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2007 NGO SUSTAINABILITY INDEX

for Central and Eastern Europe and Eurasia

11th Edition – June 2008

Cover Photo: Volunteers from the Coalition Against Corruption discuss the impact of corruption at an NGO fair in Irkutsk, Irkutsk Oblast, Russia.
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The 2007 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

2007 NGO SUSTAINABILITY INDEX SCORES

COUNTRY	Legal Environment	Organizational Capacity	Financial Viability	Advocacy	Service Provision	Infrastructure	Public Image	Overall Score
NORTHERN TIER								
CZECH REPUBLIC	3	3.1	2.8	2.4	2.2	3	2.5	2.7
ESTONIA	1.8	2.4	2.4	1.8	2.3	1.7	2	2.1
HUNGARY	1.5	3	3.5	3.3	2.4	2.2	3.2	2.7
LATVIA	2.4	3	3.2	2	2.4	2.5	3.1	2.7
LITHUANIA	2.1	2.6	2.8	2	3.4	2.9	2.9	2.7
POLAND	2.3	2.6	2.7	2	2.3	1.8	2.2	2.3
SLOVAKIA	2.5	2.8	3.2	2.5	2.2	2.2	2.3	2.5
SLOVENIA	3.5	4.1	4.5	3.9	3.5	3.9	4	3.9
Average	**2.4**	**3.0**	**3.1**	**2.5**	**2.6**	**2.5**	**2.8**	**2.7**
SOUTHERN TIER								
ALBANIA	3.6	3.9	4.5	3.3	3.9	3.9	3.8	3.8
BOSNIA	3.4	3.5	4.8	3.1	4.1	4.1	3.4	3.8
BULGARIA	2	4.3	4.1	2.4	3.1	3	3	3.1
CROATIA	2.9	3.1	4.2	3.2	3.1	2.8	2.9	3.2
KOSOVO	3.3	3.8	4.8	3.9	4	3.4	3.8	3.9
MACEDONIA	3	3.7	4.5	3	3.9	3.2	3.8	3.6
MONTENEGRO	3.4	4.6	4.9	3.6	4	4	4.5	4.1
ROMANIA	3.5	3.6	4.1	3.3	3.1	3.3	3.7	3.5
SERBIA	4.7	4.3	5.5	4	4.5	3.7	4.8	4.5
Average	**3.3**	**3.9**	**4.6**	**3.3**	**3.7**	**3.5**	**3.7**	**3.7**
EURASIA								
ARMENIA	3.8	3.9	5.2	3.7	3.9	3.6	3.9	4.0
AZERBAIJAN	4.9	4.6	5.9	4.9	4.6	4.4	5	4.9
BELARUS	7	5	6.6	6	5.5	5.6	6	6.0
GEORGIA	3.2	3.9	5.1	4.2	4.1	4.3	3.9	4.1
KAZAKHSTAN	3.9	4.1	4.6	3.7	4	3.6	4.1	4.0
KYRGYZSTAN	3.8	4.3	5.1	3.6	4	3.6	4.1	4.1
MOLDOVA	4.3	4.1	5.2	3.8	4.5	3.7	4.2	4.3
RUSSIA	4.9	4.1	4.4	4	4.1	3.8	4.7	4.3
TAJIKISTAN	4.8	4.6	5.6	5.1	4.6	4.5	4.4	4.8
TURKMENISTAN	6.4	5.2	6	6.1	5.2	5	5.6	5.6
UKRAINE	3.6	3.7	4.2	2.9	3.3	3.5	3.9	3.6
UZBEKISTAN	5.8	5.3	6.1	5.9	5.3	5.6	5.7	5.7
Average	**4.6**	**4.4**	**5.2**	**4.4**	**4.4**	**4.2**	**4.6**	**4.5**

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INTRODUCTION

USAID is proud to present the 11th edition of the NGO Sustainability Index for Central and Eastern Europe and Eurasia, covering developments in 2007.

In addition to separate reports on 29 countries, this year's Index includes two articles examining trends affecting NGO sustainability in the region. In "Laws on Volunteers and Volunteering in Central and Eastern Europe and Eurasia," Catherine Shea and Katerina Hadzi-Miceva examine initiatives to enact Laws on Volunteers that address a number of issues critical to providing an enabling environment for volunteerism. By outlining the provisions of the laws already adopted and implemented in several countries in the region, this article helps fill the gap in knowledge on this topic and provides useful guidance that can inform future reform efforts in the region and elsewhere. In "GONGO Trends and Transformations," Kristie Evenson explores the rise of government-operated non-governmental organizations (GONGOs) in the region, most notably Eurasia, and its impact on the development of independent civil society.

The 2007 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 1997-2007.

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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EXECUTIVE SUMMARY

For the eleventh 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 Baltics to Central Asia. The Index highlights both advances and setbacks in sectoral development and allows for comparisons both across countries and regions and over time. As such, the Index is an important tool for local NGOs, governments, donors, academics, and others to understand and measure sustainability. The NGO Sustainability Index analyzes seven inter-related dimensions that are critical to sectoral sustainability – legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image. A panel of NGO practitioners and experts in each country ranks their development in each of the seven dimensions. Rankings fall within three basic stages of development – Consolidation, Mid-Transition and Early Transition.

This year's Index shows little change in the significant divide that exists between the EU members of the Northern Tier of Central and Eastern Europe, the Southern Tier countries of the Balkans, and Eurasia. The countries of the Northern Tier reported little change, with only one country – Slovenia – registering a small improvement and two countries – Hungary and Latvia – reporting small declines. With the exception of Slovenia, all countries of the Northern Tier are firmly in the Consolidation Phase, the highest level of sustainability and development.

For the most part, the NGO sectors operating in the Southern Tier, including the EU's newest member states of Bulgaria and Romania, improved their sustainability during the year. Only Kosovo experienced a decline in sustainability, caused by the stalemate in determining its final status that paralyzed the province throughout 2007. The overall sustainability of the NGO sectors in all nine Southern Tier countries falls within the Mid-Transition phase. Not surprisingly, Bulgaria is poised to be the first country in the region to break the threshold and enter the Consolidation stage, with Croatia close behind. Serbia falls at the other end of the spectrum, with a lower level of sustainability than many of the Eurasian countries.

The picture in Eurasia was mixed, with almost equal numbers of countries reporting progress, deterioration, and no change during the year. Belarus, Georgia and Tajikistan experienced worsening conditions, while Armenia, Azerbaijan, Kazakhstan and Turkmenistan reported slight improvements in their sustainability. Most of the countries of Eurasia continue to fall within the lower half of the Mid-Transition phase, while Belarus, Turkmenistan and Uzbekistan remain stuck in Early Transition as a result of deep government suspicion and hostility. On the other end of the spectrum, Ukraine shows the highest level of sustainability in Eurasia – higher in fact that many of its neighbors in the Southern Tier, as well as Slovenia.

As always, the development of the NGO sectors in the region was influenced greatly by broader political and economic events during the year. National elections in countries ranging from Albania to Tajikistan offered NGOs an opportunity to improve their public image and advocacy skills by educating voters, monitoring elections, and conducting parallel vote tabulations. At the same time, however, political stalemates following elections in Bosnia, Serbia and Ukraine left NGOs without viable partners in the government for portions of the year, thereby stunting or delaying advocacy efforts. NGOs in Ukraine rose to the challenge imposed by these difficult conditions and still showed signs of improvement in their advocacy capacity, as well as their financial viability and public image. In Georgia, a crackdown on anti-government protests led to early presidential elections. While only a handful of NGOs were involved in the crisis, NGOs were accused of being vehicles for both government and opposition leaders to fulfill their political ambitions, thereby tarnishing their non-partisan images. Constitutional reform, a referendum and Parliamentary elections in Kyrgyzstan also provided NGOs an opportunity to expand

their spheres of influence, voice their concerns, and participate actively in the political process. There too, however, NGOs' involvement in political issues tarnished the image of the sector in some cases and lowered the level of trust in NGOs.

The domestic political environment had particular impact on the development of NGO sectors in Eurasia. Hostility and harassment by the government in many countries continues to stifle the development of independent NGOs, while GONGOs are springing up in several countries to replace them to a certain extent, as discussed in the article in this Index by Kristie Evenson. In Belarus, the extremely hostile environment affects all dimensions of sustainability, from legal environment to public image, thereby threatening the very existence of civil society and giving Belarus the dubious honor of having the weakest sector in the entire region. In Russia, government policy, which includes a variety of means to limit independent NGOs, is considered the most important factor influencing the sector's development. The Government of Uzbekistan continued to pressure the NGO sector, leading to the closure of 3,000 NGOs over the last few years. Moldova, Armenia, Turkmenistan, and Kyrgyzstan all report that their actions are monitored closely by the government. In Azerbaijan and Turkmenistan, although conditions remain difficult, government policy became marginally more open towards NGOs.

In other countries, external political factors had significant impact on NGO sectors. EU accession by Bulgaria and Romania presented NGOs with new opportunities and incentives to engage citizens, while also presenting new challenges and a new funding environment with strict requirements. Moldova's inclusion in the MCC Threshold Program and negotiations to develop closer ties with the EU and NATO promoted greater involvement of civil society and accountability of the government. Kazakh NGOs cited the country's appointment as chairman of the OSCE in 2010 as a positive factor promoting better relationships with the government there.

On the economic front, several countries noted economic stagnation as a barrier to growth in financial viability, while economic development helped spur growth in philanthropy in other countries. However, economic growth was often also accompanied by negative developments. Countries in all three regions experienced brain drain as their employees left for better paying jobs with the government or businesses. In Poland, brain drain is taking place within the sector – qualified staff are moving from small NGOs to larger organizations. In Lithuania, NGOs are seen as a means of getting the experience needed to find a better job. Serbia notes a positive side-effect from brain drain – an improvement in inter-sectoral cooperation. Economic development has also led to increases in rent in several countries, making it difficult for NGOs to retain needed office space. Several Northern Tier countries reported that high rates of inflation also had detrimental effects on NGOs' abilities to retain staff and deliver high quality services.

Countries in all three sub-regions covered by this Index report a widening in the gap between the small number of organizations with well-developed capacity – generally based in the capital and other major sectors – and the majority of NGOs that struggle to survive. Fueling this divide is the decreasing level of capacity building support available in many countries, which has traditionally been supported by foreign donors. While training remains available, NGOs increasingly have to pay for such assistance, which few can afford. Another common trend is the limited success in introducing strong governance systems. NGOs, especially in Central and Eastern Europe, are increasingly aware of the increased accountability and transparency that accrues from separating governance and management functions. Nevertheless, strong governing bodies, such as boards of directors composed of non-staff members that provide strategic guidance and fundraising support, remain the exception rather than the rule.

Financial viability remains the weakest aspect of sustainability in all three sub-regions and dependence on foreign funding continues to remain strong, especially in the Southern Tier and Eurasia. However, NGOs are increasingly making efforts to diversify their funding sources. NGOs in all three sub-regions show interest in income generation, but have had limited success to date. NGOs' lack of business and marketing

skills presents an obstacle to further development of such ventures. In Ukraine, for example, even when fees are charged, prices are determined through informal research, and are often either not competitive or unnecessarily low. In some countries, primarily in Eurasia, NGOs report that it is difficult to charge their beneficiaries because of widespread public belief that NGO services should be free. Weak ability within the market to pay for services also hampers the development of income generating activities. Legal restrictions and ambiguities still prevent the development of fee generating activities in several countries in the region. In Slovakia, tax exemptions for earned income were revoked, reducing NGO efforts in this area.

NGOs in all three regions report increases in networking within the sector and inter-sectoral partnerships, although the quality of such partnerships requires improvement. NGOs in Bulgaria note a decrease in national networks, but are increasingly joining international networks to compensate for this. Networking in countries including Montenegro and Georgia is difficult as a result of competition for funding within the sector, while NGOs in Turkmenistan cooperate with each other, but have few incentives to create coalitions because of the small number of organizations in the sector.

