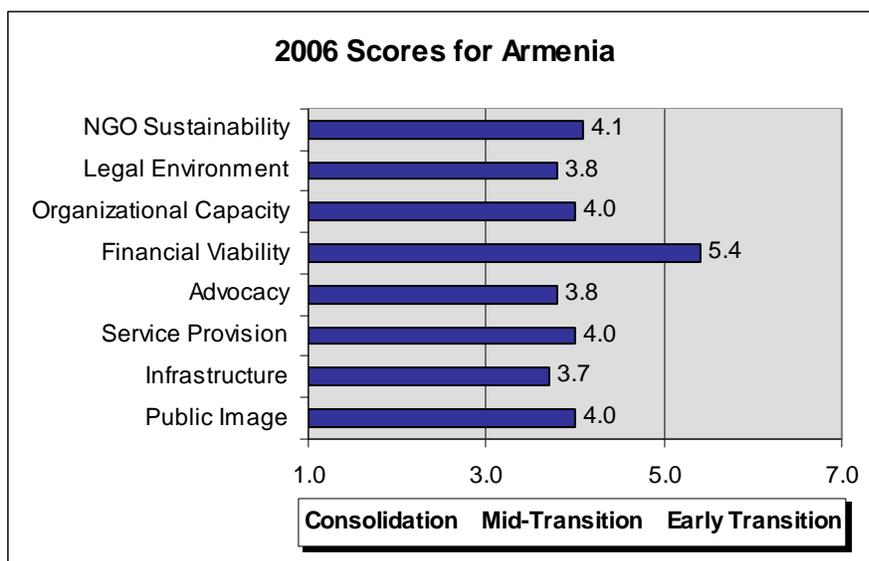


Armenia



Capital: Yerevan

Polity: Presidential –
Parliamentary
Democracy

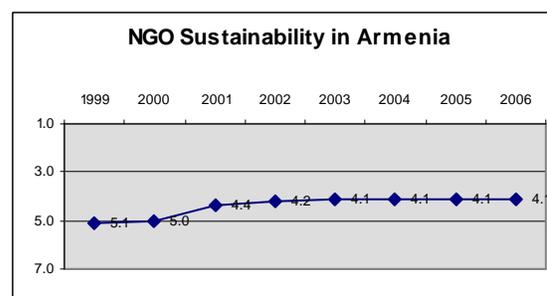
Population:
2,976,372

**GDP per capita
(PPP):** \$5,400

NGO SUSTAINABILITY: 4.1

The overall NGO sustainability index score for Armenia remained unchanged in 2006. The year was one of mostly positive developments; if the sector is able to see these developments to fruition, it will enjoy significant benefits over the next few years.

One of the factors affecting NGO sustainability is the increase of donor fatigue and the decrease of funding from the Diaspora and international community. Armenian organizations have always benefited from a funding-rich environment. The growing demands for foreign assistance and the emphasis by donors on producing measurable results, however, have made it more difficult for organizations to access outside funding. The decrease in funding has resulted in a gradual weeding out of organizations that are weak or change their missions according to shifts in donor agendas. As the weaker organizations close due to the lack of funding, the NGO sector is left with stronger, more active organizations that are focused on their missions.



Another factor affecting NGO sustainability is the legal framework, which fails to consider the growing diversity and complexity of the non-state sector. The inadequate legal environment, which has yet to adhere to best practices adopted throughout the region, has resulted in pathologies in every dimension of this Index.

NGOs are mounting greater advocacy efforts than ever before, engaging both receptive and unreceptive government agencies. In some cases, NGOs have been able to develop cooperative relationships with government officials, while in other cases government has resisted their efforts.

