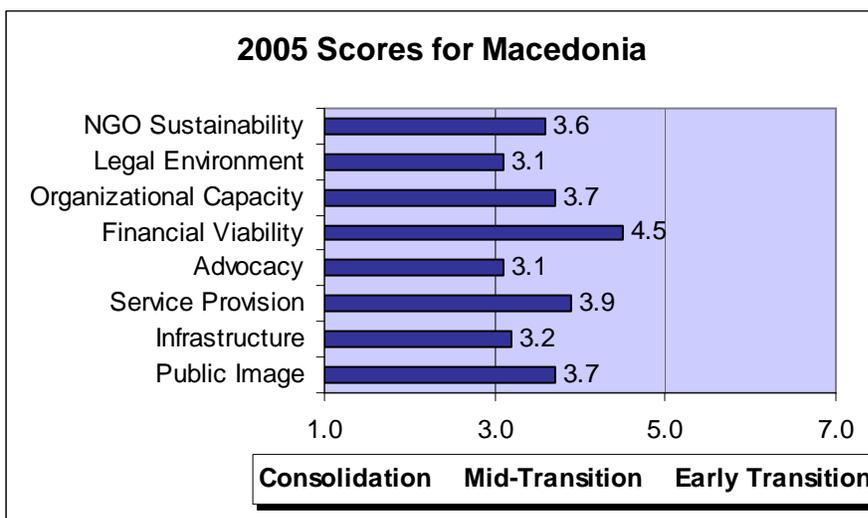


Macedonia



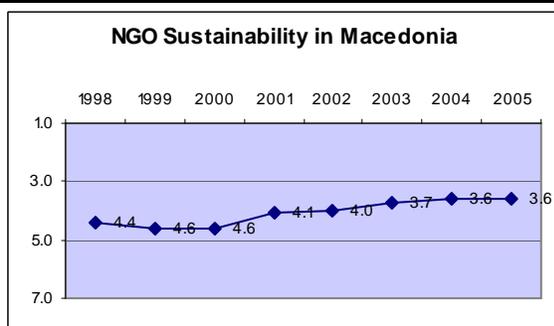
Capital: Skopje

Polity: Parliamentary democracy

Population: 2,050,000

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

NGO SUSTAINABILITY: 3.6



The sustainability of the NGO sector in Macedonia did not change significantly over the past year, with only a slight improvement in the Public Image dimension and a decline in the Legal Environment dimension. Many expect that in years to come, the contributions of various civil society support programs to the sector's development will be increasingly more visible. As local governments decentralize their authority, a process that began on July 1, 2005, NGOs expect to increase their involvement in local decision making which will foster even greater civil society development.

The advances made by civil society over the past year are most apparent in the advocacy,

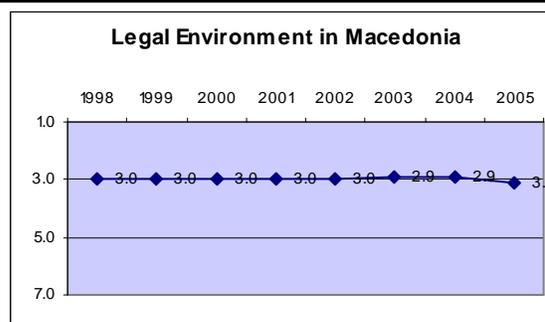
infrastructure, and public image dimensions, as well as the increase in financial support for the sector. Cooperation with central and especially local government officials has increased. Following the March and April municipal elections, newly elected mayors have created mechanisms for communicating with and supporting NGOs. Surveys and polls report that the public's trust of NGOs has increased, and almost half of the population believes that NGOs are effective in solving the country's problems.

While the sector has much to celebrate, improvements are needed in many areas. Though partnerships with for-profit corporations have improved in recent years, local philanthropy and the promotion of corporate responsibility remain underdeveloped. General economic conditions in Macedonia continue to be difficult, and as a result, the financial viability dimension is the weakest. The total number of registered organizations is still approximately 5,500, only 5% of which are thought to be active.

LEGAL ENVIRONMENT: 3.1

The drop in the legal environment dimension score is the result of the government's failure to address legal obstacles that NGOs still face. Despite a promise from government officials to amend the Law on Citizens' Associations, it remained unchanged. Domestic NGOs and the international community both lobbied for the amendments, but were unsuccessful. Government officials and NGO representatives held several roundtable discussions concerning the draft amendments, which are currently on the Ministry of Justice's legislative agenda and are expected to be forwarded to the government for approval by the end of the year. If enacted, the amendments will require further reforms to the tax code, which will in turn require approval by the Ministry of Finance. The current tax framework governing NGOs does not offer sufficient tax exemptions or incentives for charitable donations. Currently, NGOs are taxed the same as for-profit corporations. The law only provides a 3% deduction for organizations that receive state funding, and a VAT exemption for projects registered with the Government Sector for European Integration.