NGOs throughout the region continue working to improve their public image. While the level and quality of media coverage varies significantly, NGOs in countries as diverse as Azerbaijan, Bosnia, and the Czech Republic, among others, report that NGO leaders and experts are becoming increasingly familiar faces in the media. Ukraine refers to this as the "third expert" phenomenon, in which NGO experts on particular issues or topics are often quoted, resulting in increased media coverage of NGOs and their opinions. Another recurring theme was the fact that local media tended to provide greater coverage of NGOs than national media outlets throughout the region.

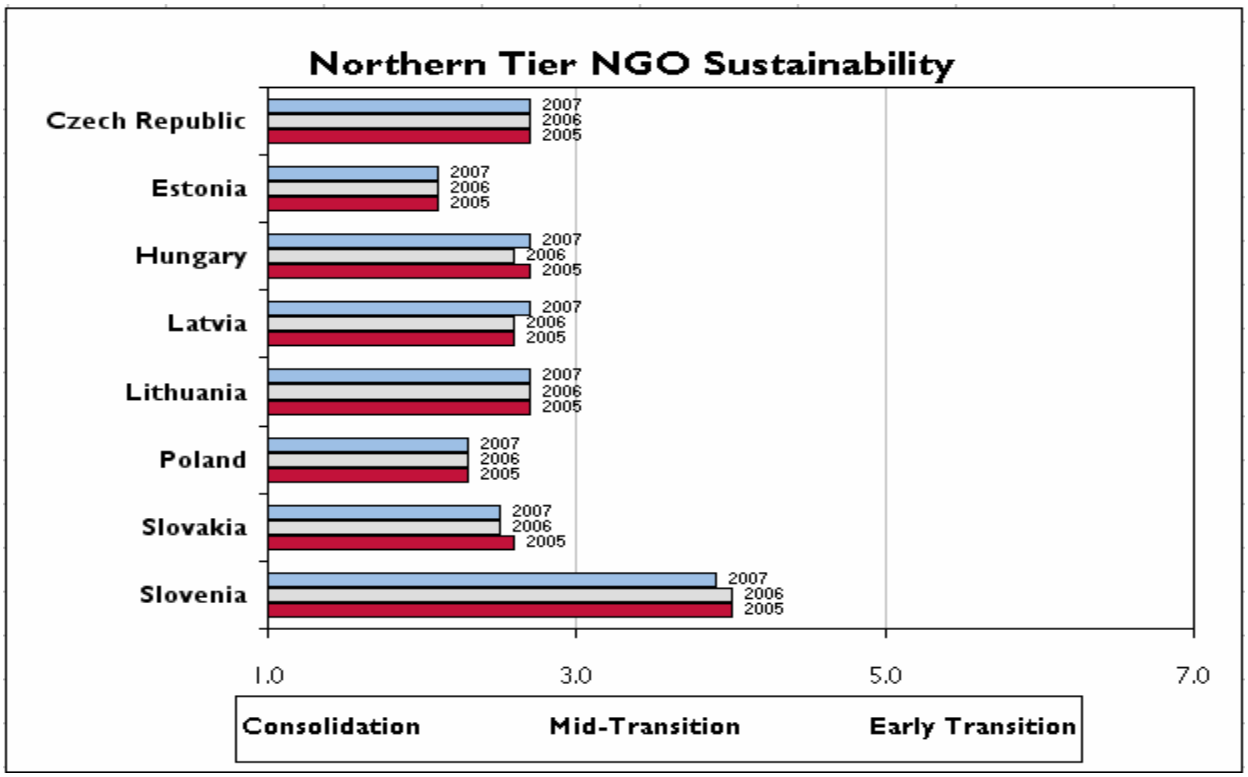
The following summary highlights some of the sub-regional trends that emerge from the country reports in this year's NGO Sustainability Index.

NORTHERN TIER

The Northern Tier countries experienced little change in their sustainability over the year, either overall or within individual dimensions. Only Slovenia registered a small improvement overall, due to increased capacity to meet strict EU requirements, greater participation in policymaking, increased information sharing within the sector, and an improved public image. Despite these improvements, Slovenia remains the only country in the Northern Tier in the Mid-Transition phase, and continues to show lower levels of sustainability than the majority of its neighbors in the Southern Tier, as well as Ukraine. Only Hungary and Latvia reported an overall decline in sustainability this year. Reasons cited for this deterioration in Hungary included stagnation in organizational development caused by a lack of capacity building funds, decreased advocacy and inefficiency of formal advocacy forums, and a worsened public image caused by a scandal involving a network of NGOs that spent money on political objectives. In Latvia, the 14 percent inflation rate and scarce sources of funding had a negative impact on NGO sustainability.

There were few dramatic developments related to the legal environment governing NGOs in the Northern Tier during the year. The only country recording a change in score was Slovakia, where the legal environment deteriorated when some restrictive changes were made to the law allowing taxpayers to designate two percent of their tax bills to qualified organizations. The government has indicated that the two percent mechanism will be cancelled soon, and replaced with other methods of funding, which have not yet been defined.

Registering an NGO in the Northern Tier is an easy process, although room for improvement remains. NGOs in Latvia are pushing for the right to register by Internet or mail, as opposed to having to travel to the capital, as currently required. As sectors become more consolidated, the need for accurate information about NGOs seems to increase. A recurring theme noted in many Northern Tier reports is the lack of



reliable public data about NGOs because defunct organizations are not required to de-register or unified registries do not exist.

Percentage laws which allow taxpayers to designate a portion of their tax bills to qualified organizations exist in several countries in the region, including Hungary, Lithuania, Poland, and Slovakia. Slovenia is the newest member to join this group. Slovenia's new Personal Income Tax Act allows citizens to donate .5 percent of their taxes to organizations that ministries deem to be acting in the public interest; political parties and trade unions are also eligible for these donations. Amendments to the one percent law in Poland make these donations anonymous, as funds now flow through the tax office; as a result, it is impossible for NGOs to cultivate personal or long-lasting relationships with these donors. Polish NGOs also note that funds from this mechanism flow primarily to larger organizations, as smaller groups cannot afford the publicity needed to attract these donations.

Several Northern Tier countries are following Estonia's example of adopting a national strategy for the development of civil society. Hungary's civil society strategy requires all ministries to develop biannual plans to develop contacts with the NGO sector and calls for the creation of a website containing a reliable database of NGOs and online services for completing official administrative procedures. In Lithuania, a law institute prepared a policy paper titled *Conception of the Development of Lithuanian Non-governmental Organizations*, which proposes guidelines for developing NGOs and principles for cooperation between public authorities and civic organizations. The paper is being reviewed by the government and will become official government policy if approved.

Financial viability remains the biggest challenge for Northern Tier NGOs, although developments this year are mixed. The Czech Republic, Hungary, and Latvia all report declines in their financial sustainability, while Estonia, Lithuania, Poland and Slovakia report slight improvements. Even in Estonia, which claims the highest level of financial viability across Central and Eastern Europe and Eurasia, NGOs have problems securing funds to cover their operational costs.

NGOs in the Northern Tier are eligible for funding through various EU mechanisms, but only a small portion of the sector has benefited from these opportunities as a result of strict EU regulations. Grantees are required to advance project funds, only getting reimbursed later, which few organizations can afford to do. The Slovakian NGO sector, through the Governmental Council for NGOs, successfully negotiated changes to this policy: the EU has agreed to provide NGOs with advance payments for EU-funded projects. Additionally, stringent bureaucratic and organizational requirements mean that small organizations are generally ineligible for funding. As a result, only approximately three percent of Polish NGOs have been able to access EU funds. NGOs in Hungary and Slovakia report that EU funding declined in 2007, while other countries note that the new EU Structural Funds for the period between 2007 and 2013 create new funding opportunities. NGOs throughout the Northern Tier are welcoming the arrival of a new source of foreign funding through the Norwegian/EEA Financial Mechanism.

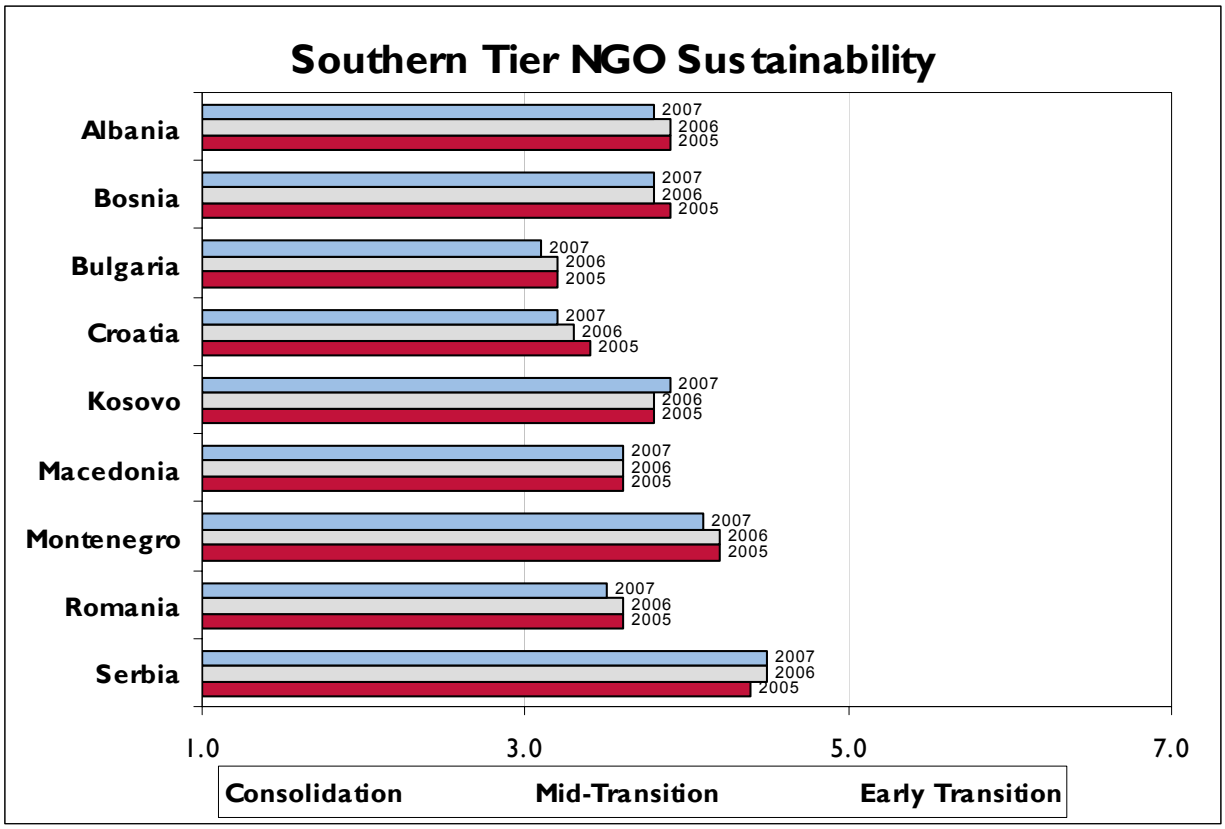
Northern Tier NGO sectors are continuing their efforts to develop alternative sources of funding. Government support, through both grants and contracts, is now common in most countries, especially for NGOs providing social services. A government fund focused on supporting NGOs exists in Hungary; a similar one is being established in Estonia. Corporate social responsibility and philanthropy is a growing trend. Larger companies, particularly those with foreign affiliations, are the leaders in this field in many countries, including the Czech Republic and Slovakia. Individual philanthropy has been slower to develop, although NGOs are improving their fundraising techniques and developing new mechanisms to attract individual donations. Hungary reports that the 2nd Hungarian Fundraising Conference attracted great attention and that participants reported a wide range of sophisticated fundraising techniques. In both the Czech Republic and Slovakia, NGOs are using SMS messages as an innovative means of attracting donations from individuals.

