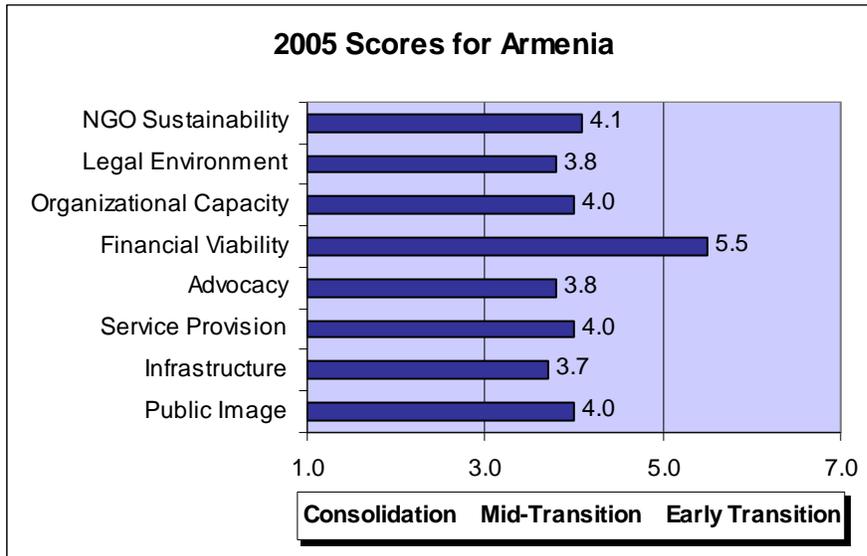


Armenia



Capital: Yerevan

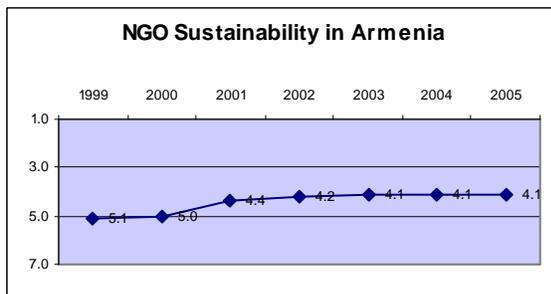
Polity: Presidential-parliamentary democracy

Population: 2,976,000

GDP per capita (PPP): \$5,300

NGO SUSTAINABILITY: 4.1

The overall sustainability of the NGO sector in Armenia did not change over the past year. This stagnation is primarily the result of a regressive and restrictive draft law on lobbying. If adopted, the new law will limit the ability of NGOs to participate in forming policy and serving as advocates.



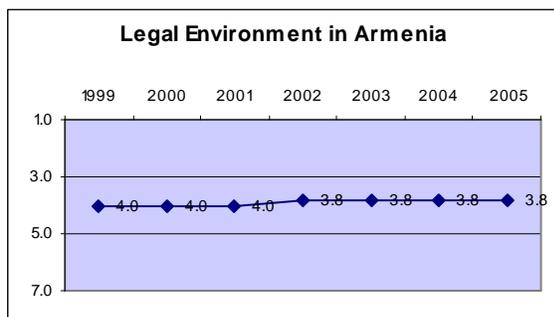
On a positive note, while many organizations continue to depend heavily on donor funding, many have secured alternative sources. NGOs have also been more active in building partnerships with each other. The National Task Force Group was formed to develop recommendations on the Constitutional amendments that were put to referendum in November 2005. The amendments incorporate forty of the forty-six recommendations that the NGO community submitted to the Council of Europe's Venice Commission. NGOs have actively participated in policy and legislative working groups in the National Assembly and other government institutions. In addition, more NGOs have clearly defined goals and missions than last year.

LEGAL ENVIRONMENT: 3.8

The NGO sector is regulated by the Law on Public Organizations (2001), the Charity Law (2002), and the Law on Foundations (2002). The majority of organizations are registered under the Law on Public Organizations. Although the process has improved over the past year, registration takes place in Yerevan, creating a burden for organizations in the regions. The concept of volunteerism continues

to be an issue, as tax officials do not yet consider volunteer work to be tax free. One organization appealed to the court system to defend its right to use volunteers without being taxed, and was not only unsuccessful, but was ordered to pay court costs and damages. In addition, the law prohibits NGOs from generating income by engaging in economic

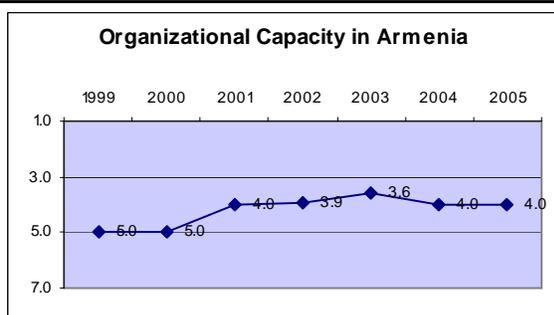
activities. As a result, organizations continue to depend on donor funding.