LEGAL ENVIRONMENT: 3.8

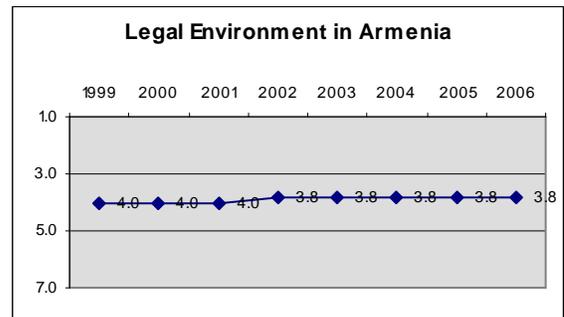
The NGO sector is regulated by three laws, the Law on Public Organizations, the Charity Law, and the Law on Foundations. The majority of NGOs are registered under the Law on Public Organizations, which requires that new organizations register with the Yerevani-based Ministry of Justice. The process is expensive and burdensome, especially for civic groups that have to travel from the provinces. The government does not have any plans to change the process and there is no consensus over a better system for registration.

NGOs registered under the Law on Public Organizations are prohibited from engaging in economic activities, although foundations may. As a result, NGOs depend fully on the international donor community for support. In addition, the Law on Public Organizations only permits NGOs to register as “general membership” organizations, which is unwieldy and prevents the adoption of normal organizational structures, such as boards of directors or advisory councils.

The government recently submitted a new draft Law on the Status of Volunteers to the National Assembly. If approved, the law will legalize and regulate NGO use of volunteers and promote civic participation among Armenian youth. The tax authorities have yet to recognize volunteerism as a service that should be free from tax and force NGOs to pay social taxes on volunteer labor.

ORGANIZATIONAL CAPACITY: 4.0

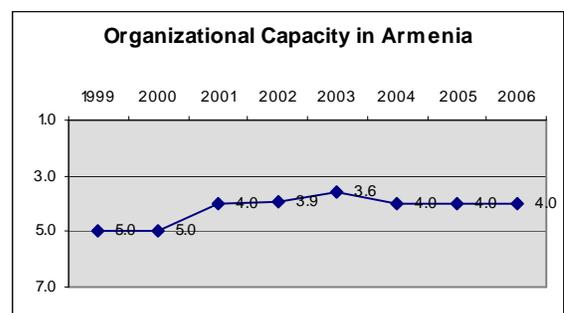
The overall decline in available grant opportunities has left many organizations surviving from grant to grant, and seeking alternative funding sources. The lack of funding has weeded out some organizations, which have either gone dormant or are experiencing periods of organizational chaos. Others are engaging in strategic planning and focused on their missions, as well as attempts to identify



Though NGOs prevented the passage of the draft Law on Lobbying in the past year, it remains a threat. If approved, the bill would permit the government to exert unprecedented control over NGOs. The bill would require NGOs and individuals to be “certified” by government officials before engaging in lobbying or advocacy activities. In contravention of international norms, the list of activities defined as lobbying includes any interaction with the legislators. NGOs are very concerned about the implications of this bill and are currently pressing for a substantial revision or complete withdrawal of the bill from the National Assembly.

NGOs are still unable to develop any systematic social partnership with local governments. This is in large part due to the heavily centralized national government, which limits the authority and budgetary power necessary for local governments to form such partnerships.

their constituents and advocate for them.

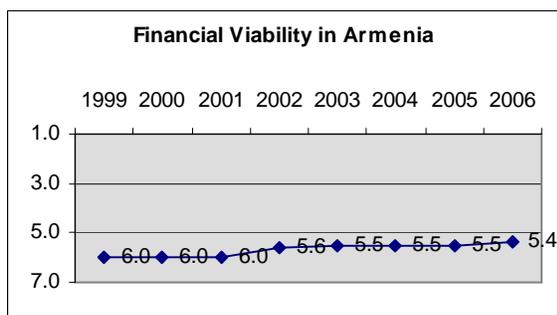


Though many continue to be driven by and dependent on a single charismatic leader, more NGOs, especially youth-led groups, are adopting a more inclusive approach towards management. The draft law on volunteers, if approved, may create greater opportunities for organizations to mobilize young activists. The over-simplistic Law on Public Organizations,

however, prevents organizations from adopting a more traditional model of NGO management involving boards of directors.