Advocacy remains one of the strongest dimensions of NGO sustainability for Northern Tier NGOs. Throughout the region, NGOs have developed strong relationships with government counterparts and participate on various advisory boards, committees, and councils. In Estonia, each ministry has appointed one official to engage with the public in decision making and supervise the implementation of the Code of Good Practice on Involvement. In addition, the government has created a portal which allows civil society groups and individuals to post comments on draft laws. In Latvia, NGOs have monitored all ministry projects since 2001 and an NGO representative participates in all State Secretary meetings and then disseminates relevant information about government actions to approximately 200 NGOs. In contrast, while advocacy remains strong, Polish NGOs report a decline in the importance of advocacy initiatives and strained relations with the public administration. Hungary also reports a decline in advocacy capacity and effectiveness during 2007.

The sustainability of the infrastructure supporting the NGO sector changed little this year, although its structure, including the types of organizations providing services and the types of services provided, has transformed significantly over the past several years, largely due to decreases in foreign funding. In the Czech Republic, while ISOs still exist, regional administration offices are now organizing more training, as well as creating useful databases. In Estonia, regional development centers created under Enterprise Estonia, a government agency, offer free consulting and trainings at reasonable prices. Lithuania reports that its information and support centers are weakening. With less demand from NGOs, these centers are now primarily focused on helping local governments disseminate information and raise public awareness on various issues. Slovenia has no institution focused on capacity building of NGOs. In response to the changing nature and structure of ISOs, various web portals, sites and electronic mailing lists are emerging throughout the Northern Tier to disseminate relevant information.

While NGOs enjoy greater public support in the Northern Tier than elsewhere in the region, occasional scandals still hurt public image. In Hungary, the sector's non-partisan image was tainted by a scandal involving a network of NGOs spending money on political objectives rather than youth activities, while in Lithuania, NGOs still battle their image as fronts for money laundering. In Latvia, a group of NGOs exposed corruption in the media; media then retaliated against NGOs and their donors with a negative media campaign, resulting in a worsened public image in 2007.

SOUTHERN TIER



On average, the NGO sectors operating in the Southern Tier improved their sustainability during the year. Only Kosovo showed a decline in sustainability, caused by the ongoing stalemate during the year related to the province's final status. Kosovar NGOs found themselves unable to engage the government on other issues, and essentially engaged in self-censorship during the year.

With the exception of Serbia, all the countries in the Southern Tier have put in place fairly progressive basic legal frameworks for NGO operations over the past 15 years, making the legal framework one of the strongest aspects of sustainability in this region. In 2007, Bosnia, Croatia and Macedonia all improved their legal frameworks slightly with the passage or implementation of new laws and strategies on cooperation. Meanwhile, Kosovo and Montenegro reported slightly worse conditions.

Government harassment is no longer a serious concern for NGOs operating in most of these countries, although human rights activists in Serbia and Montenegro are still slandered on occasion, and there are fears in other countries that government audits and tax inspections can be used for political reasons against outspoken critics. Registration is generally not a problem either. However, NGOs in some countries still face bureaucratic obstacles caused primarily by the inefficiency of registration officials, rather than deficiencies in the legal framework itself.

Streamlining and harmonizing tax legislation, particularly fiscal incentives for philanthropy, continues to be an issue in many countries. In Croatia and Macedonia, for example, NGO sectors are still pushing for public benefit status to be introduced or consistently defined. There is also a need in many countries in the region to educate potential individual and corporate donors about existing incentives for donations, as well as the procedures for claiming these incentives. Interestingly, in Bulgaria, although tax exemptions

that NGOs have enjoyed were reduced this year, NGOs benefited from the overall reduction of corporate taxes, which gave rise to more corporate donations than previous tax incentives.

Few major changes were noted in the overall organizational capacity of NGO sectors in the region, with only three countries reporting positive developments. In Romania and Bulgaria, EU accession seems to have provided the impetus for NGOs to increase their capacity by developing their constituencies, increasing transparency, and engaging in strategic planning. In Montenegro, a few well-developed NGOs continue to build local support and see the value in strategic planning.

Overall, the number of strong organizations in the region is growing, due to increased focus on areas such as strategic planning and governance. More NGOs are committed to following their missions and strategic plans and developing relationships with their constituencies, although too often NGOs in Macedonia, Montenegro and Serbia remain more focused on the priorities of their donors. Southern Tier NGOs generally employ few full-time staff, instead opting to hire short-term staff or consultants to assist with specific projects.

The development of volunteerism continues to be a hot issue in the Southern Tier countries, and remains tied to the legal framework. As discussed in the article by Catherine Shea and Katerina Hadzi-Miceva in this Index, Laws on Volunteerism have been adopted in Croatia and Macedonia, while Bosnia and Serbia are working on drafts. Croatia and Macedonia are optimistic that their newly passed laws will spur the development of volunteerism, while countries lacking such laws, such as Montenegro, indicate that legal impediments prevent volunteerism from growing.

Financial viability continues to be the lowest rated dimension in the Southern Tier, although a majority of countries reported modest progress during the year. Again, EU accession seems to have had a positive impact in Bulgaria and Romania. NGOs in Albania, Croatia, Kosovo, Montenegro and Serbia have also made some small strides in diversifying their funding sources and improving their financial sustainability.

Despite decreases in the level of foreign funding available to NGOs in most Balkan countries, foreign donors remain the dominant source of support in the region. However, NGOs now recognize that foreign funding will not be available forever, and are therefore focused on cultivating local sources. Government funding seems to be developing the fastest. Governments provided $44 million of support to Bosnian NGOs and over $50 million in Croatia. Corporate funding is also growing rapidly, and talk of corporate social responsibility (CSR) has penetrated all corners of the region. Croatia is a leader in this field, with at least 10 companies managing annual grants programs. NGOs recognize the need to tap individuals as well, but have had limited success in this area, due to weak cultures of philanthropy and fundraising practices. Some NGOs also report that fundraising campaigns focused at individuals are less appealing because they are much more labor intensive and expensive. One exception is Romania, the only country in the Southern Tier with a percentage law. The number of contributors and donations made through this option increased nearly five-fold over the past year. A new source of financing emerged in Bulgaria when banks began lending to NGOs. While this expanded NGOs' financing opportunities, it also gave rise to a new phenomenon for the NGO sector – indebtedness.

Next to legal environment, advocacy is the area in which Southern Tier NGOs feel the most confidence. Croatia, Montenegro and Romania all saw their sectors' advocacy capacity increase during the year, while only Kosovo reported a decline in advocacy as a result of the ongoing status stalemate. The list of issues on which NGOs in the region have advocated effectively this year includes environment, youth policy, NGO legislation, labor law, domestic violence and consumer protection, to name just a few.

For the most part, NGOs report good relationships with governments and regular participation in various committees and boards. However, in Bulgaria, NGOs fear that the government is losing interest in cooperation now that the country has joined the EU, and in Macedonia, NGOs have the sense that they are

only included in policy discussions to meet EU requirements. An increasing number of NGO sectors in the region also benefit from formal strategies of cooperation with the government, as well as dedicated offices or councils for NGO cooperation, including those in Croatia, Macedonia, Bosnia and Montenegro.

NGO infrastructures in the region remain relatively strong, and Croatia, Kosovo, Montenegro, Romania and Serbia all report moderate improvements over the year. That said, the decrease in foreign funding has had an impact on the infrastructure supporting NGOs. As support programs ended in Bulgaria and Romania with their accession to the EU last year, intermediary support organizations in these countries have been forced to become more specialized or have ceased to exist altogether. NGOs in Serbia are suffering from a lack of funding for training. While trainers exist and a demand for training exists, those most needing such assistance are the least able to afford it.

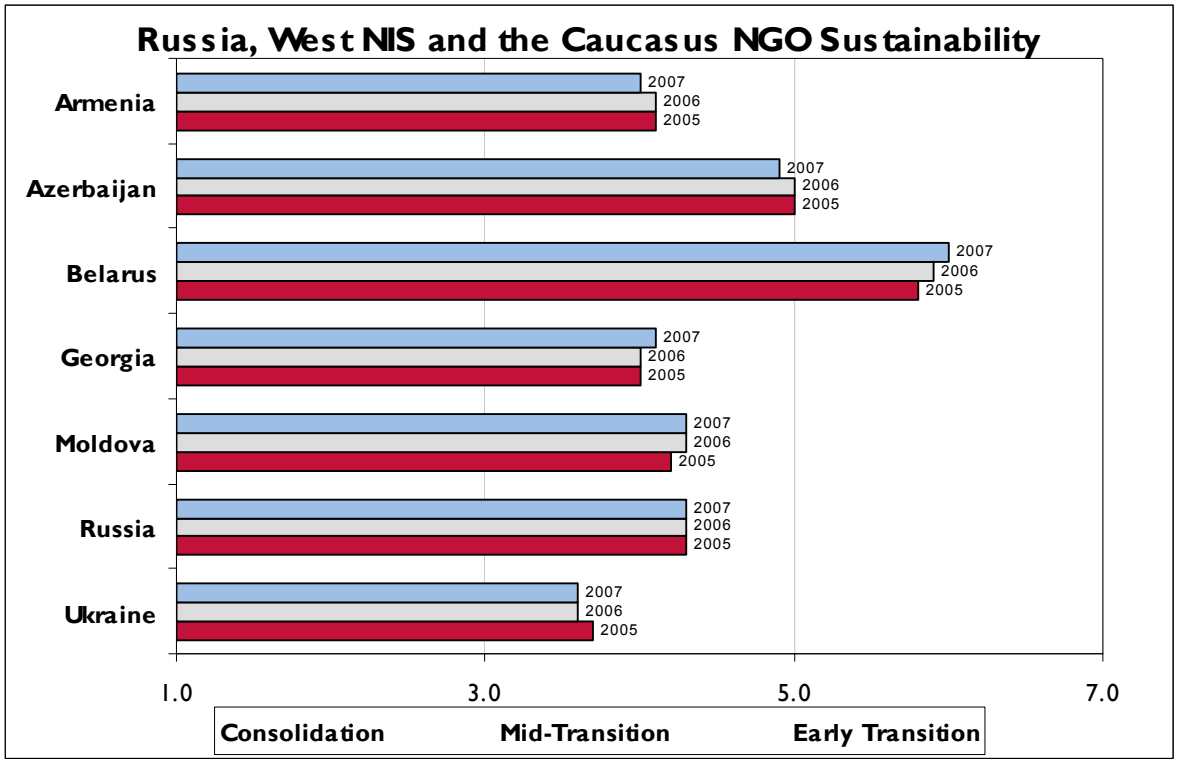
The public image of the sector varies dramatically among the Southern Tier countries. While Bulgarian and Croatian NGOs rank their public image in the Consolidation stage, Serbian NGOs are still battling the image of being donor-driven foreign mercenaries and are closer to Early Transition in this dimension. Public opinion polls reflect these varying levels of public trust and confidence within the region. In Croatia, nearly three-quarters of citizens have generally positive attitudes towards NGOs, while NGOs in Macedonia and Montenegro have only gained the trust of approximately 40 percent of the population. Low public trust in the sector does not mean that individual NGOs or NGO leaders are not well-known and respected: an NGO leader in Montenegro was found to be the most popular and influential figure in the country by a public opinion poll, outranking various high-profile political figures, including the Prime Minister.

EURASIA

NGO sustainability among the countries of Eurasia is mixed, with almost equal numbers of countries reporting progress, deterioration, and no change during the year. Belarus, Georgia and Tajikistan experienced worsening conditions, while Armenia, Azerbaijan, Kazakhstan and Turkmenistan reported slight improvements in their sustainability. Improvements in overall sustainability by Kazakhstan and Turkmenistan reverse the negative trend in Central Asia over the past few years, which have only seen deterioration or stagnation.

