entities.

NGOs do not promote or publicize their activities, and many have yet to develop professional communication skills. To fill this gap, Counterpart leveraged funds to carry out public relations training for NGOs and civic actors to enable them to acquire skills for effectively promoting their activities.



## UKRAINE



**Capital:** Kyiv

**Polity:**  
Republic

**Population:**  
45,700,395 (July 2009 est.)

**GDP per capita (PPP):**  
\$7,800 (2008 est.)

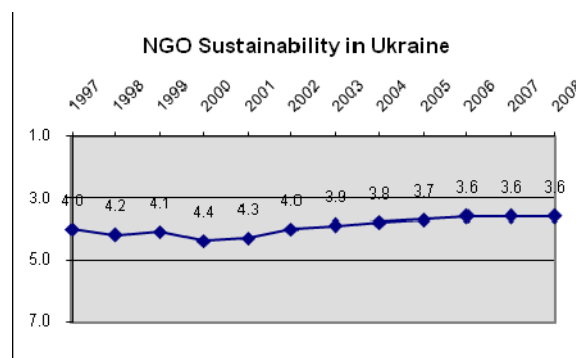
### NGO SUSTAINABILITY: 3.6

In 2008, the Ukrainian NGO sector strengthened its financial viability and somewhat improved its public image. NGOs actively advocated for several important legislative changes, but fell short of achieving them as the political crisis dramatically slowed down the legislative process.

Leading NGOs and civil society experts made significant progress in promoting a favorable legal environment for civil society development. They successfully advocated for approval of the first-ever concept for governmental support to civil society, as well as the action plan for its implementation.

Financial viability of NGOs improved due to increased funding available from the private sector and government. Corporate and private foundations expanded their programs for NGOs, and local and central governments allocated more funds to support NGO projects. More NGOs attempted to recover their costs by charging for their services, but the legal environment concerning revenue generation by not-for-profit organizations has not improved.

The capacity of regional NGOs grew noticeably, especially in grantmaking and initiating and implementing countrywide initiatives. A



relatively small yet growing number of leading NGOs practice strategic planning and democratic governance, but these trends do not extend to the sector as a whole. Demand for professional, high-quality services provided by NGOs is growing on the part of citizens, businesses and government. While some NGOs are prepared to face this challenge, the majority still need to become more professional and market themselves more effectively.

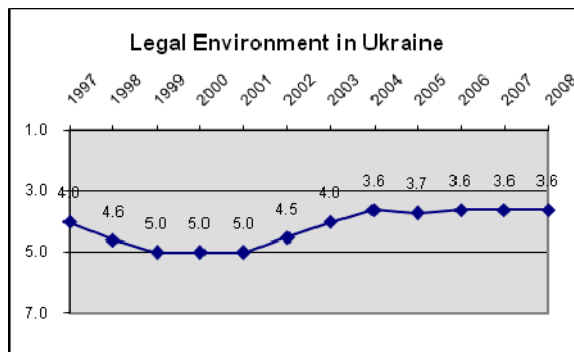
While no NGO coalition, committee or network exists to represent the civil society sector at the national level, strong and experienced issue-based NGO coalitions and networks at the national and regional levels have advocated successfully for their target groups' interests on a number of important social issues.

The perception of NGOs by the public, government and business has improved. Although citizens' interest in the work of NGOs remained rather low, NGOs increasingly used

press conferences and awareness campaigns in order to convey their message to the public.

According to government statistics, the number of registered associations is 43,859, and the number of registered charities is 9,637.

## LEGAL ENVIRONMENT: 3.6



Civil society actors, in close cooperation with the government, drafted and actively promoted new laws and amendments in areas such as NGO registration, revenue generation, taxation, and charitable giving. These efforts have not yet resulted in legislative changes, however, due to ongoing infighting among political elites.

In May 2008, the Cabinet of Ministers of Ukraine, following a Council of Europe recommendation, adopted an action plan to implement a concept for the government's support of civil society development. The concept includes consideration of the draft Law on Public Associations. Civil society provided significant input in drafting and promoting the concept and action plan. The Ministry of Justice posted the draft Law on Public Associations on its website for public comments and the Cabinet of Ministers submitted the draft to parliament in November 2008.

NGO registration remains difficult and takes longer than business registration. NGOs are required to register both with the Ministry of Justice and the State Registrar. NGO registration tends to be more difficult in the regions than in the capital. The number of official refusals of NGO registration applications generally decreased. Cases when government officials

pressured applicants to withdraw their applications, however, became more common. Leading NGOs and civil society experts proposed a "one stop shop" registration process that would exclude the Ministry of Justice from registering most types of NGOs.

Department of Statistics reporting requirements for NGOs expanded in 2008. The overall number of NGO inspections by the government increased from 5,500 in 2006 to 6,500 in 2007. The Ministry of Justice conducted 670 checks of local government councils in 2007 concerning NGO registration. Negative results of such inspections, however, became less common.

For the first time ever, a court decision stopped an NGO's activity on the grounds that it had violated its "territorial status" by operating outside the region in which it was registered. The new draft of the Law on Public Associations does not include a notion of territorial status, and only requires that national-level organizations confirm their status.

Legal advice and information is becoming more available to NGOs. A leading NGO specializing in civil society law created a countrywide database of 270 legal firms and lawyers that provide services on NGO activity, taxation, and charitable activities. The demand for such expertise on the local level still exceeds supply, however.

A working group of civil society experts intensified efforts to introduce changes to several key laws concerning charitable giving and activities of charitable organizations. The group conducted a thorough analysis of the Ukrainian and international legislation and proposed specific legislative changes that would facilitate both giving and accepting charitable

donations. Development of a draft law on charities is in progress.

Participation of NGOs in the public procurement process is difficult, largely because of the generally flawed and complex public procurement system in Ukraine. Few NGOs participate in public tenders. The National Bank requires bank guarantees that are almost impossible for NGOs to comply with. Moreover, the Law on Public Procurement was repealed in March and a new law has not been passed. Legislation concerning NGO revenue generation remains unclear, and NGOs have to be creative to earn income while maintaining their nonprofit status.

### **ORGANIZATIONAL CAPACITY: 3.7**

Membership in NGOs remains low. According to a survey by the Institute of Sociology at the National Academy of Sciences, 83 percent of citizens are not members of any NGO or political party. Citizens are more inclined to participate in one-time actions than to be involved regularly in NGO work.

A small but gradually expanding cohort of experienced NGOs have clear missions, work systematically on specific issues relevant to citizens, practice strategic planning, and have well-functioning governing bodies. NGO Vsesvit in the Crimea managed to attract 530 citizens to a public hearing concerning alleged corruption and other violations by a local construction project. Local community organizations mobilized citizens to join forces with local governments and businesses to deal with issues such as infrastructure improvement, the environment, support to the needy, and youth engagement.

In a recent Counterpart Creative Center survey, 60 percent of more than 400 NGOs surveyed claimed that they have a written strategic plan. In most cases, however, NGOs develop strategic plans only if donors require them. Many NGOs, especially less established ones, tend to adjust their missions in accordance with donor funding

Despite productive relationships between NGOs and some line ministries, legal drafts that pass the Cabinet of Ministers and are submitted to the parliament (Verkhovna Rada) often fail to reflect NGO recommendations. For example, a final draft of a Law on Peaceful Assembly did not reflect NGO recommendations, even after months of advocacy efforts and joint work with the Ministry of Justice. Civil society activists also developed a draft Law on Citizens' Self-Organized Bodies that underwent so many changes in parliament that it no longer reflects the target group's interests.



priorities, and establish governing bodies only when required by law or to prevent conflict within an organization. Discussions about openness and transparency in NGO operations are becoming widespread, but few NGOs publish their annual reports.

The drain of staff from NGOs to the private sector or government continues. This can also be seen as a sign of growing professionalism among NGO staff, including those working at the local level. College graduates tend to seek jobs in business rather than embarking on careers in the NGO sector. NGOs are able to attract young professionals for internships, but find it challenging to engage them full-time. There is no system for developing a new cadre of NGO workers, particularly at the leadership level.

The number of strong NGOs in the regions of Ukraine is increasing. This tendency contrasts with a slowdown in the growth of NGO capacity in Kyiv. The level of activism and professionalism among NGOs across regions is uneven, however. Several donor organizations have difficulty soliciting high-quality project proposals from some oblasts in central and southern Ukraine despite a substantial number of registered NGOs in those regions. An often-heard comment is that the number of NGOs taking part in grant competitions is decreasing, while donors are less satisfied with the quality of proposals.

## **FINANCIAL VIABILITY: 4.1**

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The financial viability of the NGO sector has improved. Although the majority of NGOs remain largely dependent on international donor funding, during 2008 they increasingly diversified their funding sources. NGOs actively solicited support from local businesses, applied for grant programs offered by all levels of government, expanded volunteer involvement, and sought funding from corporate and private foundations. Membership fees constituted the smallest portion of NGOs' overall funding. Some experts estimate that NGOs raise no more than 10 percent of their overall income from service fees.

The private sector offered more funding to charitable causes directly or through corporate and private foundations, which are increasing in number and funding levels. Major national and international business associations actively promoted corporate social responsibility (CSR). At least five national-level NGOs actively promoted the CSR concept within NGO and business communities, as well as the media. A charitable foundation that assists children with cancer managed to raise almost \$450,000 in 2007 through direct contributions from hundreds of corporate and individual donors.

Most corporate and private foundations choose to finance their own programs or provide funding directly to recipients rather than to registered NGOs. The two largest private

NGOs increasingly face problems securing office space, which is becoming more expensive. Local governments often apply pressure on NGO tenants to force them to leave in favor of commercial tenants.

In general, the technical capacity of NGOs is improving, although disparities between NGOs located in larger cities and those in rural areas remain significant, especially in terms of Internet access. More mature NGOs usually invest in their organizations' equipment. Surveys indicate that the number of NGOs that have their own websites is growing each year.

foundations in Ukraine spend millions of dollars annually on projects in health care, education, support to vulnerable groups, and culture, but neither offers grants to NGOs.

Charitable Fund Krona, the first corporate foundation in Ukraine to start a grant program for NGOs, provided \$130,000 in 2008 to support up to fifteen NGOs through its second annual nationwide small grants competition focused on children and youth issues. The Center for Social Programs established by the RUSAL Company, which owns an aluminum production plant in the city of Zaporizhzhia in southern Ukraine, announced the second citywide small grants competition for local NGOs. The city government co-organized the competition and the Ukrainian Philanthropists Forum, a leading professional association that promotes effective philanthropy in Ukraine, helped to promote it.

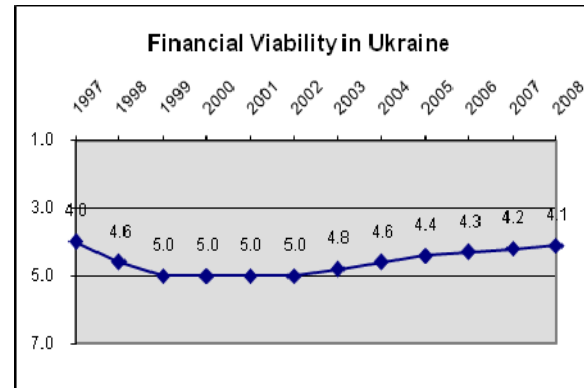
Socially responsible businesses often approach established NGOs with offers to conduct research, administer corporate philanthropy programs, and assess such programs' impacts. Businesses displayed more appreciation of nonprofit sector professionalism, sometimes agreeing to cover not only project expenses but also administrative expenses of NGOs.