Due to high levels of funding in the past, most organizations have the equipment they need to operate. Access to the internet, however, is spotty throughout the country.

FINANCIAL VIABILITY: 5.4



While NGOs remain largely dependent on donors, many are actively seeking alternative sources of funding. A recent survey found that some 42% of NGO funding comes from international donors, 22% from membership fees, 16.7% from private donations, 7.7% from corporate donations, and 7% from the State. The legal framework restricts the ability for organizations to generate income and fails to provide beneficial tax exemptions. Many organizations fear that they will be targeted by the tax authorities if they engage in economic activities. Armenia's private sector is underdeveloped and rates of unemployment are high; some view creating an NGO as little more than a means for securing an income. While this is not the case with all NGOs, it is a widespread perception. The government

justifies its restrictions on economic activity by claiming that nonprofit organizations will evolve into for-profit organizations that will hide behind nonprofit status.

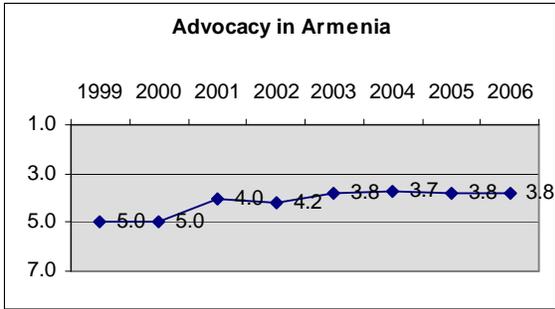
The Armenian government began providing small-scale funding to NGOs, primarily in the areas of public awareness and health campaigns. Local businesses have similarly increased their support of NGOs over the past year. The Government of Armenia and the NGO community have been discussing a "one-percent" law that would earmark non-partisan public funding for the NGO sector. Organizations have diversified their funding sources significantly as traditional sources of support are dwindling. They are now seeking more private funding as well as support from international development donors that have not had a strong presence in Armenia in the past.

Due to the unclear legal environment, NGOs often lack transparency and accountability. NGOs often fear that by providing accurate records they will attract excessive attention from the tax authorities. As a result, their financial statements and disclosures may not always reflect reality.

ADVOCACY: 3.8

Over the past year, the NGO sector was more articulate in engaging government officials at all levels, as well as more savvy in targeting their advocacy efforts. Organizations regularly make substantive contributions to legislation, including environmental and lobbying laws, the

Electoral Code, as well as amendments to the Constitution. The executive branch now considers the NGO sector a more serious partner in the implementation of public policy.



Though NGOs are more able to advocate for the needs of their constituents, government officials resist their efforts. The NGO sector tried to stop the proposed law on lobbying that was introduced in late 2005, but the National Assembly is still considering the draft. The proposed law threatens the ability of NGOs to contribute to the legislative process. Most lobbying efforts are still informal and based on

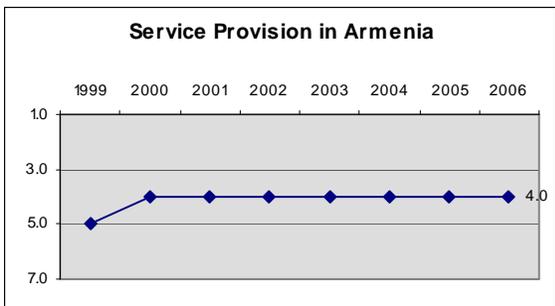
personal relationships. The government is actively creating GONGOs (Government-Organized NGOs) and making efforts to exclude the most progressive organizations from the policy-making process. Several high ranking government officials created advisory councils that consist of representatives from the government and NGO sectors, though the process is designed more to control and preempt NGO efforts to be involved than incorporate diverse opinions.