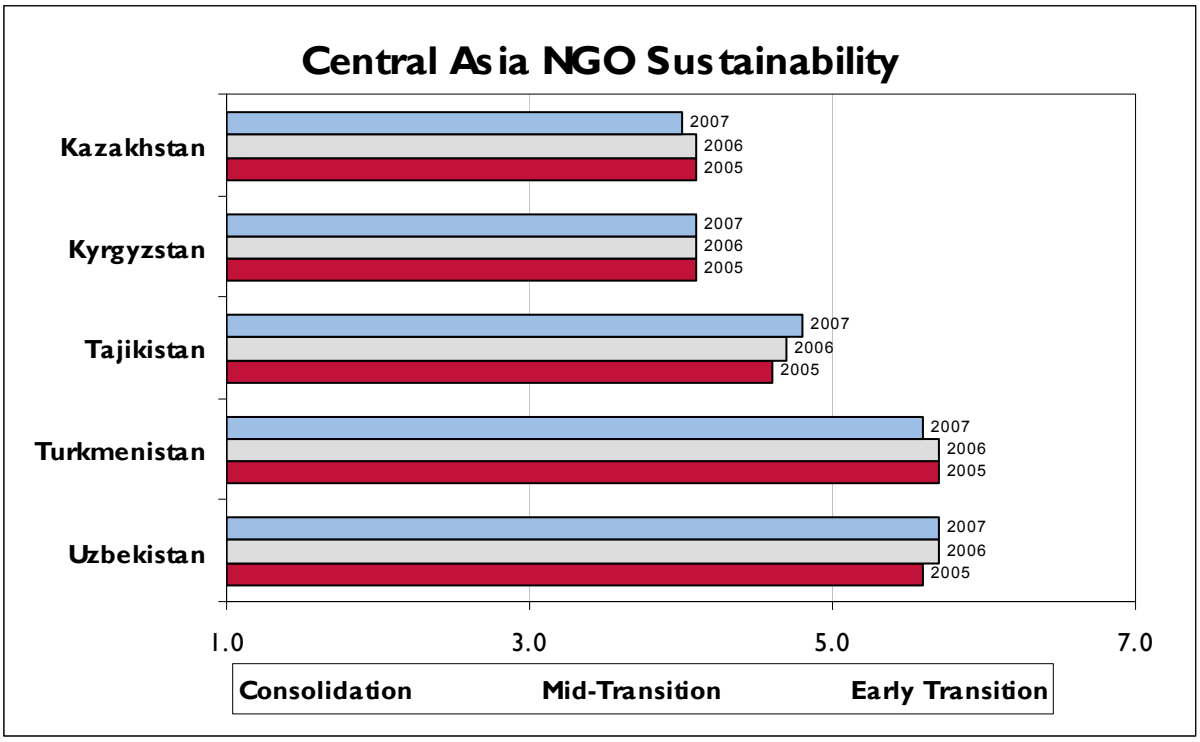
While NGOs in Central and Eastern Europe consider laws governing NGO activities to be one of the most developed aspects of sustainability, the legal environment in Eurasia is one of the weakest dimensions. While legal environments in Azerbaijan, Georgia, Kazakhstan and Turkmenistan improved, those in Moldova, Kyrgyzstan and Russia deteriorated. In Belarus, the legal environment continues to be rated 7, the lowest possible score.

As opposed to Central and Eastern Europe, where the basic legislative framework is fairly stable, laws governing NGOs in Eurasia continue to be a work in progress. A new Law on Public Associations was adopted in Tajikistan, which introduced some positive changes, but also included provisions for a problematic re-registration that greatly decreased the number of legal organizations. In Azerbaijan, local NGOs worked with Parliamentary Commissions to draft a package of laws governing associations, foundations, community-based organizations, volunteers and charity, as well as amendments to several existing laws. All are on Parliament's agenda for 2008. Two laws – on nonprofit organizations and public benefit organizations – are pending before the Moldovan parliament, and a coalition of NGOs in Ukraine is working with the Ministry of Justice on a new draft Law on Associations. As local NGOs were involved in the drafting of all of these laws, they are expected to address deficiencies in current legislation and improve the legislative framework.



Also in contrast to the Northern and Southern Tier, registration of NGOs remains difficult throughout Eurasia because of burdensome bureaucratic procedures and expense, as well as government hostility. Only Georgia and Ukraine indicated that registration procedures improved this year. Despite these improvements, Ukraine, in addition to Russia, reports that it is still easier and cheaper to register a business than an NGO. Despite the opening in Turkmenistan's political climate, no new NGOs have been registered in the country since 2005. No new organizations are known to have registered in Uzbekistan this year either; on the contrary, deregistration continues at a brisk pace. International NGOs working in Uzbekistan also face registration difficulties: at least three were forced to close this year. Registration in Belarus is virtually impossible for those not openly loyal to the state. In Tajikistan, a new Law on Public Associations required all NGOs to re-register. When the period for re-registering was over, the number of NGOs had decreased dramatically – from over 3,000 to just over 1,000.

In addition to registration, governments in the region also use other tools to limit or monitor NGO activities. Russian NGOs must register their technical assistance programs with the government to receive tax-exempt treatment, a process which is often filibustered and is particularly difficult for programs supported by foreign governments. Grants must also be registered in Turkmenistan, a process which was delayed, seemingly indefinitely, throughout 2007. Also in Turkmenistan, many NGO activities are subject to licensing requirements and donors are requested not to distribute money, but rather to provide grants in the form of commodities. Uzbek NGOs receiving funding transfers through the banking system require permission from a governmental committee to access their funds, a process that can take several months. In Belarus, NGO operations are hindered by KGB inquiries, rent increases, termination of rental contracts and numerous unannounced inspections.



Modest progress was reported in terms of organizational capacity development in Armenia, Azerbaijan and Turkmenistan, while Belarusian NGOs grew even weaker. Eurasian NGOs continue to be more influenced by donor priorities than their constituencies, missions or strategic plans, and have limited membership bases. There is increased interest in volunteerism in the region, but NGOs have been slow at tapping this potential resource. The lack of a legal framework for volunteerism continues to act as a barrier to increasing the use of volunteers in Azerbaijan and Moldova, although draft laws aim to address this. NGOs throughout the region have increasing access to computer equipment and the Internet, although access to licensed software is a problem in some countries, including Belarus and Moldova.

Keeping with the trend in the region overall, financial viability remains the weakest aspect of NGO sustainability in Eurasia. Only Kazakhstan, Russia and Ukraine rate themselves in the Mid-Transition phase; the rest place themselves firmly in Early Transition. Four countries – Armenia, Kazakhstan, Russia and Ukraine – report some progress in terms of financial viability during the year, while conditions in Belarus and Georgia worsened. Foreign donors remain the primary source of funding in the majority of countries in the region, although as foreign funding diminishes, NGOs are making greater efforts to cultivate local support and new funding mechanisms are emerging. In Azerbaijan, a Presidential Decree created a State Fund for NGOs with an initial budget in 2008 of $1.8 million. Corporate philanthropy is slowly developing in some countries. In Kazakhstan, large companies provide funding comparable to that from foreign donors, and support has diversified from basic charity to support for community, regional and national development. However, in other countries, corporate philanthropy, if it exists at all, is provided directly to the beneficiaries, bypassing NGOs. Weak economic conditions hamper the development of a culture of philanthropy in many countries, and NGOs still have weak fundraising capacities. Government contracting, primarily for social services, is developing in the region, but remains limited.

Advocacy capacity remains fairly limited in Eurasia, although Armenia, Azerbaijan, Kazakhstan, Moldova and Ukraine all report some improvement. Only Ukraine places itself in the Consolidation phase for Advocacy, while four countries – Belarus, Tajikistan, Turkmenistan and Uzbekistan – remain in Early

Transition. Ironically, in Azerbaijan, the government's attitude towards NGOs improved, in part because NGOs are increasingly apathetic to politics. Tajikistan and Georgia reported declines in advocacy effectiveness during the year. In Tajikistan, NGOs note that advocacy "barely exists" as society does not understand the meaning of public interest and the government perceives all advocacy activities as being connected with the opposition. Georgian NGOs continue to be unable to establish productive working relationships with the government, and the government's perception of the importance of NGOs continued to diminish. While limited, Eurasian NGOs have engaged in advocacy activities on a variety of issues this year, including corruption, elections, education, and small business development. Advocacy on human rights issues remains heavily restricted.

Eurasian NGOs participate in mechanisms for public advocacy – including boards, councils and committees. Even in Belarus, NGOs are represented in government bodies dealing with less political issues, including the environment, social services, corporate social responsibility, and HIV/AIDS. However, these mechanisms are not always effective. In Russia, public councils have been created at a regional level, but are generally loaded with government-friendly NGOs, which has decreased the independence of these bodies. The Cabinet of Ministers in Moldova initiated a legal mechanism outlining cooperation with civil society and individual ministries have created mechanisms as well; nevertheless, cooperation remains low.

The infrastructure supporting NGOs in Eurasia is also mixed. Armenia and Azerbaijan report improvements in infrastructure, including the creation of new regional support centers and the development of grantmaking capacity. Meanwhile, Belarus, Georgia, Kazakhstan and Tajikistan all experienced declines, as a result of both decreases in donor funding and government policy. In Belarus, most resource centers have been de-registered by the state, while in Georgia, NGOs in the region suffer from a lack of access to ISOs. Kazakhstan's support centers are experiencing a funding crisis, while Tajikistan's network of resource centers is barely surviving. Russia also reports that programs are being refocused or ceasing to exist as a result of decreased donor funding.

The public image of NGO sectors in Eurasia is generally low, although four countries – Armenia, Kazakhstan, Turkmenistan and Ukraine – note modest improvements during the year. A public opinion poll conducted in Georgia shows that only 43 percent of the population is familiar with the sector; in Uzbekistan, this figure is only 23.8 percent. In Tajikistan, even elites do not have a clear picture of NGOs, equating them with the humanitarian assistance provided by the UN in the aftermath of the civil war. Moldovan NGOs are seen as grant consumers by the population, and Russians remain skeptical of the sector. In Belarus, Georgia and Kyrgyzstan, many perceive NGOs to be interconnected with politics, which has tarnished their image. Central Asian NGOs, in particular, face difficulties generating media coverage, while their counterparts in the Caucasus and Ukraine have seen an improvement in their access to the media. Russia media content is tightly controlled by the government, and contains little objective information about NGOs.

Transparency is not yet a goal for most NGOs in Eurasia. In countries with repressive environments, transparency comes with risks. In other countries, the importance of transparency is increasingly understood, but rarely acted on. That said, codes of ethics and conduct are being developed in some countries. Over 140 NGOs in Ukraine signed a code of ethics this year as a result of regional outreach. Armenian NGOs are in the process of developing a code, and in Moldova, several organizations have committed themselves to the Code of Ethics developed by the World Association of NGOs. Central Asian NGOs are not yet focused on the development of codes of ethics.

CONCLUSION

NGOs in the three sub-regions covered by the NGO Sustainability Index continue to operate under dramatically different conditions, with few signs of this gap decreasing. NGOs in the Northern Tier have reached fairly high levels of sustainability in all dimensions. Southern Tier NGOs are slowly improving their sustainability, and have reached especially high levels of development in their legal environment and advocacy, while financial viability lags behind. Meanwhile, Eurasian NGOs continue to struggle with both formal and informal limits on almost all aspects of their operations. Donor support, both moral and financial, will be required in these countries for the foreseeable future if this situation is to improve.

