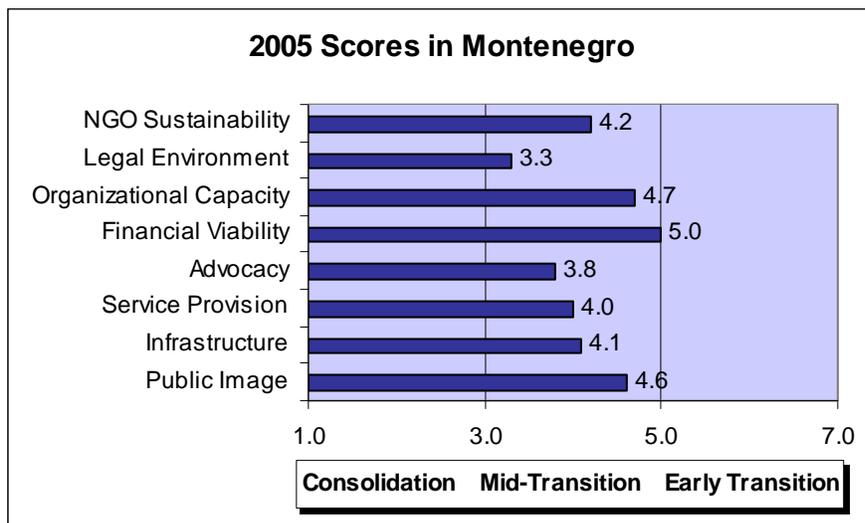


Montenegro



Capital: Podgorica

Polity:
Parliamentary
democracy

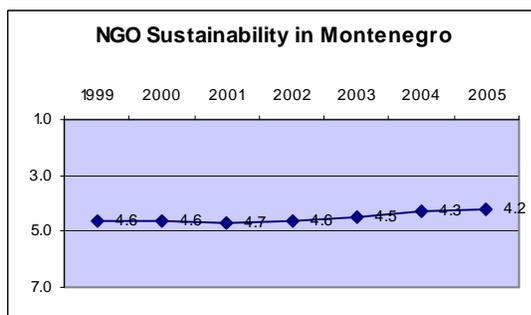
Population:
867,000

**GDP per capita
(PPP):** \$2,600

NGO SUSTAINABILITY: 4.2

Montenegro's overall sustainability score improved slightly this year, as the NGO sector marches towards the "Consolidation" phase. Improvements were made in the Financial Viability, Advocacy, and Infrastructure dimensions. However, assessment of the sector's development varied among organizations, exposing discrepancies and an unwillingness of individual organizations to see beyond their own experiences and consider the sector as a whole.

still lacks clear operating, financial or management guidelines. This makes it easy for businesses and cafes to register as NGOs and harms the sector's public image. The sector has initiated law reform efforts to address this issue and prevent future abuse. To address the lack of self-regulation, NGOs are forming a coalition to develop a national NGO strategy that will include an NGO Code of Conduct. The impact of the legislative reform and the self-regulation effort will likely be realized over the next year.



The NGO Law continues to ensure easy registration and permits organizations to operate free of state control. The law, however,

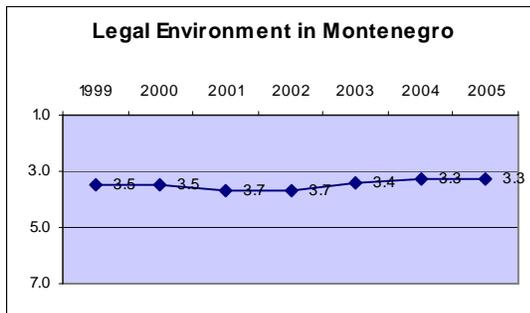
Organizations that have sustained donor funding or participate in large donor programs such as the USAID/ORT Montenegro Advocacy Program have generally embraced clear organizational, financial management, and governance structures. In 2005, the Government of Montenegro, operating through the Parliament Grants Commission, awarded €289,523 in grants to over 100 local organizations. For the second consecutive year, the responsible government authorities mismanaged the distribution of the grants, as politics influenced the selection of grantees.

LEGAL ENVIRONMENT: 3.3

The legal framework does not yet provide clear guidelines for regulating NGO activities or

ensuring transparency and good governance. While providing for a fairly informal and liberal

regulatory environment, it allows hundreds of businesses and cafes to register as NGOs. These businesses and cafes negate the positive public perceptions generated by the good work of real NGOs. Both NGOs and government officials identify the broad legal provisions that regulate NGO economic activities, and their application, as critical issues. This year, the USAID/ORT-funded NGO Legislative Framework Reform program began addressing these issues. NGOs with assistance from the European Center for Not-for-Profit Law (ECNL) drafted amendments to stop the abuse of the tax benefits allowed NGOs. The amendments were accepted and when enacted, should help root out NGO abuse of economic activities and improve the overall reputation and image of the NGO sector.