Ad-hoc, inter-sectoral partnership mechanisms have improved over the past year, both legally and practically. They often form around a specific set of issues, such as the Law on Lobbying or the Law on Volunteerism, and disband once the issue has been addressed.

SERVICE PROVISION: 4.0

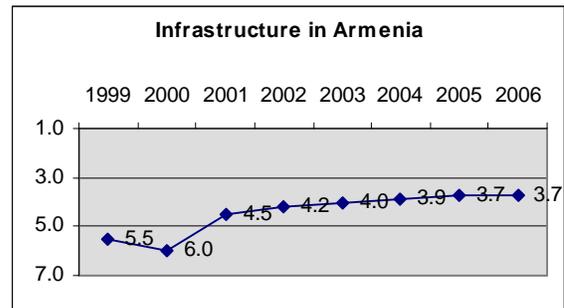
NGOs continue to provide a variety of services ranging from soup kitchens to legal and medical aid to the elderly and vulnerable. Of the various types of civil society organizations, citizens are generally most familiar with those that provide services. In some instances, local governments and NGOs have begun developing social partnerships, though NGO resources are limited. Regional and national governments have yet to procure services from NGOs when implementing social policy. The international donor community provides the majority of funding for the provision of social services.

The priorities for social services are generally determined by the funding provided by international donor community. Mission Armenia, a major community-based service organization that in the past received significant funding from the international donors, is slated for a line item in the Armenian State budget in 2007, which is viewed as a major step towards greater sustainability. It is also a step towards the need for social services and other priorities being identified domestically, and not by international organizations. Discussions between the government and NGOs on issues related to the legal framework, including topics such as fees for services, licensing, and procurement, did not result in any positive changes.



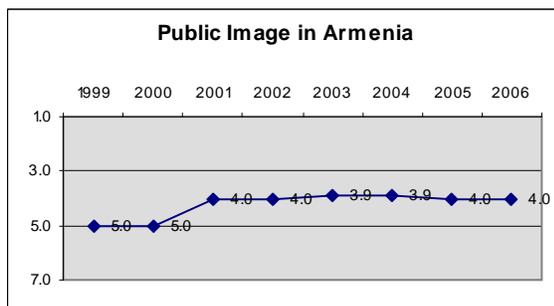
INFRASTRUCTURE: 3.7

International donors have funded the creation of Intermediary Service Organizations (ISOs) throughout Armenia. Foreign and international agencies such as USAID, UNDP, OSI, and the EU have used these ISOs to provide extensive training and consultations to domestic organizations. The legal restrictions on generating income prevent ISOs from achieving long-term sustainability. Some NGOs have created for-profit subsidiaries to generate income, but the few financial successes have resulted in some mission-drift. With substantial support and technical assistance, ISOs have begun to make large-scale grants for the donor community. In addition, ISOs are increasingly providing NGOs with technical assistance through training and organizational development workshops.



At the local level, NGOs work very closely with local governments and the community to provide services for the population, although Armenia's hyper-centralized system prevents these successes from scaling up.

PUBLIC IMAGE: 4.0



NGOs are increasingly more sophisticated in their efforts to reach out to the media, though their efforts to reach the broader public leave much to be desired. Media coverage is often neutral or negative, and often focuses on cases in which individuals use an NGO to serve their personal interests. NGOs also complain that coverage of their public events is not treated as

news by the media, which requires payment for coverage. At the end of 2004, 6.8% of those surveyed had been active in an NGO, and only 10.3% was aware that NGOs were active in their communities. At the end of 2005, only 4% were active in an NGO, down 2.8%, and only 7.2% said that NGOs were active in their communities, down 3.1%.

Armenian organizations rarely publish their annual reports. This may be explained by the fact that NGOs operate in a regulatory vacuum, with an unclear environment concerning accountability. The NGO sector has developed a unified code of ethics, though the final draft has yet to be approved and implementation remains weak.