With initial support from international donors, a growing number of experienced NGOs, both Kyiv-based and regional, successfully started grantmaking programs that became an

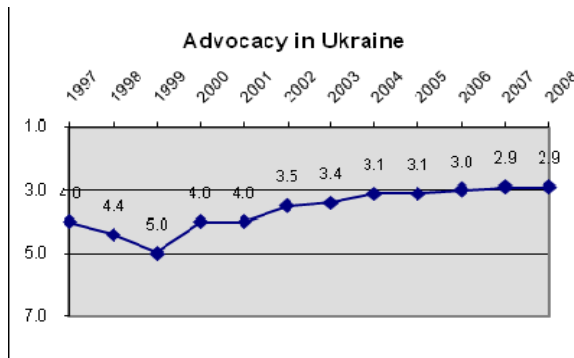
increasingly important part of the domestic private sector funding base.

Government funding for NGOs at all levels increased, although questions remained concerning transparency and objectivity of the process. The designated amount for NGO funding in the national budget was more than \$60 million. Lviv City Council in western Ukraine provided over \$235,000 in grants to forty-six NGO projects in 2008. Donetsk Regional Council in eastern Ukraine allocated about \$400,000 in its 2008 budget to support NGO activities.

NGOs improved their financial management, accounting and reporting systems.



## ADVOCACY: 2.9



After the substantial growth of advocacy work in previous years, civil society failed to repeat its success in 2008. NGO advocacy efforts produced mixed results that brought no change to the status quo.

Cooperation between civil society and government was quite evident on the surface, and many civil society leaders both at the national and local levels moved from NGOs into government jobs. Government and NGOs lack formalized procedures for cooperation, however.

NGOs and civic activists took part in discussions and development of the new draft constitution. This process was so politicized and controlled by opposing political forces, however, that any attempts at a meaningful civil society contribution were futile.

NGOs contribute to policy development through citizen councils to ministries, regional administrations and other executive bodies. Many of these councils were criticized for being passive and government-controlled, but some were quite successful. The council to the Ministry of Internal Affairs, formed of representatives of human rights NGOs, developed a system for preventing human rights abuse in the Ukrainian penitentiary system. NGOs successfully lobbied for creation of a special human rights department within the ministry, and many of the new department's employees are human rights activists. The citizen council at the Ministry of Environment initiated parliamentary hearings on national nuclear energy policy that raised important safety issues. Leading NGOs also reported positive cooperation with the State Security Service on anti-corruption work.

With USAID/Millennium Challenge Corporation support, NGOs created several public advocacy networks that monitored the government's anti-corruption efforts. The Ministry of Education authorized one such network to monitor the entrance exam process in thirty universities across the country. The coalition disseminated information, ran a hotline, and reported incidents of corruption. Another coalition drafted a progressive Law on Access to Public Information and led a national advocacy campaign for its adoption.

An anti-tobacco NGO coalition successfully advocated for an increase in the excise tax on tobacco products and alcohol. Thanks to advocacy efforts of an umbrella NGO working on behalf of persons living with HIV/AIDS, a pharmaceutical company lowered its prices and the Ministry of Health saved about \$830,000 on medication. At the same time, advocacy and NGO coalition work on media issues declined as many media outlets and journalists faced growing pressures from business and political interest groups.

Examples of advocacy successes by NGO coalitions in the regions included creation of a one-stop permit center for land designation and construction, improved municipal education and youth policies, more accessible and effective health care programs for children, and improved financial accountability of local governments. While many local governments cooperate with NGOs, some have taken an openly antagonistic stance towards local civil society and deliberately ignored citizen initiatives or even stopped implementation of previously agreed programs.

### SERVICE PROVISION: 3.3

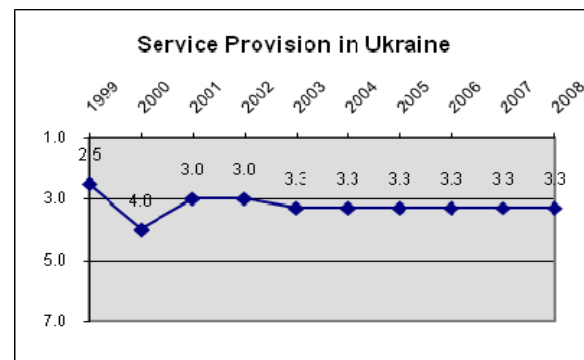
NGOs continued to be increasingly competent providers of many important services that the government either provided at a limited level or not at all. Although the range of services and products that NGOs offer to various target groups remained broad, the quality and marketing of services did not improve significantly. The potential of NGOs in service provision is growing and so is demand, but NGOs need to become more professional and proactive.

Stimulated by international and local donors, a growing number of NGOs, especially in the regions, are gaining experience in grantmaking. Grantmaking, along with training and consulting, has achieved a higher profile as an NGO-provided service.

According to one survey, the top ten areas of NGO activities are children and youth, human rights, civic education, social issues, NGO development, politics and economy, culture and arts, business development, women's issues, and the environment. The ten most frequently cited types of NGO services and products include training and consulting, advocacy, information dissemination, education, research and analysis, social services, legal assistance, charity, policy advice, and rehabilitation.

Both the private sector and government voiced their interest in high-quality research provided by think tanks, which continued serving as independent sources of analysis in a variety of policy areas.

Many NGOs both at the national and local levels reached out to vulnerable groups that received little support from the government or private sector. These groups included people with disabilities, especially children, homeless persons, victims of family violence and human trafficking, street children, people suffering from substance abuse, people living with HIV/AIDS, the elderly, and prison inmates.



Government representatives claim that they are open to cooperation with NGOs that are capable of providing high-quality services. A rehabilitation center in western Ukraine founded as an NGO seventeen years ago to provide counseling, rehabilitation, and education services to children with disabilities was reorganized into a municipal establishment. It now receives guaranteed funding from the city budget on an annual basis, and about \$300,000

was budgeted to support the center’s work in 2008. Another example is a coalition of HIV/AIDS service NGOs that was invited to join a working group at the Ministry of Family, Youth and Sports to develop standards and training modules for social workers. NGOs in general lacked the skills to promote their services actively. Few NGOs attempted to recover costs by charging fees for their services even though current legislation, albeit very confusing, allows NGOs to do so.

Social entrepreneurship is expanding. A foundation created with international donor funding leveraged corporate donations and supported twenty-eight social entrepreneurship projects. These projects helped to create modest but stable revenue sources to support rehabilitation of disabled children and former drug users, create jobs for homeless persons and underprivileged women, and provide other services.

### INFRASTRUCTURE: 3.5

NGO infrastructure is slowly improving, but not to a great extent. Important skills, training facilities and information resources are still lacking.

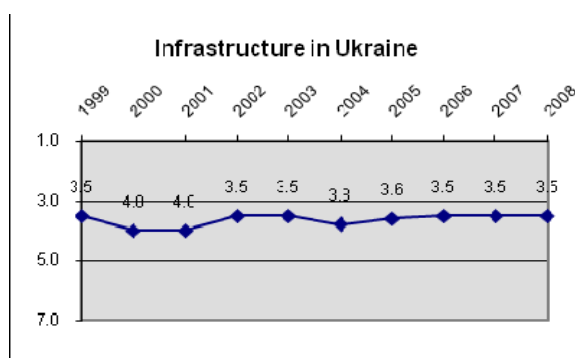
NGO resource centers created more than a decade ago by various donor projects have expanded their range of services, changed their roles, or stopped operating. This created a lack of training and consulting services on topics important to nascent NGOs such as grant writing and NGO management. At the same time, each region of Ukraine has at least one strong and experienced NGO that has the capacity to provide resource center services.

sector-specific intermediary support organizations has grown. NGOs demanded more customized and higher-level training and consulting. There are formal and informal networks of NGO trainers and experts, but high-level experts in certain areas, such as social entrepreneurship, are lacking. Some NGOs are not ready to pay for high-quality training.

No NGO coalition, committee or network represents the civil society sector as a whole at the national level. At the same time, there are strong and experienced issue-based NGO coalitions and networks in such areas as human rights, support to persons with disabilities, environment, HIV/AIDS, women’s health, tobacco control, and anti-corruption.

NGOs across the country are generally sufficiently equipped to conduct their operations, although many have outdated equipment, especially NGOs outside of major cities.

At least two well-established NGOs in Kyiv provide information services to NGOs nationwide through web portals and weekly newsletters. Despite their generally good work, neither of these civil society information providers offers complete information concerning all funding opportunities available to NGOs.



The need for some of the traditional services that used to be provided by NGO resource centers such as general information dissemination and use of equipment has declined, but the need for

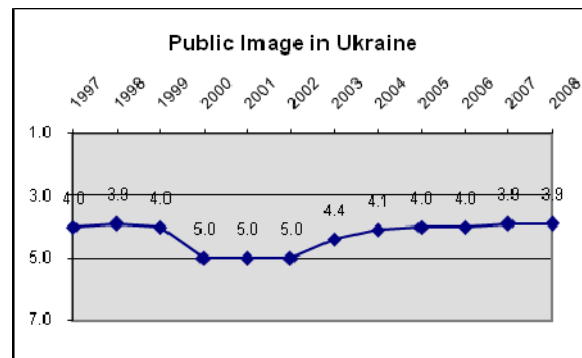
## PUBLIC IMAGE: 3.9

According to a public opinion poll conducted by the Institute of Sociology of the National Academy of Sciences, the level of citizens' trust in NGOs, although generally low, grew by 5 percent in 2008. The average level of citizens' trust in NGOs on a five-point scale was 2.5 in 2008, while in the previous poll in 2006 it was 2.4. The rising level of trust in NGOs contrasts with decreasing trust in government (2.4), parliament (2.3), and political parties (2.2). Leading TV networks invite civil society leaders and experts to present their opinions on various talk shows. Media continue to be reluctant to cover civil society activities, but if NGOs do interesting work and achieve results they can get media attention. The media is usually interested in the results of NGO monitoring of government performance. A leading network of human rights NGOs has been successful in attracting media attention to its activities. The media covered other NGO activities such as environmental actions, anti-drug campaigns, and protection of cyclists' rights. The Law on Advertising requires only government-financed mass media to place NGOs' social advertising without charge. Privately owned media outlets can charge NGOs for social advertising.

Those NGOs that employ professional communications managers usually succeed in ensuring media coverage of their activities. The expanding use of new media and social networks creates opportunities for NGOs to bypass traditional media. In some regions, political parties approached NGO leaders for advice on how to conduct communications and advocacy campaigns.

Business associations drew media attention to their activities aimed at promoting the interests of certain industries or groups of businesspeople.