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 non-governmental 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 non-monetary 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 policy makers? Have NGOs formed issue-based coalitions and conducted broad-based advocacy campaigns? Have these campaigns been effective at the local and/or national level at 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 general 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 general 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 or 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 non-existent, 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, non-governmental 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 inter-sectoral 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 inter-sectoral 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, email 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 general public and/or government are uninformed or suspicious of NGOs as institutions. Most of the population does not understand the concept of “non-governmental” 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

LAW ON VOLUNTEERS AND VOLUNTEERING IN CENTRAL AND EASTERN EUROPE AND EURASIA

– CATHERINE SHEA AND KATERINA HADZI-MICEVA[1]

INTRODUCTION

Volunteering is considered a key component of NGO sustainability. As one study has noted,

> *A dependable workforce of volunteers ensures the long-term sustainability of civil society groups. The level of skill and commitment in the voluntary sector can boost the maturation of the civil society sector that has been stifled in many countries during eras of dictatorship. Volunteers' contributions can make these organizations more professional and efficient. . . . A virtuous circle can be created whereas civil society growth contributes to increased volunteer activity and vice versa.*[2]

The NGO Sustainability Index has recognized the importance of volunteerism in promoting sustainability of NGO sectors since its inception; both the organizational capacity and financial viability dimensions of the Index include specific components assessing the ability of NGOs to recruit and engage volunteers. As is the case with many aspects of the Index, this year's reports reflect a divide among the countries of the Northern Tier of Central and Eastern Europe ("CEE"), the Southern Tier, and Eurasia with respect to the sophistication of NGO efforts to engage volunteers in their activities. While some countries report that there is need for improvement in, e.g., NGOs' ability to manage their volunteers, nonetheless, NGO sectors in the Northern Tier have for some years had infrastructure in place to encourage the participation of volunteers in NGO work. In these countries NGOs have come to rely substantially on volunteers; according to the Johns Hopkins Center for Civil Society Studies, volunteers constitute 35.5 percent of the civil society workforce in the Czech Republic, 29.7 percent in Slovakia, 20.8 percent in Poland, and 18 percent in Hungary.[3] NGOs in the Southern Tier countries report varying levels of progress with respect to their ability to engage volunteers; Bulgaria and Croatia, respectively, report increasingly successful work with volunteers and the use of volunteer centers to promote volunteerism, while Bosnia, Montenegro, and Serbia report weaknesses in the ability of NGOs to use volunteers. In Eurasia, many countries report that NGOs are stymied in recruiting volunteers by their financial instability, limited number or quality of volunteers, or government intervention, among other factors.

As the reports make clear, the ability of NGOs to engage volunteers as a means of improving their organizational capacities and financial viability is affected by a number of factors, including the state of

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[2] Taryn Nelson, A Comparative Look at National Volunteerism Legislation, (Inter-American Development Bank 2005), p.3.

[3] Lester M. Salamon, S. Wojciech Sokolowski, and Regina List, Global Civil Society: An Overview, John Hopkins Comparative Nonprofit Sector Project (2003), http://www.jhu.edu/~ccss/publications/pdf/globalciv.pdf, 15.

the economy, the labor market, cultural attitudes towards volunteering, government support or interference, and the ability of NGOs to use volunteers effectively. One factor affecting NGO success in using volunteers that has received increased attention in recent years is the extent to which a country's laws encourage or hinder volunteerism. A country's laws – those governing NGOs, as well as those governing employment, taxes, liability, and visas – can have a profound effect on the ability and willingness of individuals to volunteer, as well as on the ability of NGOs to recruit and manage volunteers. In many cases the laws in CEE and Eurasia have posed obstacles that make volunteering less attractive, thus limiting the pool of qualified and willing volunteers available to NGOs, or have inhibited NGOs from accepting volunteers. To address this issue, a number of countries in the region have moved to enact "Laws on Volunteers" that specifically define who is a volunteer and outline a volunteer's rights and responsibilities, as well as address a number of other issues critical to providing an enabling environment for volunteerism.

This year's Sustainability Index reports reflect at least nine new laws, draft laws, and drafting initiatives to improve the legal environment for volunteerism in the region.[4] This paper will explore recent initiatives to establish laws governing volunteers in CEE and Eurasia, examine the legal issues that have historically created obstacles to volunteering in the region, report on both new and existing "Laws on Volunteers," and analyze key issues that arise in the development of these laws.

LEGAL OBSTACLES TO VOLUNTEERISM

The flurry of initiatives to improve the legal environment for volunteering reflected in the 2007 Sustainability Index reports follows a trend, particularly evident in CEE since approximately 2001, in which countries enact laws specifically designed to recognize volunteers and provide for their rights and obligations. This trend tracks global and regional efforts to recognize volunteers, and the legal framework that supports their activities. For example, the *Resolution Adopted by the General Assembly of the UN: 56/38* recommends that states create:

> *"[e]nabling fiscal, legislative and other frameworks, including for community-based organizations and not-for-profit organizations engaged in volunteering [though the following means:]*
>
> *(i) Introduce enabling legislation. The goal is to encourage or inspire citizens to volunteer but allow the choice to rest with the individual or organization; it can also facilitate employee volunteering. It can provide tax incentives and subsidies for organizations, as well as coverage and protection against risks, in a way fitting the particular society. .."*[5]

Similarly, the Council of Europe's General Assembly in a 2001 recommendation asks the Committee of Ministers to call on member states to seek to "*identify and eliminate, in their laws and practice, any obstacles which directly or indirectly prevent people from engaging in voluntary action, and to reduce tax pressure which penalizes voluntary action*" and "*give voluntary workers legal status and adequate social protection, while respecting their independence, and removing financial obstacles to volunteering.*"[6]

However, the increased interest in the laws governing volunteers and volunteerism in the region also reflects the historical reality that in many countries in CEE and Eurasia, the laws pose obstacles to

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[4] See the reports for Azerbaijan, Armenia, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Serbia, Slovakia, and Ukraine.
[5] http://www.unv.org/fileadmin/docdb/pdf/2007/N0147881.pdf, 4.
[6] Council of Europe Recommendation No. R (94)4 of the Committee of Ministers of Member States on the Promotion of Voluntary Service (1994).

volunteering. A number of countries have begun to recognize that their laws are not conducive to volunteering, and, among other issues, have identified the following:

- *Definition.* The **absence of a legal definition of "volunteer"** may result in the treatment of volunteers as paid employees. Consequently, any payment may be considered "compensation" and NGOs may be treated as running afoul of the labor law and the requirements to pay minimum wage. For example, in Latvia, CSOs were not able to reimburse volunteers' expenses, as that would have required signing a labor contract, which in turn would have subjected the volunteers to employment laws and minimum wage rules.[7] In Croatia and Macedonia, state inspectorates could, prior to this year, temporarily prohibit work if employment was not commenced in compliance with the law (e.g., the parties did not sign an employment agreement).
- *Rights and benefits*. In a related problem, unemployed persons who are treated as employees on account of their volunteer service may **lose the unemployment and health benefits** to which they are entitled under national law. In the Czech Republic, labor officers have eliminated unemployment benefits to unemployed individuals acting as volunteers, because these efforts have been deemed illegal work, although the volunteers receive no payments or in-kind benefits.[8] During the drafting of the law on volunteering, a Croatian ministry opined that if unemployed individuals want to volunteer, then the unemployment benefits should be suspended for the time of their volunteer engagement.[9]
- *Taxation.* **Taxation of reimbursement** of reasonable expenses incurred in the course of volunteering poses serious obstacles to recruiting and mobilizing volunteers. For example, in Estonia, if a CSO wishes to cover the volunteer's costs, it must do so through a labor contract or some civil contract, and all payments are subject to taxation.[10] In Macedonia prior to recent reforms, as well as Montenegro, reimbursement of expenses to volunteers was taxed; only reimbursement to employees was exempted. Treatment of **voluntary labor as taxable** can also hinder volunteering; this year's report from Latvia suggests that some government authorities have sought under the Labor Law to tax voluntary work.
- *Liability*. Volunteers and CSOs may not be aware of **liability rules** that apply if a volunteer harms a third party or was harmed during the course of service.
- *International volunteering:* **Visa and other immigration rules** may limit foreigners from volunteering in another country and thus discourage cross-country volunteering.

LAWS ON VOLUNTEERISM

To address these issues, beginning in 2001, countries in the region, and particularly in the Northern Tier of CEE, began to develop laws and regulations to remove legal impediments to volunteering. Typically, these laws have included a number of common elements, including

- the definition of a volunteer,
- the definition of what types of organizations qualify as hosts (sometimes referred to as an organizer or beneficiary) under the law,
- what types of volunteerism are subject to regulation, and
- the apportionment of rights and responsibilities between the volunteer and host.

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[7] Raymond Stephens, "Latvian Volunteerism: In Search of a Favorable Environment," SEAL, Autumn 2001.
[8] Vojtech Tutr, "A draft Law for Czech Volunteers," SEAL, Autumn 2001.
[9] Katerina Hadzi-Miceva, Comparative Analysis of European Legal Systems and Practices Regarding Volunteering, International Journal for Not-for-Profit Law, Vol. 9, Iss. 3 (2007).
[10] Association of Voluntary Service Organizations and European Volunteer Centre, "Country Report on the Legal Status of Volunteers in Estonia" (2005), http://www.avso.org/activities/countryreports/Estonia.pdf.

In some cases, these issues were addressed in new "Laws on Volunteers," specifically designed to address a range of legal issues related to volunteers and volunteerism. In others, provisions related to volunteers were included in laws on associations and foundations or on public benefit status.

The drafters of these initial laws faced a number of novel questions, and few models existed that would help in resolving them. At the outset, it was necessary to determine to what extent to regulate, given that volunteerism can take many forms. While there was a clear need to remove legal impediments to volunteerism, by introducing administrative barriers, regulation of ad hoc or short term volunteer initiatives could have the unintended consequences of discouraging volunteers and their hosts. Another significant issue concerned how to define volunteers as opposed to employees. As discussed above, existing laws that treated volunteers as employees for purposes of the labor laws in some cases essentially outlawed volunteerism. However, there was some danger that by removing volunteers from the scope of the labor laws, unscrupulous employers would treat legitimate employees as volunteers to avoid legal obligations such as the minimum wage, social insurance payments, and mandatory leave requirements and other benefits. On a related point, while it was important to ensure that volunteers were not subject to the labor laws for purposes of, e.g., the minimum wage, drafters of early volunteerism laws sought to preserve some workplace rights and protections for volunteers during their service – e.g., a safe working environment.

There has been little study of the impact of these laws to date, and it is therefore difficult to say with certainty how effective they have been in removing obstacles to volunteering. On one hand, these laws contain provisions that appear to remove obvious barriers to volunteerism, e.g., defining volunteer in such a way as to ensure that volunteers are not treated as employees under the labor codes. On the other, some of the laws include provisions that could be seen as erecting new barriers to volunteerism. Laws that extend rights and protections only where volunteers serve with hosts engaged in a limited set of public benefit activities may discourage volunteers from serving with other types of NGOs, however worthy. Requirements that volunteer contracts be concluded for all volunteers may discourage short term volunteers. Those laws that require maintenance of a volunteer registry create administrative burdens that may cause hosts to be unwilling to accept volunteers.

EARLY LAWS GOVERNING VOLUNTEERISM

Six laws affecting volunteers were enacted between 2001 and 2005 -- a synopsis of their provisions follows.

ROMANIA

The first regional initiative was Romania's Law on Volunteerism (2001 and amendments of 2002), which was intended to promote volunteering by Romanian citizens and foreigners. Under this initial law, both public and private registered nonprofit entities were able to serve as hosts. The law also encouraged the participation of youth in international volunteer programs. Volunteer activities were required to be performed under a written contract, burdening short term or ad hoc volunteering. The contract was required to include provisions that address the rights of the volunteer, including among others:

- the volunteer's right to participate in determining the program of volunteer activities,
- provision of casualty, health, and other risk insurance,
- reimbursement of costs relating to volunteering, and
- working hours that do not adversely affect the health and mental and physical well-being of the volunteer.

The contract also was required to state the volunteer's obligation to perform the tasks required by the host, to keep confidential the host's information, to participate in lectures organized by the host, and to

protect assets used during volunteer service. The Romanian government is considering amendments to this law which are anticipated before the end of 2008.