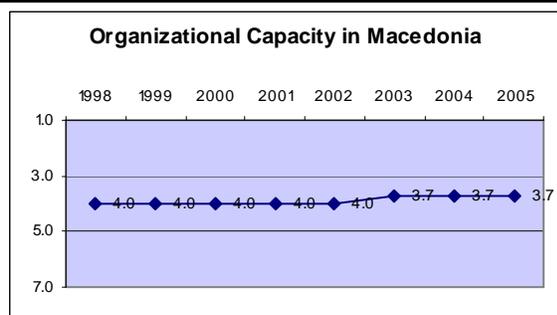
The registration of new organizations continues to be easy and routine, though the judges responsible for overseeing the process are occasionally rotated out, causing delays as new judges learn the process. While there were no known cases of the state government harassing NGOs over the past year, organizations have at times had a more difficult relationship with local authorities. The decentralization of the state government has resulted in an increase of authority at the local level. Local governments, however, often lack an understanding of NGOs, and have pressured organizations by refusing to support their activities, or placing conditions on their cooperation.



Despite numerous training programs, the pool of qualified attorneys that provide NGOs with legal services remains small. The primary reason is that lawyers do not consider NGO law to be lucrative and the legal community has yet to embrace the idea of pro bono services. Legal professionals generally have significant knowledge and understanding of the Law on Citizens Associations and Foundations, as it is included in the curriculum at the Faculty of Law in Skopje. NGO registration issues are often handled by legal apprentices. In addition, students in the clinical program at the law school assist NGOs with registration and other issues. The Open Society Institute Macedonia (FOSIM) also supports NGO resource centers that provide basic legal services.

The Law on Citizens Associations and Foundations permits NGOs to create separate business entities and engage in economic activities, but this entity has to be registered as a separate corporation and is taxed as a for-profit entity. A large number of organizations create such businesses to diversify their revenue, especially as they begin to charge fees for their services. NGOs are increasingly aware of and enthusiastic about their ability to compete for public procurement opportunities. Similarly, local authorities are becoming more aware that NGOs have knowledge in project implementation and seek out partnerships when they apply for government funding.

ORGANIZATIONAL CAPACITY: 3.7

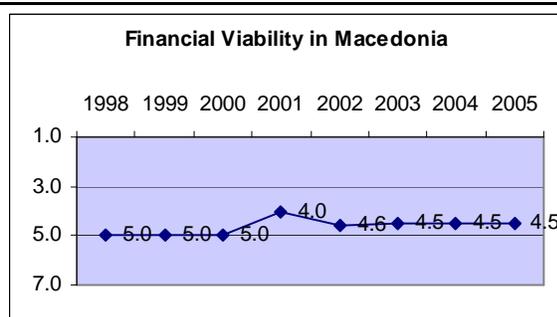


NGOs have made great efforts to build their constituencies. Through these efforts, organizations have made progress, but this growth is most evident outside the capital. Programs such as the USAID Democracy Network Program, the Community Self-Help Initiative, and the FOSIM NGO resource centers have all promoted constituency building. Though they remain primarily donor driven, organizations are increasingly aware that they must have public support for their activities in order to be successful. Volunteerism continues to be low, though efforts to recruit volunteers for the “Resist and Say No” campaign are an encouraging sign that it may be increasing. A Roma center in Skopje that provides youth

educational services has also increased the number of their volunteers.

NGOs are more aware of the importance of strategic planning and building organizational capacity, in part due to programs offered by local training organizations. The more experienced and mature organizations have strategic plans that guide their activities. Even newly established organizations often have strategic plans in place, though they may have unclear or vague missions and goals. At times, local governments collaborate with NGOs to prepare strategic plans. Internal management structures and the delineation between the responsibilities of the Board of Directors and staff continue to need improvement. The more experienced organizations understand the importance of delineating responsibilities and over the past year have restructured themselves. The Macedonian Center for International Cooperation (MCIC) reports that NGO staffing continues to be weak, as 75% of all organizations are without permanent staff. The majority of organizations have basic IT and the capacity to use it.

FINANCIAL VIABILITY: 4.5



Financial viability remains the biggest issue for the NGO sector. The country’s poor economy continues to impede NGO development. Most organizations remain dependent on international donors. Though exact data is not available, domestic funding comprises an insignificant portion of NGO revenues. However, corporate funding initiatives led by the Commercial Bank, Stopanska Banka, and Mobimak offer hope that domestic funding will

increase. SMS message philanthropy surged this year with campaigns organized by “Butterfly” to serve children with leukemia, and the campaign to provide assistance for tsunami victims. Other forms of domestic support such as in-kind donations have increased. Examples include local governments that offer office space for NGOs and local businesses that provide refreshments for NGO events. Intermediate Support Organizations (ISO) and service organizations are promoting creative philanthropy models; one example is a foundation created by the Renova Corporation and a regional NGO that provides scholarships for gifted students to continue their studies. Most organizations depend on only a few donors and have little diversity in their funding.