In the absence of sufficient NGO law expertise, three organizations have begun providing legal services to NGOs, though their quality varies. Services provided in Podgorica are the most in-depth, while the two organizations in the regions offer only the most basic assistance with the registration process.

Organizations are permitted to earn an income by providing goods and services, and receive tax exemptions on grants and profits under €4,000. The law provides NGOs with a variety of other tax exemptions. Membership dues, donations, and other contributions that are unrelated to an organization's economic activities are all exempt. NGOs are exempt from paying real estate tax as the property is used to further the

organization's statutory goals. Dividends on investments are exempt as are donations made by both individuals and corporations. The VAT law provides broad exemptions for all services offered by NGOs as long as the exemption is not used to distort market competition. Service organizations, including those that provide educational, cultural, sports, and religious programs, are also exempt from the VAT. All organizations are required to pay taxes on salaries, including all social insurance payments and deductions for benefits. Organizations must pay these taxes whether they receive their funding from foreign donors or not. The income taxes and payments for social insurance and benefits can add up to almost 100% of a salary. High taxes and the law's failure to provide for short-term contracts discourage most organizations from registering their employees.

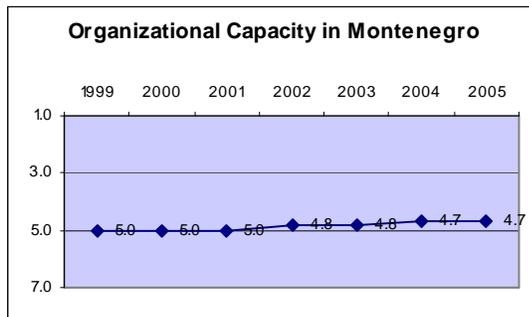
The Procurement Law permits any legal entity, including an NGO, to compete for government contracts at either the central or local level. In 2005, the Government awarded €289,523 in grants to NGOs through the Parliament Grants Commission. For two consecutive years, the Commission has mismanaged the distribution of the grants. Approximately 70% of grant recipients were inactive or considered unreliable by other donors or NGOs. The Commission prefers to limit its support to 10-30% of the cost of a project. This allows it to fund a larger number of NGOs but makes it difficult for organizations to complete their projects. Few organizations fulfill their financial reporting requirements. The Commission does not follow up with or monitor the grants it makes, nor does it report to the public on the use of grant funds. The Lottery Law, enacted last year, requires allocation of 60% of lottery proceeds to humanitarian and social causes. In this first year, the Grants Commission should have distributed over €750,000 in lottery proceeds to NGOs, but it has yet to do so. In 2005, NGOs began to protest the Commission's mismanagement of funds.

ORGANIZATIONAL CAPACITY: 4.7

Though it is rare for NGOs to build constituencies around their initiatives, a small

group of organizations is aware of the importance of constituency building to a

successful advocacy effort. NGOs do not often have defined missions, visions, goals, and objectives. Those that have strategic plans likely adopted them to meet a requirement for donor funding. Organizations that have engaged in strategic planning, however, come away with an understanding of its importance.



Only a small number of NGOs have a permanent paid staff. Recruitment of volunteers is based on the requirements for specific projects and is generally underdeveloped. Smaller NGOs have to rely on staff members who work full-time jobs in the government or private sectors, and contribute to the organization after hours. FONDAS continues to engage in efforts to amend the Labor Law to

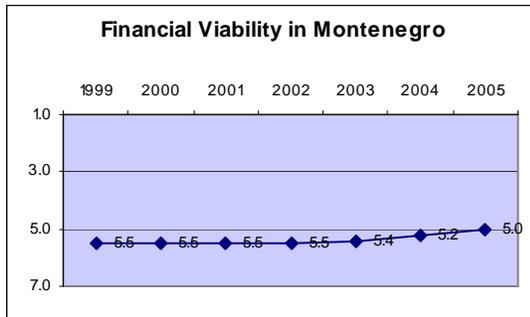
include short-term contracts and clear provisions covering volunteers. As it is, the Labor Law does not address contracting with volunteers other than “volunteer apprentices” which are defined as students working towards degrees in law or medicine who serve as unpaid trainees. As a result, organizations are unable to contract with other volunteers for fear that the state inspector will consider the volunteer as an employee and hold the organization in violation of the law. Promoting volunteerism is important to the financial viability of the NGO sector and the development of a culture of participating in civic activities.

Organizations generally have increased access to basic office equipment, including computers and fax machines. Those with modern office equipment such as computers and software, functional fax machines, and internet access generally have access to donor funding. Two resource centers created under the USAID-funded Montenegro Advocacy Program provide NGOs access to communication technology. NGO support systems are not sustainable since most donors are more interested in funding specific projects than supporting NGO development.