LITHUANIA

Lithuania in 2002 adopted the Regulation on the Organization of Volunteers. The regulation required any volunteer who worked for two consecutive days or on an event that takes more than one week to fill out information in a register, which includes his or her name, birth date, volunteer activity, the beginning and end dates of such activity, and "other information needed for the organizer" of the volunteer activities. The regulation allows for a contract on volunteering at the request of either the volunteer or the organizer, and requires the organizer to give instructions to any volunteer about the work process and any safety and health issues. A separate regulation addresses reimbursement of a volunteer's expenses, and states the types of expenses for which volunteers are entitled to compensation.

The Regulation on Volunteerism was repealed in 2007. According to this year's Sustainability Report from Lithuania, NGOs initially reacted to the repeal with concern that volunteering would once again become illegal. Once it became clear that the government had repealed the law because it believed the law outdated and unnecessary, and NGOs had received assurance that volunteering would not be prohibited or restricted, the sectors' anxiety was lessened.

CZECH REPUBLIC

The Volunteer Services Act (2002) defines only some forms of voluntary activity and specifies the conditions under which the Czech State will support them. The law envisions a distinct system, and only those volunteers who work within it can receive direct government support and protection. Under this law, the state accredits certain organizations (called "delegating organizations"), on the basis of which the organizations can select and train volunteers in certain areas, sign contracts with them, and assign them to "receiving organizations." State authorities, organizational units of the State, and authorities and administrative bodies of territorial self-governing units may use volunteer services within the purposes stipulated in the Act, in which case they will have the status of receiving organizations. Thousands of volunteers who work in different organizations or outside the framework of such organized activities are not recognized or protected by the law.

LATVIA

Volunteering in Latvia is regulated under the Law on Associations and Foundations (2003). Article 8 establishes the right of associations and foundations to engage volunteers in order to achieve their statutory objectives, defines volunteering, and prescribes general rules regarding contracts, liability, and reimbursement of expenses. For example, the law allows a volunteer to request compensation for expenses incurred during volunteer work, provided that the host organization's governing documents or board resolutions so provide. The law also establishes liability by host organizations to volunteers injured during the course of their service if the host was either at fault or took on such liability.

POLAND

The Law on Public Benefit Activity and Volunteerism (2003) regulates volunteering for non-profit entities, non-governmental organizations, associations of units of local government, public administration bodies, and other legal entities subject to this law. The law also applies to those Polish volunteers who perform services for international organizations. The law creates an obligation on the part of the host to provide "safe and hygienic" conditions for volunteer service, including any "relevant medical examination, means of personal protection and training in the issues of safety and hygiene." The law also requires that the host cover travel expenses and per diems imposed upon the volunteer in the course of service, and gives volunteers the right to healthcare benefits under the country's insurance law. Further, the law obliges the organization to provide accident insurance to a volunteer who provides services for a period of not more than thirty days.

HUNGARY

The Law on Public Interest Volunteer Activities (2005) also takes a relatively narrow regulatory approach. The law regulates the provision of "public interest voluntary activities" under the umbrella of certain types of legal entities or "host organizations," such as public benefit organizations, governmental institutions, and public or private service providers in the social, health, educational, cultural, and minority fields. The law explicitly states that it leaves intact volunteering in other types of organizations or fields of activities. However, this also implies that the extensive benefits and protections conferred through this law do not extend to other types of volunteering. Because over half of registered CSOs do not have public benefit status, this law does not cover the majority of CSOs and their volunteers. In addition, the law requires those organizations that work with volunteers to register with the competent Ministry; and it outlines a detailed and bureaucratic procedure of registration as well as conditions under which registration might be refused. An organization must keep a registry of all volunteers, and maintain the data for five years after the volunteer relationship ends. These requirements seem to place unduly high administrative burdens on volunteering. The Hungarian law is perhaps unique in regulating the volunteering relationship in such detail.

NEW LAWS

As reflected in the 2007 Sustainability Index reports, nine countries have reported in the past year on initiatives to reform the laws governing volunteerism. These laws, draft laws, and drafting initiatives have a number of similarities to the early laws on volunteering. They have built on the earlier initiatives, to some degree regulating in greater detail the allocation of rights and obligations between the host and volunteer. Below we consider the two laws – from Croatia and Macedonia – that were enacted in the past year, as well as one of the draft laws that was considered and is expected to be adopted soon, from Azerbaijan.

CROATIA

Croatia's new Law on Volunteerism regulates "organized or formal volunteering based on a volunteering contract" between a volunteer and a host. The Law recognizes as volunteer hosts NGOs registered under the Law on Associations, the Law on Foundations, the labor law, other types of non-profit legal entities, as well as the Republic of Croatia and local and regional government bodies. The law explicitly prohibits exploitation of volunteering, and specifies that volunteering must not replace work carried out by employees. It prohibits use of volunteers in order to gain or increase profits. The law also prohibits uninterrupted volunteering lasting more than 40 hours per week for a period of six months.

The Law accords volunteers the rights, among others, to a volunteering certificate, adequate training, expert assistance and support during the volunteer work, reimbursement of agreed expenses, safe working conditions, familiarity with any dangers associated with the work, and protective equipment needed for particular work.

A volunteer is obliged to carry out his or her work consistent with the instructions of the host, to maintain the confidentiality of the host's information, and to refuse any volunteer work that is not in accordance with the law. Volunteers also have an obligation to warn the host if carrying out an instruction that may cause damage to the volunteer, host, or any beneficiary of the work, and cannot be held liable for any resulting damage if such warning was provided.

The Law includes two features not commonly found in other volunteer laws. The Law establishes a National Board for Development of Volunteering, an advisory body, to promote volunteering. The Board is charged with suggesting means to improve the position of volunteers in society and recommending regulations governing volunteers, among other activities. The Law also contemplates a Code of Ethics for Volunteering, which is to be adopted by the Board. The Code is intended to regulate the conduct of volunteers, hosts, and beneficiaries.

MACEDONIA

Macedonia's new Law on Volunteering, enacted in July 2007, allows natural persons to serve as volunteers. The law recognizes as hosts only associations and foundations, religious communities or groups, public institutions, and state entities. The law provides that the organizer should determine the need to engage volunteers, the types of services, and the manner and procedures for providing the services in a program for volunteering. The law provides explicitly that it is illegal for a host to conclude a volunteering contract in order to evade entering into an employment contract.

The law provides in detail for the rights and protections of volunteers. Among these are the rights to:

- a written description of the work to be performed;
- be trained if needed in order to provide the requested services;
- protection and privacy of personal information;
- daily rest;
- leave of absence if justified; and
- compensation for agreed upon expenses related to the volunteer service, including a food allowance, transport expenses, expenses for official travel, and training (these expenses must be paid in the same amount as the host pays its employees.)

Foreign volunteers are in addition entitled to expenses for their stays, health insurance and travel expenses for their return trips. Host organizations must also provide conditions for volunteer work that are in accordance with the law and with any contract for the volunteer service, provide material and assets for the volunteer work, and provide workplace accident insurance, if so agreed. The host must also issue to the volunteer a volunteer booklet that contains information about the volunteering activity.

Volunteers also have obligations, including the obligation to inform the host of illnesses or other obstacles to providing service, to provide the services agreed to, to participate in training, to keep the host's information confidential, and to inform the host of any harmful consequences that he or she knows about and that may damage the host, volunteer, or third parties.

The Law exempts from the personal income tax expenses related to volunteering. It provides that by entering into a volunteer contract, an unemployed volunteer does not lose the rights associated with unemployed status.

DRAFT LAWS

AZERBAIJAN

In Azerbaijan, the Milli Majlis (Parliament of Azerbaijan) included on its work plan for the 2008 spring session a draft Law on Volunteers, and it appears likely that the law will be adopted during this session. It has been reported that this is the first time that the parliament has included in its agenda legislation expressly supported by NGOs. The law was designed to address multiple problems currently faced by volunteers and NGOs that host them, from prohibition of unpaid labor to possible harassment from tax and labor department inspectors.

The draft that was submitted to the Parliament,[11] much like the Croatian and Macedonian laws, defines basic concepts such as volunteer and host, explains the types of activities to which the law applies, and outlines the rights and obligations of hosts and volunteers. It allows both Azerbaijan's citizen and foreigners to volunteer. Hosts are those non-commercial organizations that carry out certain public benefit activities, which include assistance to invalids, the indigent, the elderly, refugees, and displaced persons;

[11] The current draft including the revisions made by the Parliament is not yet publicly available.

assistance to youth; cultural preservation; protection of the environment; and advocacy for human rights and freedoms, the rule of law, and peace and tolerance. The law includes detailed provisions allocating the rights and responsibilities of volunteers and hosts.

Notably, the draft provides for tax benefits, as yet unspecified, for the expenses involved in organizing volunteer activities. The law mandates social insurance for volunteers to be calculated based on a conditional salary determined by the organizer. In addition, for those voluntary activities requiring additional indemnification, volunteers are to receive unspecified privileges under the labor law. The state undertakes to compensate damages to health or death cause by industrial harm or professional disease.

LESSONS LEARNED

Initiatives in the CEE and Eurasia regions to enact laws that promote volunteerism, and to remove legal obstacles to volunteering, have yielded a number of lessons that can inform future reform efforts in the region and elsewhere. Below we identify the key issues raised by the laws on volunteers and drafts discussed above.

DEFINITION OF A VOLUNTEER

All of the laws and draft laws discussed above define the term "volunteer." For the most part, these laws reflect a growing consensus on how the term should be defined. The new Macedonian law is illustrative. It defines a "volunteer" as a

- A natural person
- Who provides services, skills, or knowledge
- For the benefit of other people, bodies, organizations and other institutions
- On a voluntary basis
- Without financial or other personal gain.

Similarly, in Croatia, volunteering is considered to be "a voluntary investment of personal time, effort, knowledge and skill by which services or activities for the benefit of another person or the common good are performed . . ." without compensation or gain.

Several issues with respect to the definition of "volunteer" are worth noting. First, international experts agree that "it is of paramount importance that a framework-law on volunteerism provide the most comprehensive and flexible definitions possible for volunteers and voluntary activity."[12] Second, definitions of volunteer generally refer to the element of voluntariness or free choice. This element distinguishes volunteering from other types of service that are provided for the public good without compensation. Generally, apprenticeship and alternative military service should not be considered volunteering, even though the service is uncompensated. The Czech law, for example, stipulates that the performance of military service or alternative civil service is not volunteering as defined by the law. Third, volunteering is considered a donation of time and effort, and volunteer services should therefore be performed without compensation. The Hungarian law provides that any financial gain by the volunteer or a close relative as a result of the volunteering will be considered remuneration. The new Croatian law states that a volunteer may not require in return for services rendered any "assets, pecuniary payment or gain" from either the host or beneficiary of the service.

One issue frequently raised in these laws is whether minors can be volunteers. Most commonly, countries prescribe age limits to volunteer engagements. These requirements are of course intended to protect

[12] Inter-Parliamentary Union, International Federation of Red Cross and Red Crescent Societies, and UN Volunteers, "Volunteerism and Legislation: A Guidance Note."

young volunteers, but by the same token need to be flexible enough to allow young people to enjoy the benefits of volunteering. The laws discussed above have addressed this issue in different ways. According to the Czech law, a volunteer can be a natural person over 15 if volunteer services are performed on the territory of the Czech Republic, or over 18 if the services are performed abroad. The new law in Macedonia allows minors to volunteer only with the consent of their parents or guardians. The new law in Croatia regulates this issue extensively, establishing additional rules and protections for "minor volunteers" between 15 and 18 years of age, requiring written consent by a parent or guardian for such volunteers, and prohibiting them from volunteering abroad or long-term. The law permits volunteering by minors under age 15 only for the purpose of "upbringing and education" where such volunteering contributes to the minor's development and socialization and is organized by an educational or social welfare institution.

In Hungary the law addresses volunteering not only by minors but also by people with limited legal capacity. Thus, a person with limited legal capacity and a minor above 10 years of age can perform volunteer activities, subject to the following additional protections:

"(1) A person under 18 years of age, or an adult with limited legal capacity may pursue public interest volunteer activities that correspond to his/her age, physical, mental and moral development and abilities, and do not constitute a risk to his/her health, development and performance of school attendance obligations.