Business associations seem to be able to keep a higher public profile because their constituencies' interests are usually more specific, and they tend to have more resources to fund advocacy and lobbying activities. Two civil society leaders, both women, were selected as members of the Ukrainian team of Olympic torchbearers. One is the leader of a national coalition of NGOs working with persons with intellectual disabilities; the other is a prominent environmental lawyer representing an influential nationwide network of environmental NGOs. This was a symbolic but important instance of public recognition of civil society leaders in Ukraine.

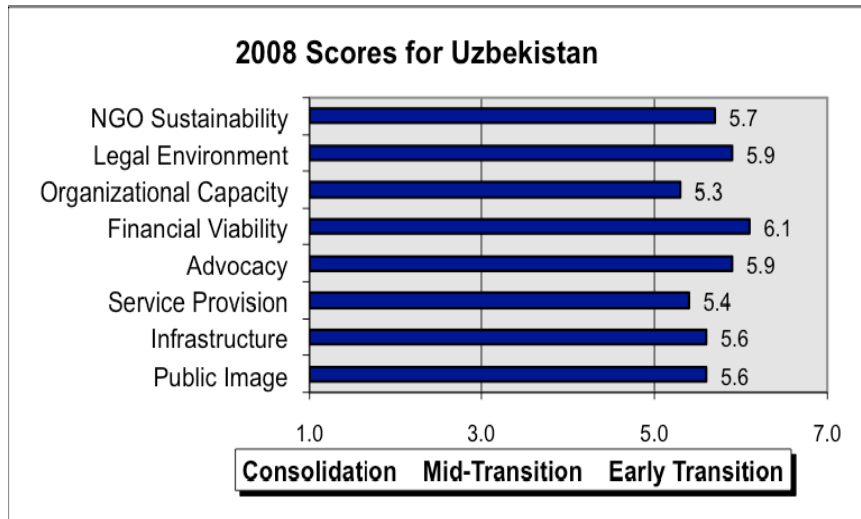


NGOs increasingly used press conferences in order to get their message across. Employees of penitentiary institutions attempted to picket a press conference organized by the Ukrainian Helsinki Human Rights Union when it was presenting its findings concerning human rights abuse in the penitentiary system.

In order to further promote a positive public image, more NGOs signed on to the NGO Ethics Principles Declaration. An initiative group of civil society experts drafted an NGO Ethics Code that contains practical guidelines on how to implement the principles.



## UZBEKISTAN



**Capital:** Tashkent

**Polity:**  
Republic

**Population:**  
27,606,007 (July 2009 est.)

**GDP per capita (PPP):**  
\$2,700 (2008 est.)

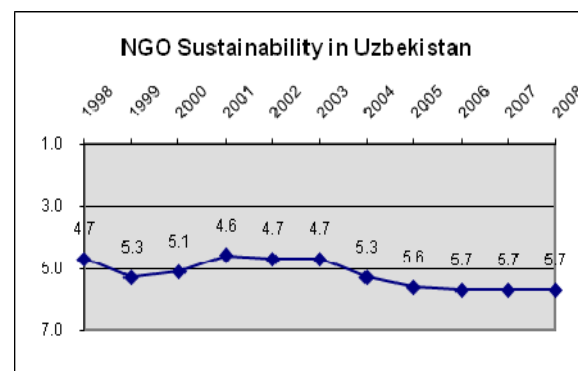
### NGO SUSTAINABILITY: 5.7

The year 2008 was marked by both positive and negative tendencies in civil society development in Uzbekistan. The death penalty was eliminated and *habeas corpus* was introduced in the justice system, changes that human rights NGOs have advocated for several years. A law to guarantee the rights of the child (following Uzbekistan's ratification of the relevant ILO conventions) came into force. NGOs participated in the working group that developed the draft law, although the government made dramatic changes to the final version. A research center on democratization, liberalization of judicial legislation, and increasing independence of the judicial system was established at the Supreme Court of the Republic of Uzbekistan. A joint decision of two chambers of the Uzbek Parliament created a new public fund for the support of NGOs and other civil society institutions, as well as a parliamentary commission on management of the fund's finances. The government and GONGOs conducted events to commemorate the sixtieth anniversary of the Universal Declaration of Human Rights.

Despite a number of positive developments, the real situation remains complicated, and open discussion is not allowed. According to the 2008 Freedom House *Freedom in the World* survey,

Uzbekistan was one of eight countries with the lowest levels of political rights and civil liberties among 193 countries of the world.

The state openly declares support for NGO activity and requires authorities to cooperate with NGOs. Such actions are mostly aimed at promoting an appearance of democratic liberty and openness, however, and do not contribute to civil society development.



The pro-government National Association of Nongovernmental Noncommercial Organizations (NANNOUZ) has not managed to earn a positive reputation with the NGO sector, as it cannot provide protection for NGOs or assist in their development. The number of registered NANNOUZ members remained

steady at about 300, which is 6 percent of the number declared by state officials. The organization's website does not give a complete list of its members.

Official statistical data on the number of registered and operating NGOs is unavailable. According to a civil society newsletter on the website [www.uzNGO.info](http://www.uzNGO.info), which is blocked inside the country, as of July 1, 2007, there were 836 nongovernmental, noncommercial organizations in Uzbekistan. The majority of

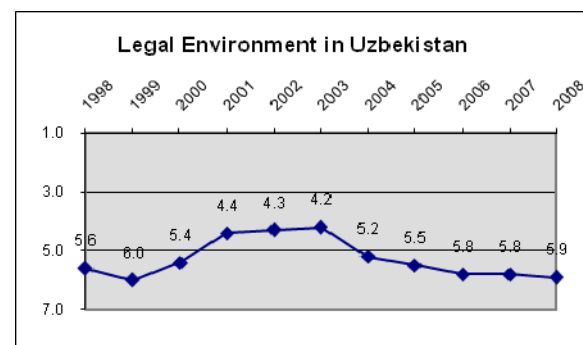
NGOs were banned during 2005–2006, but the government continues to claim that more than 5,000 NGOs are working in Uzbekistan. This figure includes all branches of political parties, movements, labor unions, self-governing bodies, and all branches of national NGOs. For example, Business Women Association of Uzbekistan has branches in all major cities of the country, each of which is counted as a separate NGO. In reality, several hundred active and independent NGOs use all available opportunities to survive and carry out their missions.

## LEGAL ENVIRONMENT: 5.9

The legislative framework formally guarantees the rights of nongovernmental, noncommercial organizations to participate actively in the development of a civil society, but the majority of initiative groups (public associations initiated by at least ten people) face problems with registration, or with the “secret” commission of the Central Bank, which has the authority to approve or disapprove every grant. All NGOs must obtain an advance permit from the Ministry of Justice in order to carry out any event, even a meeting of members. Courts are an appendage of the executive authority. There were no cases in which a trial judgment was in favor of an NGO and against state bodies.

The current legal framework continues to regulate NGO activity in a way that prevents free and independent development of the NGO sector. While the authorities have recognized that some of the legislative norms are contradictory and require revision, they have not taken steps to address the problem. The number of registered GONGOs continued to increase while the number of independent NGOs decreased. Out of an average of 120 to 170 NGOs per province, an estimated 8 to 15 NGOs in each province closed down in 2008, while 4 or 5 new NGOs – primarily branches of large GONGO – were newly registered.

In 2008, several changes were introduced to legislation on noncommercial organizations, mostly due to creation of a public fund on NGO support and a parliamentary commission that



will manage it. The authorities sought to portray as democratic the act of transferring NGO financing from the executive branch of government to a higher legislative body. In fact, independent NGOs are effectively excluded from funding opportunities through the new mechanism. The commission and fund are represented by GONGOs, executive officials, and parliamentarians. No mechanism has been put in place for NGOs to apply for the funds. In 2008, all government funds for NGOs were distributed among ten GONGOs without any competitive process.

Taxation policy has not changed. In early 2008, NGOs lobbied extensively for adoption of the new Tax Code, which preserved tax privileges for NGOs. NGOs engaged in entrepreneurial activities must pay the same taxes as commercial organizations, however.

A revised version of the Law on Social Security of People with Disabilities was adopted. The new law omits clauses that provided state support and privileges for public associations of

people with disabilities. As a result, some of the social enterprises operated by these public associations and staffed with disabled people are closing down.

Although the procedure for registration is stipulated by legislation, in practice it presents severe difficulties. Registration authorities have the right to decide which public associations may form. They actively use this authority to refuse registration not only to human rights advocacy organizations, but also to organizations intending to work in the social or cultural spheres. For example, in 2008, “Opportunity” Public Fund from the Republic of Karakalpakstan, which has a mission to develop new social and economic programs, was not registered. The Mekhribonlik Kemasi rehabilitation center for tuberculosis patients has not been registered since 2005. At the same time, GONGOs such as the Chamber of Lawyers and fifteen youth public associations had no problems with registration. During 2008, regional departments of the Ministry of Justice registered from five to ten NGOs. Although there are lawyers who know the relevant legislation, have experience with NGOs, and are able to provide required legal assistance, NGO founders generally do not appeal denials of registration in court because of

the lack of judicial independence and the high cost of legal services.

Due to the absence of any financing, many NGOs violate the law by not creating a fund for the payment of required payroll taxes. Others prefer to conduct most of their operations without using the banking system.

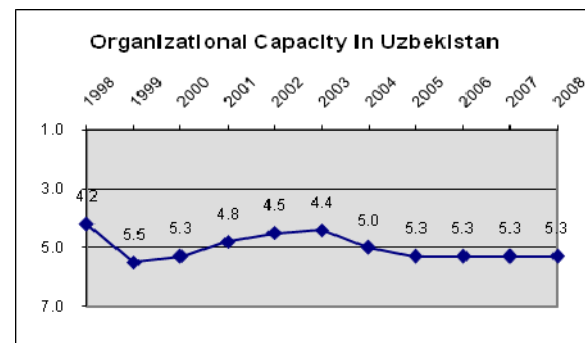
Commercial entities created by NGOs are exempted from the tax on profits if all income is used to support the NGO’s charter activities. It is practically impossible for NGOs to run affiliated companies, however, because of the difficult business environment in Uzbekistan. Commercial organizations that contribute funds to NGOs may deduct from taxes no more than 1 percent of their taxable profits, which does not stimulate philanthropy.

Grants are not subject to taxation, but only NGOs supported by the state can receive grants. NGO financial reporting is identical to that of commercial enterprises. Simplified taxation and reporting for NGOs has been discussed, but not yet adopted. Penalties are imposed on NGOs that do not provide reports. According to Article 239 of the Code on Administrative Violations, NGOs are fined about \$2,000 for delays in reporting, whereas commercial organizations are fined about \$120 for similar infringements.

### ORGANIZATIONAL CAPACITY: 5.3

The majority of independent NGOs that still operate in Uzbekistan are focused on very narrow, targeted missions and sectors. For example, the most active and well-organized NGOs are those that work with youth, promote sports, or address environmental problems.

Due to massive audits during 2005–2007, most NGOs that survived are trying to work in compliance with all rules and regulations in order to reduce opportunities for government harassment. Some NGOs have adjusted to the current environment by cooperating more intensively among themselves and with commercial organizations that provide some financial compensation for services rendered.



Generally, NGOs operate with outdated equipment purchased with grants received five to seven years ago. NGOs are able to access the Internet using relatively cheap Internet cards, but providers block the websites that are the most

useful for NGOs, even in facilities such as Internet cafes.