FINANCIAL VIABILITY: 5.0

NGOs continue to receive a majority of their financial support from international donors. More organizations, however, realize the importance of local support such as grants from the central or local governments. Despite the mishandling of government grants and the failure for the Grants Commission to distribute the lottery proceeds, the government provides a significant amount of support to NGOs. As it is, approximately 70% of the NGO recipients of the public grants money were inactive organizations or organizations that others consider to be unreliable partners. In addition, the Commissioner prefers to fund a large number of organizations, but only funds between 10 and 30 % of their projects, making it difficult for NGOs to complete their project. If the government were to overhaul the grant distribution system, government funding could play a key role in ensuring the NGO sector’s financial sustainability.

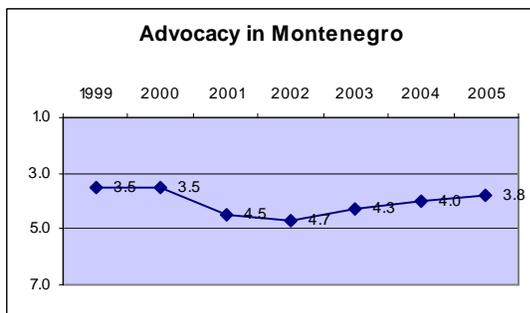
NGOs and for-profit corporations fail to take full advantage of the 3% tax deduction for corporate philanthropy; similarly, few individuals take advantage of the 10% deduction for individual giving. The most active and experienced organizations, which enjoy diverse, secure funding, have the most advanced financial reporting mechanisms. Only a small number of organizations publish annual reports with financial statements, and it is rare that an NGO undergo an independent financial audit. The majority of NGOs are small, have insufficient human resources, and lack the capacity to manage donor funding.



A small group of organizations engages in economic activities and charges fees for

providing goods and services such as translation, training, calendars, books, design and architectural services. These organizations are limited by the inability of the market to pay for their products. For-profit corporations do not contract with NGOs; the government does, but often only to train the administration's staff. Organizations do receive sub-contracts and grants from the Parliament and local governments. Numerous organizations have recently built memberships but do not yet charge fees as they have few services to offer in return.

ADVOCACY: 3.8



NGOs enjoy a direct line of communication with policy makers, and organizations frequently partner with the government. In 2005, a group of NGOs signed the Declaration on EU Integration with the Ministry for EU Integration, creating the conditions for NGO involvement in the process. NGOs were also active in securing a Declaration on Coexistence and Tolerance, which promotes ethnically mixed municipalities such as Pljevlja. Other organizations mounted a campaign against the government's current system of distributing grants. These successes are limited to a small group of powerful NGOs based in Podgorica. Cooperation and partnerships with the government are based on an organization's reputation and influence rather than a formal mechanism that permits open participation. Organizations are limited to partnerships with the Ministries, and do not have significant access to Parliament or other government institutions. A coalition of NGOs has identified NGO-Government cooperation as an issue in the 2006 national NGO strategy.

Numerous organizations have formed effective, broad-based coalitions to lead advocacy initiatives primarily at the national level. These efforts include donor-supported coalitions such as the Akcija Network, as well as organic, unfunded coalitions such as the Coalition for the Protection of the Tara Canyon.

NGOs may participate in the political process. They are able to propose legislation or discussion papers to Parliament by either gathering 6,000 signatures or by having a political party present on their behalf. NGOs can also influence the political process by monitoring government activities and through the media. NGOs are generally comfortable with lobbying and organizations have influenced, amended, and even proposed legislation at both the national and local levels.

While advocacy organizations have achieved a high level of influence, law reform is no longer enough. Laws are often strong on paper but are not enforced or are applied incorrectly. NGOs are realizing that they must go beyond law reform to ensure that the rule of law is strong and laws achieve their purposes. Government oversight groups are relatively new to Montenegro, but some initiatives are already showing positive results. Organizations such as MANS, CEMI and the Association of Young Journalists have strengthened the rule of law at the national level. Government oversight efforts have been effective at the regional and municipal levels as well. The USAID/ORT Local Watchdog Coalition program organized three regional

coalitions to carry out advocacy and oversight initiatives in Ulcinj, Niksic, and Herceg Novi. Rule of law, law enforcement and oversight activities must be encouraged and supported, especially to fill the void left by the lack of investigative journalism.

SERVICE PROVISION: 4.0

NGOs offer a variety of goods and services in areas such as health, education, environmental protection, and governance. Smaller organizations that operate at the local level are generally limited to providing basic, under-funded services such as care for the disabled, the elderly, and children. Stronger organizations with a higher level of institutional development that operate at the national level provide a wider variety of services, which include advocacy and government oversight. The smaller, community-based organizations have a well defined constituency due to the nature of their target group. The larger organizations represent wider constituencies that frequently are not as clearly defined.