The government recently introduced a new draft law on lobbying that is being circulated in the National Assembly. If passed, the law will permit the government to exert a great deal of

control over NGOs through an onerous registration process. The new draft law employs a broad definition of “lobbying” activities. Instead of being limited to actions by paid professionals and commercial activities that attempt to promote the interests of a third party, the draft law applies to all those who engage in activities that influence the adoption, amendment, or abrogation of legislation. Thus, “lobbying” includes virtually any interaction with lawmakers, as well as efforts to disseminate information concerning legal provisions or the legislative process (e.g. reaching out to the mass media). The NGO community is very concerned about the implications of this bill and is advocating for its substantial revision or complete withdrawal.

ORGANIZATIONAL CAPACITY: 4.0



The decline in grant opportunities has many organizations surviving from grant to grant and seeking funding alternatives. Organizations that have membership fees as their only source of income are unable to maintain a permanent staff, which often leads to chaotic internal

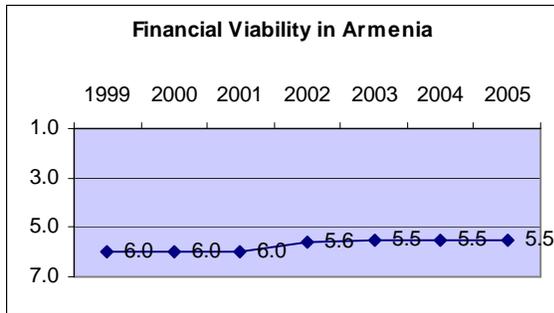
management. NGOs have a greater capacity for conducting internal strategic planning. Though many organizations continue to be dependent upon their leaders for direction and vision, NGOs with younger leadership are embracing a team-approach to management. Their organizational development agenda, however, is still largely donor-driven and not an organic part of the local NGO culture.

FINANCIAL VIABILITY: 5.5

While NGOs continue to rely largely on funding from foreign donors, most are actively searching for alternatives. The law, however, restricts the ability for NGOs to engage in income-generating activities and does not provide tax benefits for charitable donations. Both government officials and corporations are afraid such activities will lead to NGOs living in a financial “grey zone.” Organizations fear that in the current environment they could easily be targeted by tax authorities should they engage in economic activities. With an underdeveloped private sector and high unemployment, creating

While most organizations utilize volunteer services, the concept of volunteerism has not been fully accepted by NGOs, and none have appropriate policies or internal procedures. Volunteer services are the most common in construction projects at the community level.

an NGO is often viewed by the public as a means of securing a salary. Fundraising has increased as a result of training and consulting, but NGOs continue to be financially unstable. More organizations now obtain in-kind donations. The government has also provided Presidential grants to numerous organizations working in tourism, health, and the social services sector.



NGOs often are not transparent or accountable. Financial reporting does not always present a complete picture of an organization's finances, as organizations fear that accurate reporting may draw unwelcome attention from the tax authorities.

ADVOCACY: 3.8

Over the past year, NGOs have partnered with the government more than any time in the past; however, the relationship between the two is at times artificial and communication is often unclear. The government has been creating government-organized NGOs (GONGOs) and at times co-opting existing NGOs, and government officials have also excluded the most progressive organizations from the policy-making process. Motivated by increasing foreign pressure, many government officials have created advisory councils that include both government and NGO representatives. The purpose of the advisory councils is to give an impression of inclusiveness and participation, rather than receive input and advice. The intentions of government officials is evidenced by their process for forming the advisory councils, the lack of any clear results, and the sense that the council meetings are more media events than productive discussions. NGOs are generally willing to participate in the advisory councils to gain the unprecedented access to government officials, though they often lack the skills necessary to convert these opportunities into positive action. NGOs take part in open public hearings organized by the National Assembly.