NGOs utilize the assistance of volunteers, although volunteers are not recognized legally.

## FINANCIAL VIABILITY: 6.1

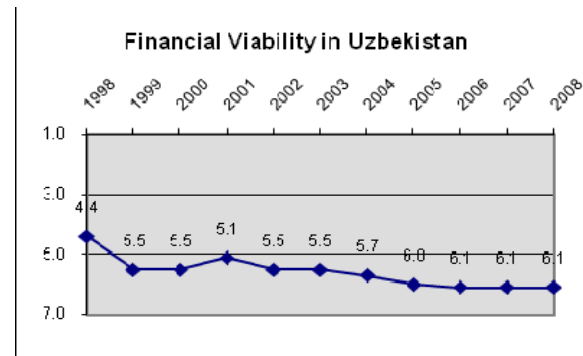
According to law it is impossible to obtain international grant assistance through banks without special approval of a “secret” commission at the Central Bank, which rejects 99 percent of all applications. The composition of the commission is unknown, and its decisions are not subject to appeal. This situation is forcing many NGOs that receive grants to shun transparency in their operations.

Currently, several international organizations provide assistance to NGOs in Uzbekistan, namely OSCE, UNDP, GTZ, and UNICEF. NGOs generally do not receive support from citizens or local organizations. In order to avoid problems with local authorities, international organizations do not illegally fund NGOs. The possibility of obtaining legitimate funding from donor organizations is available only to about ten large pro-government organizations.

Independent NGOs have been pushed aside in funding through the government’s new public fund. All government funding for NGOs has been shifted to the new fund, making the fate of the National Fund for NGO Support, which NANNOUZ operated in previous years, uncertain. In 2008, NANNOUZ did not obtain an allocation from the national budget due to the establishment of the public fund for support of NGOs.

Some NGOs make positive comments about the existing situation of civil society with a view to obtaining financial support from NANNOUZ, since all other legal channels of funding have been blocked. Now that government funding has been transferred to the Parliament, the future of NANNOUZ is not clear.

Taxation authorities require ongoing payroll calculations for all employees even when organizations have empty bank accounts. This leads to more closures of NGOs.



Generally, representatives from the remaining NGOs hope for improvement. Some are able to raise funds by charging fees for services or obtaining donations from businesses. NGOs are mainly supported by their managers at personal expense, although a few entrepreneurs contribute money either voluntarily or at the instruction of government institutions. For example, the government sometimes orders businesses to support NGO events on holidays such as Mustaqillik (Independence Day) or Navruz (Islamic New Year).

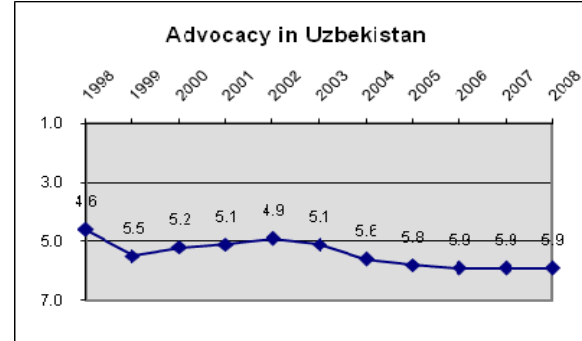
Legislation requires that charitable foundations conduct audits and publish annual financial statements. Unfortunately, the government never adopted implementing regulations for the registration of foundations, so all funds and foundations are registered as public associations, with no requirement to report to the public or to conduct audits. Other NGOs may conduct audits on their own initiative.

Currently, those independent NGOs that survive earn most of their income by providing services or by establishing commercial entities, although the latter is very rare. In some NGOs, members pay membership fees, but these funds are insufficient to finance NGO operations.

## ADVOCACY: 5.9

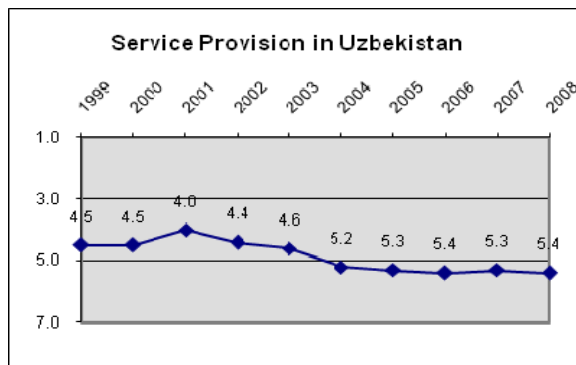
NGOs' representatives increasingly choose to cooperate with government agencies, since without them, implementing social projects is infeasible. Government officials attend GONGOs' conferences and roundtables, although they rarely speak or answer questions. GONGOs and the government have begun to invite some independent NGOs to participate in their events.

NANNOUZ and the Legal Problems Research Center, an independent NGO, engage in coalition formation to a certain extent. In 2008, these organizations conducted roundtables to discuss problems and developed a single position on lobbying for modifications to the normative acts on the tax status of nonprofit organizations. The government is willing to accept the assistance of some specialized, independent NGOs in developing draft legislation.



Although citizens by law have a right to participate in lawmaking, laws are published after they are already adopted and approved by the president. The public does not have access to information on the development of draft laws, making it impossible for civil society to comment on proposals unless specifically requested to do so by ministries or parliament. Only GONGOs are able to engage in lobbying, and only with special permission.

## SERVICE PROVISION: 5.4



The level of NGO service provision did not change in 2008. NGOs' operations are still affected by the developments of 2004–2005, when international organizations withdrew from Uzbekistan and left the few remaining NGOs without the means to provide services on a pro bono basis. The economic crisis has also affected the efforts of women's organizations, environmental organizations and associations of the disabled to continue providing services to their constituents. Independent NGOs mostly serve their constituencies in areas such as sports, the environment, combating human trafficking,

labor migration, and health. NGO services include vocational training and health care, such as assistance to HIV/AIDS patients.

NGOs have to finance themselves by establishing commercial entities and rendering services in areas such as education, health care, and professional skills training. Income gained through service provision enables NGOs to cover costs such as rent, salary payments, and pension fund payments. The market share of NGOs' services is low, however, because of the generally weak business environment in Uzbekistan.

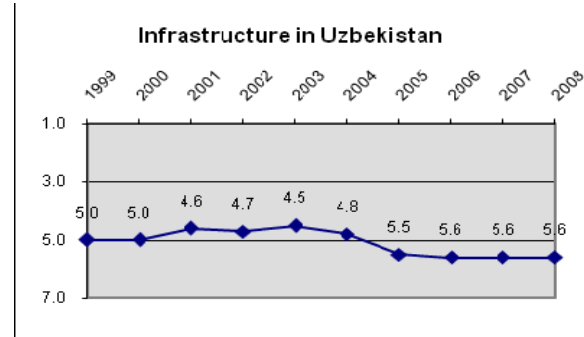
In 2007, NANNOUZ launched small grants totaling about \$200,000 to its individual members, which strengthened them somewhat but did not provide the majority of NGOs with needed resources. Many of these grants were used for service provision projects. With the creation of the new public fund, it is uncertain whether NANNOUZ will have resources for future grants.

## INFRASTRUCTURE: 5.6

The country does not have independent resource centers, as they were closed over the past few years. In 2007 and 2008, NANNOUZ established twelve resource centers in the regions. These centers try to provide support to local NGOs. The capabilities of these resource centers are minimal, however, since they require financial support themselves.

A USAID-supported network actively supports information exchange among more than 230 NGOs and regularly distributes informational and educational materials regarding NGO legal issues. Its website is growing in popularity. Information exchange networks among women's NGOs and environmental NGOs became less active because of financial problems and the decrease in the number of NGOs.

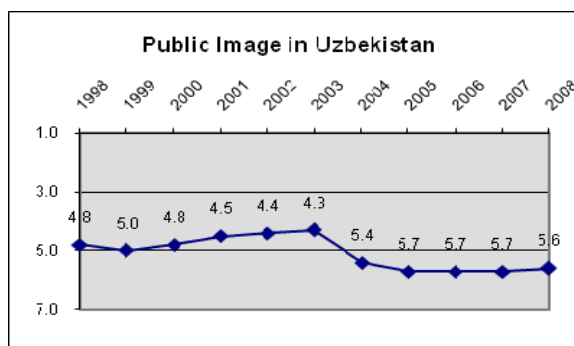
The NANNOUZ website is freely accessible, but the majority of information consists of reports about activities, without analysis. All other websites with information on NGOs operating in Uzbekistan, such as [www.uzNGO.info](http://www.uzNGO.info), are blocked for in-country users with the official explanation that they pose a threat to national information security.



An informal network on labor migration was developed this year, involving about ten NGOs. The network operates a website and phone hotline.

In some very rare cases, partnerships have been established between NGOs and government agencies. NANNOUZ and the Legal Problems Research Center are cooperating with the government to exchange information related to NGOs' operation and the regulatory and legal framework. Some other ministries have expressed their interest in cooperation with NGOs in the fields of countering human trafficking and corruption, although no information is available about the specific outputs of such cooperation so far.

## PUBLIC IMAGE: 5.6



The public image of NGOs has somewhat improved, but in general it remains unsatisfactory. The public is aware of NGOs' activity only to a limited extent, and does not understand NGOs or their capabilities in the field of civil society development.

Environmental NGOs that receive support from the government and international organizations are primarily responsible for NGOs' improved visibility.

The Republican Environmental Forum has active branches in every province. Radio and TV periodically cover the activities of NANNOUZ and some nonprofit organizations.

The media is generally not interested in NGOs, although media outlets are required to report on GONGO activities.

Judicial authorities seem to have lost interest in the campaign to close down NGOs, as the campaign may have completed its objectives.

Nevertheless, the government recognizes the contributions of those NGOs that provide them with tangible assistance on developing

legislation and implementing social programs. Pro-government NGOs remain the major beneficiaries of this positive perception.