NGOs have yet to take advantage of opportunities to recover their costs. Some organizations have begun to charge fees, and recover a small portion of their overhead, by offering services such as graphic design and training. The local market for such services continues to be small, though more NGOs provide services to local organizations and the government. Government institutions do not yet trust NGOs, but they are nonetheless

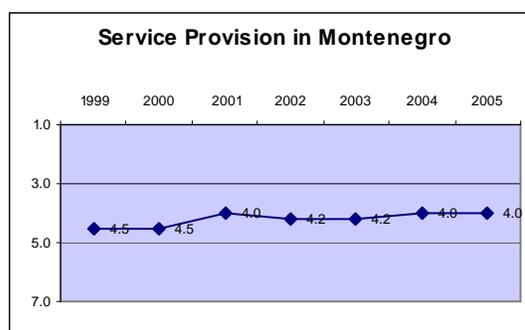
INFRASTRUCTURE: 4.1

Numerous ISOs and NGO resource centers provide support services to Montenegrin NGOs. They include CRNVO, MANS,

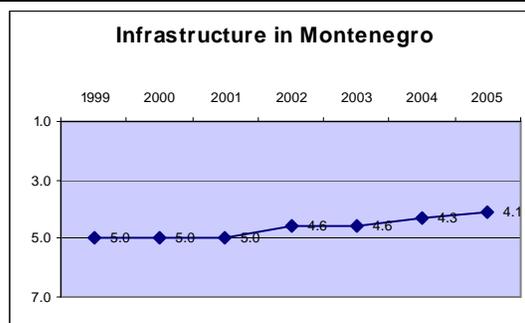
FONDAS, the CEMIPR Resource Center, and the two Regional Advocacy Centers created by ORT, Expeditio, and Natura. NGOs are able to access training, learning and networking resources, legal assistance, project writing support, and technical services such as the internet and fax machines. The CEMIPR Center charges corporations a fee, but NGOs have access at no cost.

By failing to self-regulate, the NGO sector has left itself open to poor public opinion and the perception of untrustworthiness. The 2006 National NGO Strategy has made drafting an NGO code of conduct a priority and discussions have already begun.

willing to pay them for certain services, such as training, graphic design, and media monitoring. The government is only willing to support other less technical services, such as river clean-ups, social care, and health services, with grants and other funding mechanisms.



Numerous advocacy organizations provide services such as trainings and publications to other NGOs and government institutions. These organizations do not generally have strong membership bases, as their activities are directed more towards the public. On the other hand, the small group of organizations that have strong memberships was created specifically to serve the interests of their members.



The country's rough terrain makes travel too difficult and expensive for NGOs located

outside of a resource center's immediate area to access its services. NGOs in only three municipalities are able to access support services. Similarly, NGOs in the regions do not have the same access to information, donor resources, and the government as those in Podgorica. Resource centers in the regions are not able to offer the same level of technical and knowledgeable support as those in the capital. In the urban centers, NGOs have achieved a high level of development, while NGOs in the regions continue to struggle and remain underdeveloped. In measuring the level of development of Montenegrin NGOs, most take their reading from those organizations in Podgorica and fail to consider the underdeveloped organizations in the North and other regions.

The NGO sector is very competitive and networking does not come naturally. Organizations will share information, but only

PUBLIC IMAGE: 4.6

NGOs and their initiatives continue to enjoy considerable high quality media coverage. In situations where journalists have lacked professionalism, NGOs have nonetheless exercised skill in effectively communicating their goals to the public.

Public perception of NGOs and their activities continues to meet the sector's expectations. A recent poll conducted by CRNVO shows that 74.5% of all citizens agree that NGOs are not-for-profit and apolitical, up from 45% in 2001. The public is divided on its confidence and trust of the NGO sector; 36.4% of the public have a high level of trust for NGOs, while 34.2% have no confidence and 29.4% are of no opinion. The

when doing so will benefit both parties. The NGO sector does not have a central committee by which it can promote sector-wide interests. NGOs often act alone and promote their own interests unless they have a clear need for the support of other organizations. There are, however, numerous examples of inter-sectoral partnerships. The Montenegrin Union of Employers, for example, partnered with the Chamber of Commerce and Confederation of Independent Trade Unions to draft legislation concerning labor disputes.

Though they have access to a wide variety of training programs, NGOs continue to have little interest; trainings offered often exceed the demand. Inter-sectoral relationships have improved, especially among the larger, more developed organizations that operate at the national level, who work directly with government institutions.

Government and business sectors, however, continue to have a poor perception of NGOs.