While NGOs enjoy a great deal of visibility among donors and government officials, they have not developed political advocacy skills. Organizations are comfortable with the idea of lobbying, but lack the skills and knowledge of

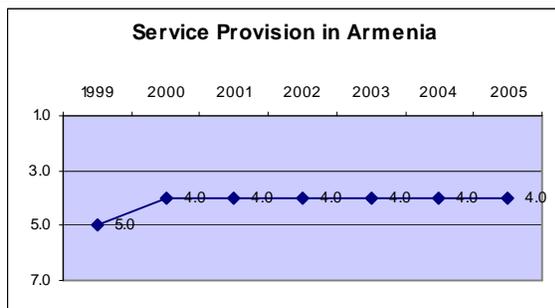
policy necessary to be successful and make a contribution. NGO advocacy efforts are also hindered by the sector's lack of understanding of the legal environment, which limits its ability to effect change.



Mechanisms to promote inter-sectoral partnerships improved over the past year, both legally and practically. One such partnership was successful in getting a fairly progressive Freedom of Information law passed. In 2005, NGOs have closely monitored the implementation of the law and have reported numerous violations, taking some to court. One NGO has created a FOI "black list" for those government agencies that refuse to provide information they are required to give.

Coalitions are most often ineffective and donor-driven. The culture of cooperation and information-sharing has not taken root in the NGO community with NGOs competing for the same few grants and seeing little benefit in cooperating.

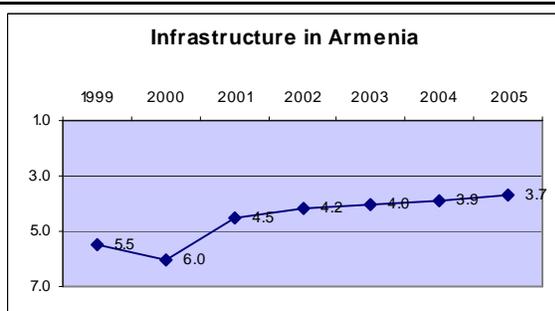
SERVICE PROVISION: 4.0



Organizations continue to provide a variety of services ranging from soup kitchens to legal and medical services for the elderly and defenseless.

NGOs receive wide recognition for the increasingly wide variety of services that they provide. The government, however, rarely partners with NGO service providers; officials do not conduct cost/benefit analyses and fail to understand the impact of not partnering with NGOs to provide very important services. NGO services continue to be driven by donor agendas and not government policy. Discussions between the government and NGOs concerning fees for services, licensing and procurement have not led to the legalization of income-generation.

INFRASTRUCTURE: 3.7

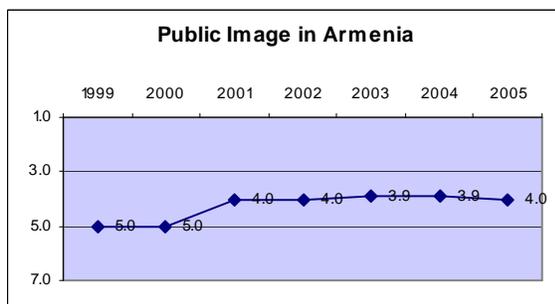


The number of organizations providing services to NGOs has increased over the past year. Two new Intermediary Service Organizations (ISOs)

were opened in two regions of Armenia. The UNDP, OSI, the EU and the NGO Center have all provided training and services to NGOs. The only local grant programs regrant USAID-CASP program funding. Another ISO that will provide training and other services is planning to open in Yerevan. At the local level, organizations work closely with the community and their government. Organizations generally do not share information with each other or form coalitions unless they are pressured to do so by their donors.

PUBLIC IMAGE: 4.0

NGOs are increasingly more sophisticated in their efforts to reach out to the media, though their outreach to the public is lacking. Media coverage of NGO activities, however, is infrequent and negative; organizations are often portrayed by the media as commercial organizations that consume grants without providing any real benefit to the general public.



A recent national survey reports that only 4% of those polled had been a member of an NGO, while 25% had not heard the term NGO and 5% "didn't know." Those organizations involved in political or human rights are often portrayed by the government, and perceived by the public, as being supported by foreign funding and serving their own interests. Organizations rarely publish annual reports, which can in part be explained by the unclear regulatory environment which dissuades NGOs from making information public. The NGO community has adopted a code of ethics, though it was done so under pressure from donors and has little impact on NGO behavior or the public's perception.