In recent years, some NGOs have started publishing their annual financial reports. This is

not a widespread practice, as the cost of hiring an auditor or accountant and preparing the publication is often prohibitively expensive. Many in the NGO sector are still reluctant to make their financial information public. Other than the eight largest organizations that publish their reports, there are a few local NGOs that publish financial reports. The more professional organizations have strong administrative and financial systems in place, with accountants on

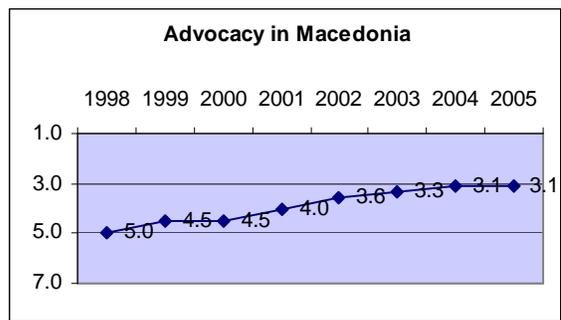
staff or retainer. While more accountants have experience working for NGOs, the majority work for for-profit corporations and are not familiar with NGO accounting needs. This situation inspired a group of NGOs to establish a set of best practices for NGO accounting. Though many NGOs are associations, they have trouble collecting membership fees, and few, if any, are able to operate from membership fees alone.

ADVOCACY: 3.1

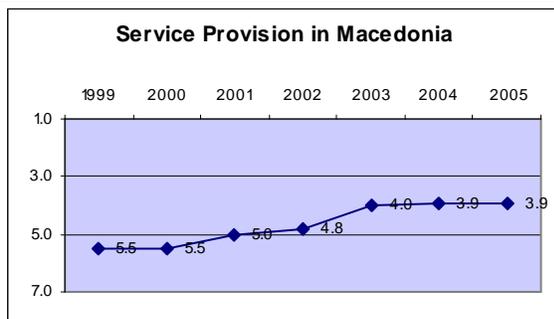
Cooperation and communication between NGOs and government officials vary. At the local level, numerous communities such as Veles, Resen, Stip, Delcevo, Negotino, Prilep, and Strumica have signed and implemented cooperative agreements with NGOs. They have been successful in strengthening cooperation and communication. Enthusiasm for partnerships is stronger and more natural at the local level, where NGOs work with municipal governments on common issues and receive funding from the municipal budgets. The newly elected mayors appear to be especially enthusiastic about collaborating with local NGOs, evidence of the NGO sector’s more favorable public image. In Resen, a local community building is going to be turned into an NGO support office, and in Prilep, the mayor has a volunteer-counselor for environmental issues from the NGO sector.

At the national level, officials have created the Government Unit for Cooperation with the NGO Sector, which has been slow to start up and has yet to yield any meaningful cooperation. Ministries do include NGOs in legislative and policy discussions. NGOs are also taking the

lead on proposing and organizing public discussions on draft legislation, and lobbying for the reform of certain laws. Examples of NGO involvement include participation in the working groups for the Law on Noise, the Codification of the Election Laws, and the Law on Access to Information. NGOs also participated in the Ministry of the Interior’s process for selecting a company to print new passports and identification cards, while others partnered with parliament to study the laws governing the disabled, and prepared a new National Strategy for the Roma. NGOs drafted and then lobbied for the adoption of a new Broadcast Law, and cooperated in the preparation of the Biodiversity Report.



SERVICE PROVISION: 3.9



In recent years, NGOs have expanded and diversified the services they provide, especially in the areas of health, education, humanitarian aid, and housing. NGOs offer services such as education to Roma students, health care and HIV/AIDS counseling, legal support for stateless

INFRASTRUCTURE: 3.2

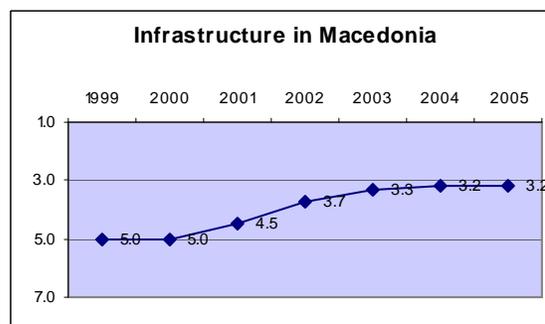
Considering that Macedonia is a small country, the existing network of ISOs and resource centers is successful in meeting the needs of the NGO sector. The European Agency for Reconstruction, the Swiss Development Agency, and FOSIM all continue their support for the twelve resource centers located around the country serving the rural and underdeveloped regions. NGO resource centers do not bring in the fees necessary to cover their costs, and it is not clear whether they could survive without the current level of donor support. Despite their financial issues, resource centers have had significant impact in the communities where they operate, as evidenced by increased NGO activity at the grassroots level. The Center for Institutional Development (CIRa) and MCIC offer regular training, networking, and technical support for NGOs. Most ISOs continue to rely on foreign financing. Resource centers and ISOs provide limited grants, and even these are re-granting of foreign funds. To date, NGOs have not raised any grant funding locally and community foundations do not exist.