"(2) A volunteer under 16 years of age, or an adult volunteer with limited legal capacity may not pursue public interest volunteer activities abroad.

"(3) A volunteer under 18 years of age may not pursue public interest volunteer activities between 8 pm and 6 am."

DEFINITION OF HOST

The laws have taken different approaches to the definition of "host" organization. Unlike some other countries, (e.g., the United States, where it would not be unusual for a person to volunteer for a private hospital), the laws from the region do not recognize as hosts private businesses – they uniformly require a host to be some type of nonprofit or government entity. In some countries, all public and private not-for-profit entities are considered hosts, and therefore have obligations towards volunteers under the law (e.g., Romania.) In others, a more limited class of organizations are considered hosts, for example, public benefit organizations (those that carry out activities for the public benefit and as a result are entitled to tax and other government benefits) (e.g., Hungary), or organizations accredited by the state (e.g., Czech Republic).

VOLUNTEERS VS. EMPLOYEEES

Some of the region's laws have also sought explicitly to distinguish volunteering from employment. For example, the Romanian law stipulates that the volunteer activities are "other than labor relationships and the relationship arising between employer and remunerated employees." It further prohibits volunteering contracts designed to avoid a labor agreement, and treats and such contracts as void. Macedonia's new law explicitly prohibits a host from entering into a volunteering contract in order to avoid concluding an employment contract.

In Croatia, drafters considered the issue of how to find an appropriate balance between promotion of volunteering and protecting the rights of workers. In a preamble to an earlier draft of the law, the drafters explained that they had decided not to allow natural persons and businesses to be hosts covered by the law's provisions. The drafters believed that "the probability that these provisions [of the Labour Law]

will be misused gets higher with legal persons which have profit-making as their primary goal." The law ultimately enacted in addition explicitly prohibits exploitation of volunteering, and specifies that volunteering must not replace work carried out by employees. Perhaps more controversially, the law also prohibits uninterrupted volunteering lasting more than 40 hours per week for a period of six months. On one hand, this provision could be seen as a means of ensuring that employers do not evade their obligations under the labor laws by engaging a worker for full-time work absent the labor law's protections. On the other, the provision restricts a person who wishes to be a full-time volunteer from doing so.

The Guide to the Macedonian Law on Volunteering explains that "having in mind that one of the aims of the Law was to promote volunteerism as an activity useful for the society, the results of which are beneficial for the broader community, the following principles were respected while defining the organizer of the volunteering activity: the principle of non-profitability i.e. not distributing profit and the public interest. . . . the Law also stipulates tax benefits for part of the expenditures related to volunteering, which are usually introduced as a support to the activities that are not generating profit and are of public interest. It was considered that volunteering . . . should not contribute towards the increase of the profit and the benefits of the business entities, getting some kind of value without investing any effort i.e. getting paid. Volunteering should be an activity of interest for the citizens and the state; it should contribute towards the increase of the quality of live with active participation of the people in the social life. Those are the reasons why the Law restricts the possibility for volunteering in businesses that conduct business activities and generate profit and benefit."

Guide for Application of the Macedonian Law on Volunteering, by Mirjanka Aleksevska, published by European Center for Not-for-Profit Law, 2008 (www.ecnl.org)

CONTRACTS

The region's laws take three distinct approaches to the issue of a "volunteer contract" establishing the rights and responsibilities of host and volunteer. In some countries, a written contract is mandatory. In a variation on this approach, contracts may be mandatory for certain types of volunteering arrangements; in Macedonia, a volunteer who works more than 40 hours per month, or is a foreigner, is required to have a written volunteering contract.

In the Czech Republic, volunteer services by definition are rendered pursuant to a contract between a volunteer and host, and this contract must be written in cases of long-term service or service abroad. Similarly, in Croatia, the law regulates only those volunteering arrangements subject to a contract. While it does not bar volunteering without a contract, such arrangements are not subject to the law.

In other countries, (e.g., Latvia) the laws permit volunteer contracts to be instituted at the option of one of the parties.

In terms of what must be included in the volunteering contract, the laws have taken different approaches. Hungarian law for example, provides that a contract should include: the nature and place of the activity, the length of time assigned for the work, the rest and allowances provided to the volunteer, and the results of terminating the contract. According to the Polish law, volunteer services are performed in the scope, range, and time specified in an agreement, which should also contain a provision for its dissolution. Upon the request of a volunteer, the host is obliged to provide a written contract and issue written confirmation about the volunteer's services.

RIGHTS AND OBLIGATIONS

The region's volunteering laws have sought either to define the rights and obligations created by the volunteering relationship, or require that such rights and obligations be regulated by agreement. Indeed, the most recent laws and drafts reviewed here, from Croatia, Macedonia, and Azerbaijan, regulate this issue in great detail.

The most common rights and protections for volunteers include the rights to:

- disclosure of key terms of the volunteer arrangements, such as rights, obligations, and known dangers (e.g. Azerbaijan draft, Macedonia),
- receive reimbursement of certain expenses, such as travel expenses or a food allowance, or those that have been agreed to by the parties, associated with volunteer service (e.g., Azerbaijan draft, Croatia, Latvia, Poland, Romania),
- be trained where necessary (e.g., Croatia, Macedonia),
- expert assistance or support in the work (e.g., Croatia),
- work in a safe environment (e.g., Azerbaijan draft, Croatia, Hungary, Poland, Macedonia),
- retain unemployment benefits (e.g., Macedonia),
- receive other social benefits, in order to create incentives for volunteering or to incorporate volunteers in the state-funded social security systems (see, e.g., Poland (health care benefits)),
- provision of indemnification or insurance for workplace related diseases or injuries (e.g., Azerbaijan draft, Macedonia, Poland, Romania)
- provision of medical examinations where necessary to carry out the volunteer service (e.g., Azerbaijan draft, Poland),
- protection of private information (e.g., Macedonia), and
- leaves of absence, daily breaks, etc. (e.g., Hungary, Macedonia).

In addition to rights, volunteers have certain obligations. This is especially relevant in the cases of formal, long-term volunteer relationships, as it helps ensure the provision of the services with due diligence. Generally, laws need not explicitly regulate all duties and obligations of volunteering and can leave the particulars to be regulated in the volunteer contract. Depending on the specific type of volunteering, laws may enumerate minimum obligations or provide a general framework. Examples of volunteer obligations provided for in the region's law include the obligations to:

- perform their activities in person and obey relevant legal rules, professional and ethical requirements, and the instructions of the host organization (e.g., Croatia, Hungary, Macedonia, Romania),
- comply with rules for workplace safety and security (e.g., Azerbaijan draft),
- observe the host's internal policies (e.g., Azerbaijan draft),
- provide to the host requested information about the volunteer's service (e.g., Azerbaijan draft),
- inform the host of any harmful conditions that could cause damage to the host, volunteer, or third parties (e.g., Croatia, Macedonia)
- protect any personal data, trade secrets, or other confidential information acquired during service (e.g., Croatia, Hungary, Macedonia, Romania),
- participate in the lectures or trainings organized, initiated, or proposed by the organization (e.g., Macedonia, Romania),
- protect the assets of the hosts that they use during service (e.g., Romania), and
- inform the host of illnesses or other conditions that prevent the volunteer from giving service (e.g., Macedonia).

LIABILITY

The issue of liability is also important, because the legal framework can protect not only third parties from intentional or unintentional damage but also volunteers from damages or injuries they may cause or sustain. Generally, liability in instances of volunteering should fall under the scope of the civil law

(contracts, torts) liability. As a matter of good practice, the organizations should include volunteers under their insurance liability policies and possibly cover any forms of negligence committed by volunteers.[13]

The Hungarian law contains detailed provisions regarding liability. Specifically, volunteers must tell the organization if the activity they were instructed to perform might cause damage. Volunteers who provide such notification are not liable for resultant damages. Host organizations are required to secure liability insurance to compensate for damages that occur while providing services, and they may use a volunteer only if the liability insurance also covers damages caused by the volunteer. Host organizations are liable for damages to a third party, however, if the damage was caused by the "imputable conduct of the volunteer"; the organization may in turn demand damages from the volunteer unless otherwise stipulated in the volunteer contract and is not obliged to pay compensation. Host organizations can be exempt from liability only if they can prove that the damage resulted from an unavoidable outside event or exclusively from the unavoidable conduct of the volunteer. Finally, volunteers' close relatives may seek compensation for damages due to a volunteer's death.

In Romania, liability issues arising from volunteer relationship are subject to the Civil Code. In Latvia, an association or foundation is liable for harm caused during volunteering if the harm is the organization's fault or if the organization has assumed such responsibility. The Czech law obliges the delegating organization to insure against material damage or medical harm suffered by the volunteer, whether caused by the volunteer or by a third party. Further, the volunteer is responsible only for intentionally caused harm. In Macedonia, volunteers who purposely or negligently cause damage to the host during service are liable to compensate the host under the country's Law on Obligatory Relations; volunteers can also be held liable for the harm they cause to third parties. Hosts in turn are liable for damages to volunteers.

INTERNATIONAL VOLUNTEERING

National legal frameworks should aim to foster volunteering by their own citizens abroad as well as expand the legal protection to foreign volunteers serving in their countries. In fact, international agreements have been adopted to promote this type of cross-national volunteering, recognizing its value in promoting solidarity and collaboration and contributing to the education of young people.[14]

The laws from the region generally specify that both citizens and foreigners may serve as volunteers. Generally, reimbursement of the costs related to volunteering abroad (travel, accommodation, daily allowance) should not be taxable in the country of origin or in the host country.[15] Under the Hungarian law, for example, per diem paid to Hungarians volunteering abroad, or to foreigners volunteering in Hungary, is not considered remuneration, provided that the allowance does not exceed 20 percent of the prevailing mandatory minimum wage.

Several of the region's laws address the ability of foreign volunteers to obtain entry to the country and reside there during the term of volunteering. For example, a foreigner can volunteer in Macedonia if the Ministry of Labor and Social Politics grants its consent. The host must inform the Ministry that the foreigner's volunteer service has commenced within 60 days of the Ministry's consent.

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[13] See Legal Issues Affecting Volunteers and Volunteering in Europe, Warsaw, Poland January 23-26, 2002; and Inter-Parliamentary Union, International Federation of Red Cross and Red Crescent Societies, and UN Volunteers, "Volunteerism and Legislation: A Guidance Note."

[14] See, for example, the Council of Europe, Recommendation of the Committee of Ministers of Member States on the Promotion of Voluntary Service (1994).

[15] Legal Issues Affecting Volunteers and Volunteering in Europe, Warsaw, Poland January 23-26, 2002.

CONCLUSION

The countries of the CEE and Eurasia region have made significant progress in reforming their legal environments for volunteering, revising or enacting laws to promote volunteerism, protect volunteers, and remove legal impediments to volunteer service. Among other things, these laws have undertaken one of more of the following goals:

- Distinguished volunteering from other types of legally recognized or regulated relationships;
- Clarified that volunteer services should be performed without compensation, as volunteering is understood as a donation of time and effort;
- Entitled volunteers to reimbursement of certain expenses, with such reimbursements exempt from taxation;
- Stated the rights and duties of volunteers;
- Sought to protect volunteers while they are performing voluntary activity;
- Guaranteed that volunteering will not affect the volunteer's right to unemployment benefits;
- Introduced rules to protect host, volunteers, and third parties against any damage incurred due to volunteering; and
- Enabled international volunteering.

In order to ensure that the legislative initiatives address real needs of the volunteer community, governments should make certain that all stakeholders are properly consulted and their comments are regarded in the formulation of laws on volunteering. These consultations should take into consideration clear policies and goals for regulating volunteering, as well as local traditions of volunteering. Otherwise, laws might discourage spontaneous initiatives, burden small organizations, and have a deterrent effect on the general culture of volunteering by giving advantages to one form of volunteering over others. As the examples discussed above show, progressive laws governing volunteers can be a key tool in cultivating and facilitating both formal and informal volunteer initiatives that can contribute to the achievement of social and humanitarian goals.