# ANNEX A: STATISTICAL DATA

## COUNTRY SCORES 1997-2008

NORTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R	N/R	N/R	2.4	2.3	2.5	2.4	2.7	2.7	2.7	2.7	2.7
Estonia	N/R	N/R	N/R	2.4	2.1	2.2	2.2	2.1	2.1	2.1	2.1	2.0
Hungary	2.3	1.6	2.0	2.3	2.6	2.6	2.7	2.6	2.7	2.6	2.7	2.7
Latvia	3.6	4.2	N/R	2.8	2.9	2.8	2.7	2.6	2.6	2.6	2.7	2.7
Lithuania	4.0	3.0	2.9	3.1	2.9	2.7	2.6	2.7	2.7	2.7	2.7	2.7
Poland	1.8	2.0	2.1	2.1	2.1	2.2	2.1	2.3	2.3	2.3	2.3	2.2
Slovakia	2.8	2.8	2.1	1.9	1.9	2.1	2.2	2.5	2.6	2.5	2.5	2.6
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.4	4.0	4.0	4.0	3.9	3.9
<i>Average</i>	<b>2.9</b>	<b>2.7</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>	<b>2.7</b>
SOUTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	4.4	4.2	4.8	4.6	4.6	4.3	4.1	3.9	3.9	3.9	3.8	3.8
Bosnia	N/R	5.6	5.2	4.9	4.5	4.2	4.1	4.0	3.9	3.8	3.8	3.7
Bulgaria	4.0	3.6	4.0	3.7	3.6	3.1	3.1	3.2	3.2	3.2	3.1	3.2
Croatia	4.6	4.4	4.7	4.3	3.8	3.7	3.5	3.5	3.4	3.3	3.2	3.2
Kosovo	N/R	N/R	4.4	4.6	4.6	4.3	4.2	3.8	3.8	3.8	3.9	3.9
Macedonia	4.4	4.4	4.6	4.6	4.1	4.0	3.7	3.6	3.6	3.6	3.6	3.6
Montenegro	N/R	N/R	4.6	4.6	4.7	4.6	4.5	4.3	4.2	4.2	4.1	4.1
Romania	3.6	3.8	4.1	4.1	4.0	3.7	3.8	3.7	3.6	3.6	3.5	3.5
Serbia	4.8	5.4	5.4	4.5	4.1	4.1	4.0	4.4	4.4	4.5	4.5	4.4
<i>Average</i>	<b>4.3</b>	<b>4.5</b>	<b>4.6</b>	<b>4.4</b>	<b>4.2</b>	<b>4.0</b>	<b>3.9</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.7</b>	<b>3.7</b>
EURASIA; Russia, West NIS, and Caucasus												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	N/R	5.5	5.1	5.0	4.4	4.2	4.1	4.1	4.1	4.1	4.0	4.0
Azerbaijan	N/R	6.4	5.7	5.0	4.9	5.2	5.0	4.9	5.0	5.0	4.9	4.8
Belarus	N/R	N/R	N/R	5.7	5.5	5.3	5.6	5.6	5.8	5.9	6.0	6.0
Georgia	N/R	3.4	3.8	4.0	4.0	4.2	4.1	3.9	4.0	4.0	4.1	4.2
Moldova	N/R	N/R	N/R	4.6	4.2	4.2	4.3	4.3	4.2	4.3	4.3	4.2
Russia	3.4	3.4	4.1	4.3	4.3	4.0	4.4	4.2	4.3	4.3	4.3	4.4
Ukraine	4.0	4.2	4.1	4.4	4.3	4.0	3.9	3.8	3.7	3.6	3.6	3.6
<i>Average</i>	<b>3.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>	<b>4.5</b>	<b>4.4</b>	<b>4.5</b>	<b>4.4</b>	<b>4.4</b>	<b>4.5</b>	<b>4.5</b>	<b>4.4</b>
CENTRAL ASIA												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	4.6	4.4	4.8	4.7	4.3	4.1	3.9	4.1	4.1	4.1	4.0	4.0
Kyrgyzstan	4.6	3.9	4.1	4.3	4.3	4.0	4.1	4.2	4.1	4.1	4.1	4.1
Tajikistan	N/R	6.6	6.1	5.4	5.1	4.6	4.6	4.7	4.6	4.7	4.8	4.9
Turkmenistan	N/R	N/R	6.6	6.0	5.8	5.6	5.7	5.5	5.7	5.7	5.6	5.7
Uzbekistan	N/R	4.7	5.3	5.1	4.6	4.7	4.7	5.3	5.6	5.7	5.7	5.7
<i>Central Asia Average</i>	<b>4.6</b>	<b>4.9</b>	<b>5.4</b>	<b>5.1</b>	<b>4.8</b>	<b>4.6</b>	<b>4.6</b>	<b>4.8</b>	<b>4.8</b>	<b>4.9</b>	<b>4.8</b>	<b>4.9</b>
<i>Eurasia Average</i>	<b>4.1</b>	<b>4.7</b>	<b>5.0</b>	<b>4.9</b>	<b>4.6</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>

N/R=Country was not studied in that year



## COUNTRIES RANKED BY SCORES

LEGAL ENVIRONMENT	ORGANIZATIONAL CAPACITY	FINANCIAL VIABILITY
<b>CONSOLIDATION</b>	<b>CONSOLIDATION</b>	<b>CONSOLIDATION</b>
Hungary 1.5	Estonia 2.3	Estonia 2.3
Estonia 1.7	Poland 2.6	Poland 2.7
Bulgaria 2.0	Lithuania 2.7	Czech Republic 2.9
Lithuania 2.1	Slovakia 2.9	Lithuania 2.8
Poland 2.3	Hungary 3.0	<b>MID-TRANSITION</b>
Latvia 2.4	Latvia 3.0	Slovakia 3.2
Slovakia 2.6	Croatia 3.0	Latvia 3.3
Croatia 2.9	Czech Republic 3.0	Hungary 3.5
Czech Republic 3.0	<b>MID-TRANSITION</b>	Bulgaria 4.1
<b>MID-TRANSITION</b>	Bosnia 3.5	Romania 4.1
Macedonia 3.1	Romania 3.6	Ukraine 4.1
Georgia 3.2	Macedonia 3.7	Croatia 4.2
Kosovo 3.4	Ukraine 3.7	Russia 4.4
Bosnia 3.4	Kosovo 3.7	Slovenia 4.4
Montenegro 3.5	Albania 3.9	Albania 4.5
Romania 3.5	Armenia 3.9	Macedonia 4.5
Slovenia 3.5	Georgia 4.0	Kazakhstan 4.6
Ukraine 3.6	Slovenia 4.0	Kosovo 4.7
Albania 3.7	Kazakhstan 4.1	Bosnia 4.8
Armenia 3.9	Moldova 4.1	Montenegro 4.9
Kazakhstan 3.9	Serbia 4.2	<b>EARLY TRANSITION</b>
Kyrgyzstan 3.9	Bulgaria 4.3	Kyrgyzstan 5.1
Moldova 4.3	Kyrgyzstan 4.3	Armenia 5.2
Serbia 4.7	Russia 4.3	Moldova 5.2
Azerbaijan 4.8	Montenegro 4.4	Georgia 5.3
Tajikistan 5.0	Azerbaijan 4.6	Serbia 5.3
Russia 5.0	Tajikistan 4.7	Tajikistan 5.6
Uzbekistan 5.9	<b>EARLY TRANSITION</b>	Azerbaijan 5.7
<b>EARLY TRANSITION</b>	Belarus 5.1	Turkmenistan 6.0
Turkmenistan 6.4	Turkmenistan 5.3	Uzbekistan 6.1
Belarus 7.0	Uzbekistan 5.3	Belarus 6.6

## COUNTRIES RANKED BY SCORES

ADVOCACY		SERVICE PROVISION		INFRASTRUCTURE	
<b>CONSOLIDATION</b>		<b>CONSOLIDATION</b>		<b>CONSOLIDATION</b>	
Estonia	1.8	Czech Republic	2.2	Estonia	1.6
Latvia	2.3	Poland	2.2	Poland	1.7
Lithuania	2.0	Estonia	2.3	Hungary	2.2
Poland	1.9	Slovakia	2.4	Slovakia	2.2
Bulgaria	2.6	Hungary	2.5	Latvia	2.4
Czech Republic	2.4	Latvia	2.5	Croatia	2.8
Slovakia	2.6			Czech Republic	2.9
Ukraine	2.9			Lithuania	3.0
<b>MID-TRANSITION</b>		<b>MID-TRANSITION</b>		<b>MID-TRANSITION</b>	
Macedonia	3.1	Bulgaria	3.1	Bulgaria	3.1
Bosnia	3.1	Croatia	3.1	Macedonia	3.2
Croatia	3.2	Romania	3.1	Romania	3.3
Hungary	3.2	Ukraine	3.3	Kosovo	3.5
Albania	3.4	Lithuania	3.3	Ukraine	3.5
Romania	3.4	Slovenia	3.5	Armenia	3.5
Armenia	3.6	Albania	3.7	Kyrgyzstan	3.6
Kyrgyzstan	3.6	Macedonia	3.8	Kazakhstan	3.7
Montenegro	3.6	Armenia	3.9	Moldova	3.7
Moldova	3.7	Kazakhstan	4.0	Serbia	3.7
Kazakhstan	3.8	Kosovo	4.0	Russia	3.8
Kosovo	3.9	Kyrgyzstan	4.0	Slovenia	3.8
Slovenia	3.9	Montenegro	4.0	Albania	3.9
Serbia	3.9	Bosnia	4.0	Montenegro	3.9
Russia	4.1	Georgia	4.1	Bosnia	4.0
Georgia	4.4	Russia	4.1	Georgia	4.3
Azerbaijan	4.8	Serbia	4.4	Azerbaijan	4.4
		Moldova	4.5	Tajikistan	4.6
		Azerbaijan	4.6	Turkmenistan	5.0
		Tajikistan	4.6		
<b>EARLY TRANSITION</b>		<b>EARLY TRANSITION</b>		<b>EARLY TRANSITION</b>	
Tajikistan	5.2	Turkmenistan	5.2	Belarus	5.5
Uzbekistan	5.9	Uzbekistan	5.4	Uzbekistan	5.6
Belarus	6.0	Belarus	5.5		
Turkmenistan	6.1				

## COUNTRIES RANKED BY SCORE

### PUBLIC IMAGE

CONSOLIDATION	
Estonia	2.0
Poland	2.2
Slovakia	2.3
Czech Republic	2.5
Croatia	2.9
Lithuania	2.9
Bulgaria	3.0
MID-TRANSITION	
Latvia	3.3
Hungary	3.3
Bosnia	3.4
Romania	3.7
Macedonia	3.7
Albania	3.8
Kosovo	3.8
Armenia	3.9
Ukraine	3.9
Slovenia	3.9
Georgia	4.1
Kazakhstan	4.1
Kyrgyzstan	4.2
Moldova	4.2
Montenegro	4.4
Tajikistan	4.5
Russia	4.7
Serbia	4.7
Azerbaijan	4.9
EARLY TRANSITION	
Turkmenistan	5.6
Uzbekistan	5.6
Belarus	6.0

### NGO SUSTAINABILITY- COUNTRY RANKINGS

	2008	2007	2006	2005
CONSOLIDATION				
Estonia	2.0	1	1	1
Poland	2.2	2	2	2
Slovakia	2.6	3	3	2
Latvia	2.7	4	4	4
Hungary	2.7	4	5	5
Czech Republic	2.7	4	6	5
Lithuania	2.7	4	6	5
MID-TRANSITION				
Bulgaria	3.2	8	8	8
Croatia	3.2	9	9	9
Romania	3.5	10	10	10
Macedonia	3.6	11	10	10
Ukraine	3.6	11	10	12
Bosnia	3.7	13	13	14
Albania	3.8	13	15	14
Kosovo	3.9	15	13	13
Slovenia	3.9	15	16	16
Armenia	4.0	17	18	18
Kazakhstan	4.0	17	18	18
Georgia	4.2	19	16	16
Kyrgyzstan	4.1	19	18	18
Montenegro	4.1	19	21	21
Moldova	4.2	22	22	21
Russia	4.4	22	22	23
Serbia	4.4	24	24	24
Tajikistan	4.9	25	25	25
Azerbaijan	4.8	26	26	26
EARLY TRANSITION				
Turkmenistan	5.7	27	27	28
Uzbekistan	5.7	28	27	27
Belarus	6.0	29	29	29