The number of NGO coalitions is growing and includes the “All for Fair Trials” coalition of twelve organizations that monitor court proceedings. Other coalitions are working in

people, youth associations engaged in cultural tourism, and training for other NGOs. Organizations, however, continue to be donor-driven and have weak relations with their constituents. Too often, NGOs implement projects that are not a necessarily a priority of the target group or the public.

Some organizations are beginning to charge fees for their services and, at times, are close to recovering their costs. NGOs are inconsistent, as some offer services at no cost while others charge a fee. Many beneficiaries are unable to pay for services and are accustomed to receiving NGO services for a low price or free of charge, which makes it difficult for NGOs to operate strictly on a market basis.

areas such as NGO capacity building, human trafficking, and minority issues. The Roma NGO Coalition is working on the Decade of the Roma and the National Strategy of the Roma. The Citizen Platform of Macedonia, a coalition of the 35 most active organizations, is a good model for inter-sectoral partnerships, facilitating information exchanges among its members and promoting cooperation for a sector-wide program.



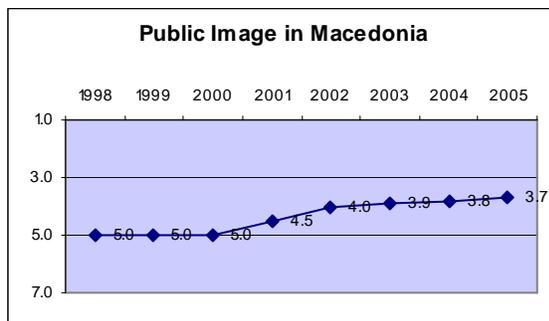
Training programs are available in the capital and other cities around the country. CIRa and MCIC provide training in advanced topics such as financial sustainability, lobbying and advocacy. The number of organizations requesting advanced training has increased. Training materials are available in local languages other than Macedonian. The sector is still in need of

training programs related to the European Union standards and integration. Partnerships between NGOs and the business community

have increased, but they are still not common and continue to be an area for future development.

PUBLIC IMAGE: 3.7

The Public Image dimension has improved, in part due to the increased media coverage of NGO activities. Organizations continue to criticize the quality of media coverage, which generally lacks in-depth analysis. The national broadcast media is more interested in politics and negative news, and in some cases tend to assign less-experienced journalists to cover NGO issues. NGO stories have to compete with politics and other hot topics for airtime. In the private commercial media, NGO coverage depends on the judgment of editors as to whether the stories will be interesting to consumers or the public.



NGO representatives increasingly participate in panel discussions and talk shows, which provides them with the opportunity to increase awareness about their work and the issues they address. The Utrinski Vesnik, the Macedonian National Television and Radio, and the private television station Channel 5 all have journalists assigned to cover NGO activities. The NGO Info Center contributes to increased media coverage by airing public service announcements and organizing press conferences for NGO activities. Local media is even more inclined to cover NGO activities.

While the media at times seems indifferent, NGOs lack experience in communicating their

achievements to the public. Many organizations fail to understand the need to cultivate relationships with journalists. They are also inexperienced in initiating public awareness campaigns and outreach activities. Few organizations are able to afford space in the national media to promote their activities; and though less expensive, local media is still unaffordable to most. Media in Debar and Gevgelija and other communities provide NGOs with free air time. Some organizations however, have realized the importance of publicizing their activities and the issues they address. The Farmer's Association from Gevgelija and the Association of Wine and Fruit Producers, for example, increased their memberships by 260 people in the 2 -3 months following a series of television appearances.

Surveys report that public perception of NGOs is positive and even improving compared to other sectors. An annual survey commissioned by USAID reports that 50% of the population trusts NGOs, and 49.2% believe NGOs are effective in solving national issues. These numbers are up 2.3% and 1.2% respectively over last year, and are higher than the figures for the parliament, the executive branch, and other government institutions. MCIC's poll shows that citizens have more confidence in NGOs when it comes to managing specific problems. These polls also show a deficiency in the sector's ability to involve citizens and inform the public of its work.

Codes of ethics are not widespread, though some organizations have adopted codes of conduct, including the Association of Journalists of Macedonia, local organizations from Gostivar working on inter-ethnic relations, children's rights organizations, and the inter-parliamentary group for persons with special needs.