## DIMENSION SCORES 1997-2008

### LEGAL ENVIRONMENT

NORTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R	N/R	N/R	2.0	2.0	3.0	3.0	3.0	3.1	3.0	3.0	3.0
Estonia	N/R	N/R	N/R	2.0	2.0	2.0	1.8	1.8	1.8	1.8	1.8	1.7
Hungary	2.5	1.0	1.0	1.0	1.7	1.4	1.3	1.3	1.5	1.5	1.5	1.5
Latvia	5.0	4.0	N/R	3.0	3.0	2.8	2.6	2.4	2.4	2.4	2.4	2.4
Lithuania	4.0	4.0	4.0	4.0	2.0	1.6	1.6	1.8	2.0	2.1	2.1	2.1
Poland	2.0	2.0	2.0	2.0	2.0	2.1	2.0	2.3	2.3	2.3	2.3	2.3
Slovakia	4.0	3.5	3.5	2.5	2.5	2.6	2.5	2.3	2.3	2.3	2.5	2.6
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.7	3.7	3.7	3.5	3.5	3.5
<i>Average</i>	<b>3.5</b>	<b>2.9</b>	<b>2.6</b>	<b>2.4</b>	<b>2.2</b>	<b>2.2</b>	<b>2.3</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>
SOUTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	4.0	4.0	4.0	4.0	4.0	3.6	3.5	3.4	3.6	3.6	3.6	3.7
Bosnia	N/R	5.0	5.0	4.5	4.0	3.5	3.5	3.5	3.5	3.5	3.4	3.4
Bulgaria	4.0	4.5	4.5	3.5	3.5	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Croatia	6.0	6.0	6.0	4.0	3.0	2.8	2.8	3.2	3.2	3.0	2.9	2.9
Kosovo	N/R	N/R	3.0	3.0	4.0	3.3	3.2	3.0	3.0	3.2	3.3	3.4
Macedonia	4.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9	3.1	3.1	3.0	3.1
Montenegro	N/R	N/R	3.5	3.5	3.7	3.7	3.4	3.3	3.3	3.3	3.4	3.5
Romania	4.0	3.5	3.5	3.0	3.0	3.0	4.0	3.8	3.6	3.5	3.5	3.5
Serbia	5.0	5.0	6.0	5.0	5.0	4.5	4.5	4.5	4.5	4.7	4.7	4.7
<i>Average</i>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>3.7</b>	<b>3.7</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>
EURASIA: Russia, West NIS, and Caucasus												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	N/R	5.0	4.0	4.0	4.0	3.8	3.8	3.8	3.8	3.8	3.8	3.9
Azerbaijan	N/R	7.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9	4.8
Belarus	N/R	N/R	N/R	7.0	7.0	6.5	6.8	6.9	7.0	7.0	7.0	7.0
Georgia	N/R	3.0	3.5	3.0	4.0	3.9	3.7	3.5	3.3	3.3	3.2	3.2
Moldova	N/R	N/R	N/R	3.0	3.0	3.3	3.7	4.2	4.1	4.2	4.3	4.3
Russia	3.0	3.0	4.0	4.0	4.2	4.0	4.3	4.3	4.5	4.7	4.9	5.0
Ukraine	4.0	4.6	5.0	5.0	5.0	4.5	4.0	3.6	3.7	3.6	3.6	3.6
<i>Russia, West NIS, and Caucasus Average</i>	<b>3.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.4</b>	<b>4.6</b>	<b>4.4</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>
CENTRAL ASIA												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	5.0	4.9	5.0	4.5	4.5	4.2	4.0	4.2	4.2	4.2	3.9	3.9
Kyrgyzstan	5.0	3.9	3.5	4.3	5.2	3.7	3.9	3.7	3.7	3.7	3.8	3.9
Tajikistan	N/R	6.5	6.0	5.0	4.8	4.6	4.3	4.3	4.5	4.8	4.8	5.0
Turkmenistan	N/R	N/R	7.0	6.5	6.5	6.5	6.7	6.5	6.6	6.5	6.4	6.4
Uzbekistan	N/R	5.6	6.0	5.4	4.4	4.3	4.2	5.2	5.5	5.8	5.8	5.9
<i>Central Asia Average</i>	<b>5.0</b>	<b>5.2</b>	<b>5.5</b>	<b>5.1</b>	<b>5.1</b>	<b>4.7</b>	<b>4.6</b>	<b>4.8</b>	<b>4.9</b>	<b>5.0</b>	<b>4.9</b>	<b>5.0</b>
<i>Eurasia Average</i>	<b>4.3</b>	<b>4.8</b>	<b>5.0</b>	<b>4.7</b>	<b>4.8</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>

N/R=Country was not studied in that year

## DIMENSION SCORES 1997-2008

### ORGANIZATIONAL CAPACITY

NORTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R	N/R	N/R	3.0	3.0	2.9	2.9	3.2	3.2	3.1	3.1	3.0
Estonia	N/R	N/R	N/R	2.5	2.3	2.2	2.6	2.5	2.4	2.4	2.4	2.3
Hungary	2.5	2.0	2.0	3.0	2.8	2.7	2.9	3.0	3.0	2.9	3.0	3.0
Latvia	3.0	4.0	N/R	2.6	3.3	3.0	2.9	3.0	3.0	3.0	3.0	3.0
Lithuania	4.0	3.0	2.5	2.5	3.0	2.9	2.9	2.6	2.5	2.6	2.6	2.7
Poland	1.0	2.0	2.0	2.0	2.0	2.2	2.2	2.5	2.6	2.6	2.6	2.6
Slovakia	2.0	3.0	2.0	1.5	1.5	1.7	2.0	2.3	2.8	2.8	2.8	2.9
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.5	4.2	4.2	4.2	4.1	4.0
<i>Average</i>	<b>2.5</b>	<b>2.8</b>	<b>2.1</b>	<b>2.4</b>	<b>2.6</b>	<b>2.5</b>	<b>2.7</b>	<b>2.9</b>	<b>3.0</b>	<b>3.0</b>	<b>3.0</b>	<b>2.9</b>
SOUTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	4.0	4.0	5.0	5.0	5.0	4.5	4.2	4.0	3.9	3.9	3.9	3.9
Bosnia	N/R	5.0	4.5	4.5	4.0	3.9	3.8	3.8	3.6	3.5	3.5	3.5
Bulgaria	3.0	3.0	3.5	4.5	4.5	4.5	4.4	4.5	4.5	4.5	4.3	4.3
Croatia	3.0	3.0	4.0	4.8	4.0	4.0	3.8	3.4	3.3	3.1	3.1	3.0
Kosovo	N/R	N/R	4.5	4.5	5.0	4.2	4.3	4.0	3.9	3.8	3.8	3.7
Macedonia	4.0	4.0	4.0	4.0	4.0	4.0	3.7	3.7	3.7	3.7	3.7	3.7
Montenegro	N/R	N/R	5.0	5.0	5.0	4.8	4.8	4.7	4.7	4.7	4.6	4.4
Romania	3.0	3.5	4.0	5.0	4.5	4.0	3.8	3.8	3.8	3.8	3.6	3.6
Serbia	4.0	5.0	5.0	4.5	4.0	3.9	3.8	3.9	4.1	4.3	4.3	4.2
<i>Average</i>	<b>3.5</b>	<b>3.9</b>	<b>4.4</b>	<b>4.6</b>	<b>4.4</b>	<b>4.2</b>	<b>4.1</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>
EURASIA: Russia, West NIS, and Caucasus												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	N/R	5.0	5.0	5.0	4.0	3.9	3.6	4.0	4.0	4.0	3.9	3.9
Azerbaijan	N/R	6.0	5.8	5.2	5.0	5.0	4.8	4.7	4.7	4.7	4.6	4.6
Belarus	N/R	N/R	N/R	5.0	4.8	4.7	4.8	4.6	4.8	4.9	5.0	5.1
Georgia	N/R	4.0	3.5	4.0	4.0	4.0	4.0	3.8	3.8	3.9	3.9	4.0
Moldova	N/R	N/R	N/R	4.5	4.5	4.5	4.2	4.1	4.1	4.1	4.1	4.1
Russia	3.0	3.0	3.5	4.0	4.4	3.9	4.3	4.0	4.1	4.3	4.1	4.3
Ukraine	4.0	3.7	3.5	4.0	4.0	3.5	3.9	3.9	3.7	3.7	3.7	3.7
<i>Russia, West NIS, and Caucasus Average</i>	<b>3.5</b>	<b>4.3</b>	<b>4.3</b>	<b>4.5</b>	<b>4.4</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>	<b>4.2</b>
CENTRAL ASIA												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	4.0	4.0	4.5	5.0	4.2	4.0	3.8	3.8	4.1	4.1	4.1	4.1
Kyrgyzstan	4.0	3.9	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	4.3	4.3
Tajikistan	N/R	6.0	6.0	5.5	5.0	4.5	4.6	4.8	4.7	4.6	4.6	4.7
Turkmenistan	N/R	N/R	6.0	5.8	5.5	5.3	5.3	5.2	5.4	5.4	5.2	5.3
Uzbekistan	N/R	4.2	5.5	5.3	4.8	4.5	4.4	5.0	5.3	5.3	5.3	5.3
<i>Central Asia Average</i>	<b>4.0</b>	<b>4.5</b>	<b>5.2</b>	<b>5.1</b>	<b>4.7</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>4.8</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>
<i>Eurasia Average</i>	<b>3.8</b>	<b>4.4</b>	<b>4.7</b>	<b>4.8</b>	<b>4.5</b>	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.5</b>

N/R=Country was not studied in that year

## DIMENSION SCORES 1997-2008

### FINANCIAL VIABILITY

NORTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R	N/R	N/R	2.0	2.0	2.0	1.9	2.7	2.8	2.7	2.8	2.9
Estonia	N/R	N/R	N/R	2.8	2.6	2.6	2.6	2.5	2.5	2.5	2.4	2.3
Hungary	2.0	2.0	2.5	3.0	2.8	3.0	3.3	3.3	3.4	3.3	3.5	3.5
Latvia	3.0	5.0	N/R	3.5	3.5	3.5	3.3	3.1	3.1	3.0	3.2	3.3
Lithuania	4.0	3.0	3.5	4.0	3.0	2.9	2.9	3.0	2.9	2.9	2.8	2.8
Poland	2.0	2.0	2.5	2.5	2.5	2.8	2.8	2.9	2.9	2.8	2.7	2.7
Slovakia	3.0	4.0	3.0	3.0	3.0	3.0	3.2	3.5	3.5	3.3	3.2	3.2
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.3	4.5	4.5	4.5	4.5	4.4
<i>Average</i>	<b>2.8</b>	<b>3.2</b>	<b>2.9</b>	<b>3.0</b>	<b>2.8</b>	<b>2.8</b>	<b>2.9</b>	<b>3.2</b>	<b>3.2</b>	<b>3.1</b>	<b>3.1</b>	<b>3.1</b>
SOUTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	5.0	5.0	5.0	5.0	5.0	4.8	4.6	4.5	4.5	4.6	4.5	4.5
Bosnia	N/R	6.0	6.5	6.0	5.7	5.5	5.4	5.0	4.8	4.8	4.8	4.8
Bulgaria	5.0	5.0	5.5	5.2	4.5	3.8	3.7	4.1	4.2	4.2	4.1	4.1
Croatia	4.0	5.0	6.0	6.6	5.0	5.1	4.4	4.4	4.4	4.3	4.2	4.2
Kosovo	N/R	N/R	6.0	6.0	6.0	6.0	5.6	5.3	5.2	5.0	4.8	4.7
Macedonia	5.0	5.0	5.0	5.0	4.0	4.6	4.5	4.5	4.5	4.5	4.5	4.5
Montenegro	N/R	N/R	5.5	5.5	5.5	5.5	5.4	5.2	5.0	5.0	4.9	4.9
Romania	4.0	4.5	5.0	5.5	4.5	4.5	4.3	4.3	4.3	4.2	4.1	4.1
Serbia	5.0	6.0	6.0	6.0	6.0	5.5	5.4	5.6	5.6	5.6	5.5	5.3
<i>Average</i>	<b>4.7</b>	<b>5.2</b>	<b>5.6</b>	<b>5.6</b>	<b>5.1</b>	<b>5.0</b>	<b>4.8</b>	<b>4.8</b>	<b>4.7</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>
EURASIA: Russia, West NIS, and Caucasus												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	N/R	6.0	6.0	6.0	6.0	5.6	5.5	5.5	5.5	5.4	5.2	5.2
Azerbaijan	N/R	6.0	6.0	6.0	6.0	6.0	5.8	5.8	5.9	5.9	5.9	5.7
Belarus	N/R	N/R	N/R	6.0	6.0	5.7	6.2	6.2	6.4	6.5	6.6	6.6
Georgia	N/R	4.0	4.5	6.0	5.0	4.9	4.6	4.8	5.0	5.0	5.1	5.3
Moldova	N/R	N/R	N/R	5.5	5.3	5.2	5.3	5.2	5.2	5.2	5.2	5.2
Russia	4.0	4.0	5.0	5.0	4.7	4.4	4.9	4.6	4.7	4.5	4.4	4.5
Ukraine	4.0	4.6	5.0	5.0	5.0	5.0	4.8	4.6	4.4	4.3	4.2	4.1
<i>Russia, West NIS, and Caucasus Average</i>	<b>4.0</b>	<b>4.9</b>	<b>5.3</b>	<b>5.6</b>	<b>5.4</b>	<b>5.3</b>	<b>5.3</b>	<b>5.2</b>	<b>5.3</b>	<b>5.3</b>	<b>5.2</b>	<b>5.2</b>
CENTRAL ASIA												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	4.0	4.4	5.5	5.5	5.0	4.8	4.7	5.0	4.9	4.8	4.6	4.6
Kyrgyzstan	5.0	4.2	5.5	5.5	5.5	5.0	5.0	5.0	5.1	5.1	5.1	5.1
Tajikistan	N/R	7.0	7.0	6.0	6.0	5.5	5.7	5.6	5.6	5.6	5.6	5.6
Turkmenistan	N/R	N/R	7.0	6.0	5.5	5.3	6.0	5.8	6.0	6.0	6.0	6.0
Uzbekistan	N/R	4.4	5.5	5.5	5.1	5.5	5.5	5.7	6.0	6.1	6.1	6.1
<i>Central Asia Average</i>	<b>4.5</b>	<b>5.0</b>	<b>6.1</b>	<b>5.7</b>	<b>5.4</b>	<b>5.2</b>	<b>5.4</b>	<b>5.4</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>
<i>Eurasia Average</i>	<b>4.3</b>	<b>5.0</b>	<b>5.7</b>	<b>5.7</b>	<b>5.4</b>	<b>5.2</b>	<b>5.3</b>	<b>5.3</b>	<b>5.4</b>	<b>5.4</b>	<b>5.3</b>	<b>5.3</b>

N/R=Country was not studied in that year

## DIMENSION SCORES 1997-2008

### ADVOCACY

NORTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R	N/R	N/R	2.0	1.8	1.8	2.0	2.2	2.2	2.4	2.4	2.4
Estonia	N/R	N/R	N/R	2.0	1.8	2.1	2.0	2.0	2.0	1.9	1.8	1.8
Hungary	3.0	1.0	1.5	3.0	3.5	3.5	3.3	3.3	3.2	3.2	3.3	3.2
Latvia	4.0	4.0	N/R	3.0	2.2	2.0	2.0	2.0	2.0	2.0	2.0	2.3
Lithuania	4.0	2.0	1.5	2.0	2.0	1.8	1.6	2.0	1.9	2.0	2.0	2.0
Poland	2.0	2.0	2.5	2.0	2.0	2.2	1.9	1.9	1.8	1.8	2.0	1.9
Slovakia	2.0	2.0	1.5	1.5	1.5	1.6	1.6	2.2	2.3	2.4	2.5	2.6
Slovenia	N/R						3.0	3.8	4.0	4.0	3.9	3.9
<i>Average</i>	<b>3.0</b>	<b>2.2</b>	<b>1.8</b>	<b>2.2</b>	<b>2.1</b>	<b>2.1</b>	<b>2.2</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
SOUTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	4.0	4.0	4.0	4.0	3.0	3.9	3.6	3.4	3.3	3.3	3.3	3.4
Bosnia	N/R	6.0	5.5	4.5	4.2	3.9	3.6	3.3	3.3	3.1	3.1	3.1
Bulgaria	4.0	2.8	3.0	3.0	3.0	2.5	2.5	2.5	2.5	2.4	2.4	2.6
Croatia	5.0	4.0	4.0	2.5	3.0	3.0	3.0	3.4	3.5	3.4	3.2	3.2
Kosovo	N/R	N/R	5.0	4.5	5.0	4.1	3.8	3.5	3.4	3.6	3.9	3.9
Macedonia	5.0	5.0	4.5	4.5	4.0	3.6	3.3	3.1	3.1	3.0	3.0	3.1
Montenegro	N/R	N/R	3.5	3.5	4.5	4.7	4.3	4.0	3.8	3.7	3.6	3.6
Romania	4.0	3.5	4.0	3.5	4.5	4.0	3.8	3.6	3.4	3.4	3.3	3.4
Serbia	5.0	6.0	6.0	4.0	3.5	3.3	3.2	3.8	3.8	4.0	4.0	3.9
<i>Average</i>	<b>4.5</b>	<b>4.5</b>	<b>4.4</b>	<b>3.8</b>	<b>3.9</b>	<b>3.7</b>	<b>3.5</b>	<b>3.4</b>	<b>3.3</b>	<b>3.3</b>	<b>3.3</b>	<b>3.4</b>
EURASIA: Russia, West NIS, and Caucasus												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	N/R	6.0	5.0	5.0	4.0	4.2	3.8	3.7	3.8	3.8	3.7	3.6
Azerbaijan	N/R	6.5	6.0	5.5	5.0	5.0	4.8	4.8	5.1	5.1	4.9	4.8
Belarus	N/R	N/R	N/R	6.0	5.5	5.4	5.7	6.0	6.0	6.0	6.0	6.0
Georgia	N/R	4.0	3.5	2.0	4.0	4.3	4.0	3.7	4.0	4.1	4.2	4.4
Moldova	N/R	N/R	N/R	5.0	4.2	4.2	4.1	4.0	3.9	3.9	3.8	3.7
Russia	3.0	3.0	3.5	4.5	4.9	4.2	4.5	4.2	4.2	4.1	4.0	4.1
Ukraine	4.0	4.4	5.0	4.0	4.0	3.5	3.4	3.1	3.1	3.0	2.9	2.9
<i>Russia, West NIS, and Caucasus Average</i>	<b>3.5</b>	<b>4.8</b>	<b>4.6</b>	<b>4.6</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>	<b>4.2</b>	<b>4.2</b>
CENTRAL ASIA												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	5.0	4.5	4.5	4.5	4.3	4.0	3.6	3.6	3.8	3.8	3.7	3.8
Kyrgyzstan	5.0	3.5	3.5	3.5	3.0	3.3	3.8	4.0	3.8	3.6	3.6	3.6
Tajikistan	N/R	6.5	6.0	5.5	5.0	4.5	4.5	4.6	4.6	4.9	5.1	5.2
Turkmenistan	N/R	N/R	6.5	6.3	6.3	6.1	6.1	6.1	6.1	6.1	6.1	6.1
Uzbekistan	N/R	4.6	5.5	5.2	5.1	4.9	5.1	5.6	5.8	5.9	5.9	5.9
<i>Central Asia Average</i>	<b>5.0</b>	<b>4.8</b>	<b>5.2</b>	<b>5.0</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.8</b>	<b>4.8</b>	<b>4.9</b>	<b>4.9</b>	<b>4.9</b>
<i>Eurasia Average</i>	<b>4.3</b>	<b>4.8</b>	<b>4.9</b>	<b>4.8</b>	<b>4.6</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>

N/R=Country was not studied in that year

## DIMENSION SCORES 1999\*-2008

SERVICE PROVISION										
NORTHERN TIER										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R	2.0	2.0	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Estonia	N/R	2.5	2.3	2.5	2.5	2.4	2.4	2.3	2.3	2.3
Hungary	2.5	2.0	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.5
Latvia	N/R	2.5	2.4	2.5	2.5	2.4	2.4	2.4	2.4	2.5
Lithuania	3.5	3.5	4.0	3.8	3.4	3.7	3.7	3.6	3.4	3.3
Poland	2.0	2.0	2.0	2.1	2.0	2.3	2.3	2.3	2.3	2.2
Slovakia	2.0	2.0	2.0	2.2	2.2	2.2	2.2	2.2	2.2	2.4
Slovenia	N/R	N/R	N/R	N/R	3.0	3.6	3.6	3.5	3.5	3.5
<i>Average</i>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>
SOUTHERN TIER										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	5.0	5.0	5.0	3.9	4.0	3.9	3.9	3.9	3.9	3.7
Bosnia	5.0	4.5	4.2	4.5	4.4	4.3	4.2	4.1	4.1	4
Bulgaria	4.0	3.0	3.0	2.8	2.9	3.2	3.1	3.1	3.1	3.1
Croatia	5.0	4.4	4.0	3.7	3.4	3.3	3.4	3.3	3.1	3.1
Kosovo	4.0	5.0	4.0	5.0	4.8	4.0	4.0	4.0	4.0	4
Macedonia	5.5	5.5	5.0	4.8	4.0	3.9	3.9	3.9	3.9	3.8
Montenegro	4.5	4.5	4.0	4.2	4.2	4.0	4.0	4.0	4.0	4
Romania	4.0	4.0	3.5	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Serbia	4.0	4.0	3.8	4.2	4.1	4.5	4.5	4.5	4.5	4.4
<i>Average</i>	<b>4.6</b>	<b>4.4</b>	<b>4.1</b>	<b>4.0</b>	<b>3.9</b>	<b>3.8</b>	<b>3.8</b>	<b>3.8</b>	<b>3.7</b>	<b>3.7</b>
EURASIA: Russia, West NIS, and Caucasus										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.9	3.9
Azerbaijan	4.5	4.5	5.0	5.0	4.8	4.6	4.6	4.6	4.6	4.6
Belarus	N/R	5.0	5.0	4.9	5.1	4.9	5.1	5.4	5.5	5.5
Georgia	4.0	5.0	4.0	4.2	4.4	4.1	4.1	4.0	4.1	4.1
Moldova	N/R	5.0	4.5	4.4	4.5	4.5	4.5	4.5	4.5	4.5
Russia	4.5	4.5	4.3	3.7	4.0	3.9	4.1	4.1	4.1	4.1
Ukraine	2.5	4.0	3.0	3.0	3.3	3.3	3.3	3.3	3.3	3.3
<i>Russia, West NIS, and Caucasus Average</i>	<b>4.1</b>	<b>4.6</b>	<b>4.3</b>	<b>4.2</b>	<b>4.3</b>	<b>4.2</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>
CENTRAL ASIA										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	4.5	4.7	4.0	4.0	3.9	4.1	4.0	4.0	4.0	4.0
Kyrgyzstan	4.0	4.5	4.3	3.9	3.8	4.1	4.1	4.1	4.0	4
Tajikistan	5.5	5.5	5.0	4.5	4.3	4.6	4.6	4.6	4.6	4.6
Turkmenistan	6.0	5.3	5.0	5.0	4.8	4.8	5.2	5.2	5.2	5.2
Uzbekistan	4.5	4.5	4.0	4.4	4.6	5.2	5.3	5.4	5.3	5.4
<i>Central Asia Average</i>	<b>4.9</b>	<b>4.9</b>	<b>4.5</b>	<b>4.4</b>	<b>4.3</b>	<b>4.6</b>	<b>4.6</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>
<i>Eurasia Average</i>	<b>4.5</b>	<b>4.7</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>	<b>4.4</b>

N/R=Country was not studied in that year

\*Service Provision was not a dimension studied in 1997 or 1998



## DIMENSION SCORES 1999\*-2008

INFRASTRUCTURE										
NORTHERN TIER										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	2.9
Estonia	N/R	2.5	2.0	1.9	2.0	1.7	1.7	1.7	1.7	1.6
Hungary	2.5	2.0	2.5	2.5	2.4	2.3	2.3	2.2	2.2	2.2
Latvia	N/R	3.0	3.0	3.0	2.8	2.7	2.7	2.6	2.5	2.4
Lithuania	3.0	3.0	2.5	2.3	2.2	3.0	3.1	3.0	2.9	3.0
Poland	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8	1.7
Slovakia	1.5	1.5	1.5	1.7	1.9	2.2	2.2	2.2	2.2	2.2
Slovenia	N/R	N/R	N/R	N/R	3.8	4.2	4.1	4.0	3.9	3.8
<i>Average</i>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>
SOUTHERN TIER										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	5.5	5.0	5.0	4.6	4.4	4.2	4.1	3.9	3.9	3.9
Bosnia	5.0	5.0	4.8	4.5	4.5	4.4	4.3	4.1	4.1	4.0
Bulgaria	3.0	3.0	3.0	2.5	2.5	2.9	3.0	3.0	3.0	3.1
Croatia	4.0	4.0	4.0	3.9	3.6	3.2	3.1	2.9	2.8	2.8
Kosovo	5.0	5.0	4.0	3.7	3.5	3.4	3.6	3.5	3.4	3.5
Macedonia	5.0	5.0	4.5	3.7	3.3	3.2	3.2	3.2	3.2	3.2
Montenegro	5.0	5.0	5.0	4.6	4.6	4.3	4.1	4.1	4.0	3.9
Romania	4.0	4.0	4.0	3.6	3.6	3.5	3.4	3.4	3.3	3.3
Serbia	5.0	4.0	3.0	3.4	3.4	3.7	3.7	3.8	3.7	3.7
<i>Average</i>	<b>4.6</b>	<b>4.4</b>	<b>4.1</b>	<b>3.8</b>	<b>3.7</b>	<b>3.6</b>	<b>3.6</b>	<b>3.5</b>	<b>3.5</b>	<b>3.5</b>
EURASIA: Russia, West NIS, and Caucasus										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	5.5	6.0	4.5	4.2	4.0	3.9	3.7	3.7	3.6	3.5
Azerbaijan	5.5	4.5	3.0	4.6	4.7	4.6	4.6	4.6	4.4	4.4
Belarus	N/R	5.0	4.5	4.5	4.8	5.0	5.3	5.5	5.6	5.5
Georgia	3.5	3.0	3.0	4.0	3.8	3.9	4.0	4.0	4.3	4.3
Moldova	N/R	4.0	3.8	3.8	3.8	3.7	3.7	3.7	3.7	3.7
Russia	3.5	3.5	3.4	3.2	3.9	3.8	3.8	3.8	3.8	3.8
Ukraine	3.5	4.0	4.0	3.5	3.5	3.8	3.6	3.5	3.5	3.5
<i>Russia, West NIS, and Caucasus Average</i>	<b>4.3</b>	<b>4.3</b>	<b>3.7</b>	<b>4.0</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>
CENTRAL ASIA										
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	5.0	4.5	4.1	3.9	3.6	3.6	3.5	3.5	3.6	3.7
Kyrgyzstan	4.5	4.0	3.8	3.7	3.8	3.6	3.6	3.6	3.6	3.6
Tajikistan	6.0	5.0	4.8	4.1	4.1	4.3	4.2	4.2	4.5	4.6
Turkmenistan	6.5	5.7	5.5	5.2	5.0	4.6	4.8	5.0	5.0	5.0
Uzbekistan	5.0	5.0	4.6	4.7	4.5	4.8	5.5	5.6	5.6	5.6
<i>Central Asia Average</i>	<b>5.4</b>	<b>4.8</b>	<b>4.6</b>	<b>4.3</b>	<b>4.2</b>	<b>4.2</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>	<b>4.5</b>
<i>Eurasia Average</i>	<b>4.9</b>	<b>4.5</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>	<b>4.3</b>	<b>4.3</b>

N/R=Country was not studied in that year

\*Infrastructure was not a dimension studied in 1997 or 1998

## DIMENSION SCORES 1997-2008

### PUBLIC IMAGE

NORTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Czech Republic	N/R			3.0	2.5	2.3	2.1	2.5	2.5	2.5	2.5	2.5
Estonia	N/R			2.5	2.0	2.0	2.2	2.1	2.1	2.1	2.0	2.0
Hungary	1.5	2.0	2.0	2.0	2.8	3.0	3.2	3.0	2.9	3.0	3.2	3.3
Latvia	3.0	4.0		2.0	2.7	3.0	2.8	2.9	2.9	2.9	3.1	3.3
Lithuania	4.0	3.0	2.5	3.0	4.0	3.8	3.3	3.0	2.9	2.9	2.9	2.9
Poland	2.0	2.0	2.0	2.0	2.0	2.3	2.2	2.2	2.2	2.2	2.2	2.2
Slovakia	3.0	1.5	1.0	1.5	1.5	1.8	2.0	2.6	2.6	2.5	2.3	2.3
Slovenia	N/R						3.6	4.1	4.2	4.1	4.0	3.9
<i>Average</i>	<b>2.7</b>	<b>2.5</b>	<b>1.9</b>	<b>2.3</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>
SOUTHERN TIER												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Albania	5.0	4.0	5.0	4.5	5.0	4.6	4.5	4.2	4.0	3.9	3.8	3.8
Bosnia	N/R	6.0	5.0	5.0	4.5	3.8	3.8	3.6	3.5	3.4	3.4	3.4
Bulgaria	4.0	2.8	4.5	4.0	4.0	3.5	3.4	3.3	3.2	3.1	3.0	3.0
Croatia	5.0	4.0	4.0	4.0	3.8	3.5	3.4	3.3	3.2	3	2.9	2.9
Kosovo	N/R		3.5	4.0	4.5	3.9	3.9	3.7	3.7	3.8	3.8	3.8
Macedonia	4.0	5.0	5.0	5.0	4.5	4.0	3.9	3.8	3.7	3.8	3.8	3.7
Montenegro	N/R		5.0	5.0	5.0	4.8	4.7	4.6	4.6	4.6	4.5	4.4
Romania	3.0	4.0	4.0	3.5	4.0	3.8	4.0	3.8	3.7	3.7	3.7	3.7
Serbia	5.0	5.0	5.5	4.0	3.5	4.0	3.9	4.5	4.6	4.8	4.8	4.7
<i>Average</i>	<b>4.3</b>	<b>4.4</b>	<b>4.6</b>	<b>4.3</b>	<b>4.3</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.8</b>	<b>3.8</b>	<b>3.7</b>	<b>3.7</b>
EURASIA: Russia, West NIS, and Caucasus												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Armenia	N/R	5.5	5.0	5.0	4.0	4.0	3.9	3.9	4.0	4.0	3.9	3.9
Azerbaijan	N/R	6.5	6.0	4.5	5.0	5.5	5.3	5.1	5.1	5.0	5.0	4.9
Belarus	N/R			6.0	5.5	5.2	5.6	5.6	5.8	6.0	6.0	6.0
Georgia	N/R	2.0	4.0	5.0	4.0	4.4	4.4	3.7	3.7	3.8	3.9	4.1
Moldova	N/R			5.0	4.3	4.2	4.2	4.2	4.0	4.2	4.2	4.2
Russia	4.0	4.0	5.0	4.5	4.5	4.4	4.6	4.5	4.7	4.7	4.7	4.7
Ukraine	4.0	3.9	4.0	5.0	5.0	5.0	4.4	4.1	4.0	4.0	3.9	3.9
<i>Russia, West NIS, and Caucasus Average</i>	<b>4.0</b>	<b>4.4</b>	<b>4.8</b>	<b>5.0</b>	<b>4.6</b>	<b>4.7</b>	<b>4.6</b>	<b>4.4</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.5</b>
CENTRAL ASIA												
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Kazakhstan	5.0	4.0	4.5	4.5	4.1	3.9	3.9	4.2	4.2	4.2	4.1	4.1
Kyrgyzstan	4.0	3.8	4.0	4.5	4.5	4.1	4.1	4.3	4.1	4.0	4.1	4.2
Tajikistan	N/R	7.0	6.0	5.0	5.0	4.5	4.4	4.4	4.3	4.4	4.4	4.5
Turkmenistan	N/R		7.0	6.2	6.0	6.0	5.9	5.8	5.7	5.7	5.6	5.6
Uzbekistan	N/R	4.8	5.0	4.8	4.5	4.4	4.3	5.4	5.7	5.7	5.7	5.6
<i>Central Asia Average</i>	<b>4.5</b>	<b>4.9</b>	<b>5.3</b>	<b>5.0</b>	<b>4.8</b>	<b>4.6</b>	<b>4.5</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>	<b>4.8</b>
<i>Eurasia Average</i>	<b>4.3</b>	<b>4.6</b>	<b>5.1</b>	<b>5.0</b>	<b>4.7</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>

N/R=Country was not studied in that year



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Bureau for Europe and Eurasia  
Office of Democracy, Governance and Social Transition  
1300 Pennsylvania Avenue, NW  
Washington, DC 20523

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