GONGO TRENDS AND TRANSFORMATIONS

– KRISTIE EVENSON

EXECUTIVE SUMMARY

The rise of Government Organized Non-governmental Organizations (GONGOs) across parts of Central and Southeast Europe and Eurasia has fundamentally altered the civil society landscape, challenging both domestic actors and donors alike in their quests to build up and assist in the development of an independent civil society.

The bright, T-shirt-clad *Nashi ("Ours")* youth group in Russia that mimics independent civic action groups is perhaps the most recognizable example of such organizations. Nevertheless, this type of government-organized organization represents only a small fraction of the emerging set of organizations that exhibit GONGO-type attributes, the majority of which have lower profiles and more complex sets of relations with state authorities.

Particularly in most of the former communist countries of Eurasia, where civil society is still struggling to gain operating space, credibility and sustainability, the rise of the GONGO has had significant effects. Such organizations appear to represent both an attempt to "develop" civil society and to "manage" it; their impact is likely to be harmful to genuine civil society development and hopes of further democratization.

In the more democratic countries of Central and Southeast Europe, the impact of GONGOs is more subtle and is balanced by a wide field of diverse civil society organizations. The policy and service delivery arenas are generally sufficiently strong to allow NGOs to hold their own against GONGOs. Even with diverse civil societies, however, financial sustainability remains a significant challenge for NGOs in many countries of Central and Southeast Europe, and GONGOs might possibly reduce the funds available for NGOs. Perhaps even more critical is that many government funding mechanisms do not yet have all of the accompanying governance structures in place or perform in a way that guarantees a transparent disbursement process; as a result, public confidence in a fair and transparent decision-making process has suffered and fostered the perception – at least – of government favoritism towards government-friendly or government-sponsored institutions.

Efforts to better understand the role of the GONGO and its different manifestations will be necessary for international and domestic actors alike as they attempt to develop further their civil societies as part of greater efforts towards democratization. A few of these trends are examined below.

CONTEXT

The Growing Importance of Civil Society

The growth of GONGOs reflects the increasing importance of civil society, both in how it is able to shape debate and advocate and how governments understand its role in promoting a democratic image. For over a decade and a half, civil society organizations with various degrees of success have engaged, badgered, and worked with their governments in efforts to take on the many political, economic, and social challenges of transition. Some of these efforts have produced genuine partnerships, or at least the respect of the public and government officials. In European Union member and aspiring member countries, a vibrant civil society is now seen as a vital component for proving democratic credentials. Similarly, despite their growing authoritarian tendencies, many Eurasia governments had given at least official sanction to the growth of the third sector.

However, with the so-called Rose and Orange revolutions in the former Soviet states of Georgia and Ukraine, the political stakes for neighboring governing elites appeared to change. While NGOs are recognized as a necessary component for gaining or maintaining Western legitimacy, many of the Eurasia governments have come to see civil society organizations as a growing threat. Consequently, many Eurasia governments pay civil society lip service; some even put in place funding and networking mechanisms. However, in reality, these civil society structures have been designed with an eye towards control rather than collegiality; more and more, GONGOs have emerged as a key component of these managed civil society strategies.

Facets of a GONGO (or What is a GONGO?)

The term GONGO itself is a simplification for a range of approaches by governments. A quick look at the countries of the region shows that government influence on civil society is represented through a number of types of engagement. From overt manufacturing of pseudo civil society groups to merely obstructing the function of others to soft financing of government-friendly groups through national foundations or service provision, the field of options is diverse and growing.

GONGOs are not necessarily negative. For example, many of the academic and community-based organizations that were previously associated with state institutions of the former Soviet system or of the countries in Central and Southeast Europe have remained partially affiliated with their governments. These groups have arguably helped to ease the transition shocks and have provided needed skills to government officials and society. This legacy has created a number of organizations in many of the countries which straddle the civil society-government divide either as GONGOs or government-affiliated institutions.

While organizations that receive all of their funding from the state are often considered to be GONGOs, receiving some level of government funding is not necessarily indicative of GONGO status. As part of larger-scale efforts at democratic reforms, many of the states of Central and Southeast Europe have developed domestic mechanisms for civil society financing through national foundations, individual tax provisions and even lottery systems, making government funding of the sector an important part of an organization's diversified funding strategy. Such systems are being put in place in a number of Eurasia countries as well, but with less clear intentions and results.

Who is a GONGO?

Determining the number of GONGOs in a country can be challenging and is often sensitive, particularly when the overall number of NGOs may not be known. In most countries of the former communist world, data on NGO growth is treated with some level of skepticism. The number of registered NGOs is often not representative of actual NGO activity in the country since many are either one-person shows or are inactive.

Classification of what constitutes an NGO also varies between countries. Domestic legislation in many countries still blurs the distinction between NGO and other public institutions, foundations, or government-affiliated organizations. Even in some of the EU countries of Central Europe, legal confusion over what is a non-profit organization (as in the Czech Republic) or the differences between an NGO, quasi-NGO and publicly funded institutions (as in Lithuania) prevents a completely clear picture of the sector's diversity or a more accurate assessment of who is a GONGO within the sector.

In countries where the legislation and traditions are less set, the environment for NGOs has fewer safeguards and is dependent upon government intent. As governments have become more sophisticated in their mimicking of non-governmental organizations, discerning the difference between government organized, government supported, or merely government tolerated and recognized has become more difficult.

Some clues to the actual composition and breadth of the civil society sectors in these countries can be found in assessing the overall health of the sector. Countries with more restrictive legal environments for NGOs and places where financing diversity is minimal also tend to have the most blurred boundaries between government and civic sectors and the most interest in managing these relationships. Management of real NGOs is usually accomplished through complicated administrative and/or punitive procedures that both restrict NGO activities and block or make funding opportunities more difficult. NGOs that have received international funds have become particularly susceptible to onerous tax inspections or even outright government suspicion of their activities.

At the same time, governments have taken on a new set of activities themselves to develop GONGOs. Support for government-organized networks of NGOs, organizations created and funded by specific ministries, and government-friendly corporations making corporate contributions have all served to make the number of GONGOs in such countries a substantial portion of overall civil society organizations. Some estimates put GONGOs in Uzbekistan, for example, at roughly 20 percent of the total number of active organizations (105 of 505 organizations surveyed by the Eurasia Foundation).

Putting together a rough typology of basic types of GONGO organizations and their attributes is one step towards capturing the complexity of the GONGO issue. The set of categories below should be not seen as exhaustive, rather illustrative of the main types of GONGOs present in the greater region.

KEY TYPES OF GONGOS

Frontline GONGOs: Youth Groups for Neutralizing 'Colored Revolutions'

The clearest example of GONGOs corresponds to organizations specifically created to carry out government policies or to lessen civil society momentum in obtaining specific objectives. The rise of well-financed youth groups like *Nashi* in Russia represents one face of GONGOs today. With pre-election jitters in 2007, Russia has led the way in condemning election-related education or youth groups, seeing such groups as direct transplantations of similar initiatives from Ukraine and Georgia. *Nashi*-organized actions quelled the ability of opposition candidates and/or alternative civil society organizations to get their message out publicly numerous times. Similar organizations such as the Belarusian Republican Youth Union or *Belaya Rus (*White Russia) in Belarus, which have been active for a few years, attempted to mimic and counter civic initiatives leading up to and following the 2006 elections. Such organizations target and organize youth to support current state policies and sometimes to serve explicitly as a "rent a crowd" to obstruct other organizations' abilities to engage in public demonstrations. In Central Asia, leaders have used tactics such as creating frontline GONGOs or simply restricting youth organizations as they have approached elections in the past years to safeguard themselves from a fear of mass public protest.

The sleek marketing, logos and hype around such organizations, however, are not the only tools of the trade. Combined with unlimited government access to media, these tools create a momentum that is difficult to counteract by organizations that have neither such resources nor access to public space.

Gaining access to public space, for example, in Belarus, has become increasingly difficult as the Lukashenka government has augmented its list of suspect NGO-related activities while also expanding its own set of student and youth organizations. The court ordered the closure of 26 NGOs during 2007 in Belarus; those closures, combined with the further estimated dissolution of 46 NGOs, are telling of the overall climate for organizations that are considered to be in opposition to the government. Creative methods of raising public awareness via new technology such as mobile phone text messaging or internet sites and blogs have kept a number of these independent organizations going, but their government counterparts have also begun utilizing new technology, blurring the distinctions and messages of the genuine civil society groups.

As elections have come and gone in both Russia and Belarus, the need for rival organizations appears to have diminished; however, government efforts to harness youth energy into other forums have not dissipated. The appointment of the founder of *Nashi* as the head of the government's youth committee, for example, suggests that the youth factor will continue to be a strategic area of government management of the civil society sector.

GONGOS AS INSURANCE AGAINST A COLOR REVOLUTION

Lack of sovereignty has not stopped separatist regions of Eurasia from mimicking other Eurasia governments' strategies for the management of civil society.

For example, in Transnistria, the government set up the youth organization Proryv (Breakthrough) several years ago to hedge its bets against falling victim to its own colored revolution. Not only did Proryv receive government support through, amongst other things, the organizing of a summer political leadership school, but it benefitted from the cross-border transfers of experience of Nashi trainers and strategies in Russia.

Human Rights GONGOs

Civic activism and reporting in the area of human rights concerns have continued to be seen as a political 'hot potato' in many Eurasia countries. The closure of many human rights-related domestic and international NGOs in such countries as Uzbekistan and Azerbaijan has become a common practice in the past few years. Accordingly, the establishment of groups that focus on human rights issues, but in a way that soft peddles criticism of the government, continues to be a government management strategy.

In Azerbaijan, for example, a number of human rights organizations are well known for their cooperation with the government and also their efforts to diffuse harsh criticism of the government's human rights record. Similarly, a select few government-sanctioned human rights groups in Uzbekistan serve as counterparts acceptable to the government as opposed to organizations critical of past and current government actions. The bulk of genuine human rights organizations are not registered and increasingly find government officials ignoring or constricting their efforts at human rights work. In such environments, engagement of human rights organizations with their governments is often not possible, and if cooperation occurs, suspicion of collusion further blurs the line between government-friendly or organized and independent human rights organizations.

Issue-Specific GONGOs

GONGOs have not only been formed to deal with apparent politically-motivated organizations. As the societies and governments of Russia and many Central Asian states have become increasingly less democratic, political sensitivities have expanded, depending on the domestic context. For example, in Russia, previously "apolitical" work on issues such as HIV/AIDS or immigration have more recently drawn unwanted government attention, particularly if partially foreign funded. As a result, legitimate groups involved in these areas are finding their arena of maneuvering and funding restricted even while newly created government-backed organizations emerge to take on the tasks and receive the government funding. Generally speaking, migration and similarly-focused NGOs throughout Eurasia are feeling this crackdown.

Organizations focused on socio-economic and cultural issues are also feeling more pressure. In Uzbekistan, as the country continues its downward spiral in basic human development, organizations that raise issues related to gender or social and educational issues and that are primary recipients of foreign funds have increasingly found themselves grouped with the human rights groups and often at the same time replaced by substitutes acceptable to the government; estimates from a survey undertaken by the Eurasia Foundation suggests that over half of such organizations were closed in 2007.

Civil society organizations dealing with issues of religion, particularly political Islam, are also increasingly finding their activities hampered. Even if the organization is primarily focusing on

humanitarian or socio-economic issues, government tolerance for such religiously-based organizations in places like Azerbaijan, Uzbekistan, Russia and even Kazakhstan and Kyrgyzstan has lessened. While some of the organizations likely have received foreign funding and guidance targeted towards political rather than civil society goals, government heavy-handedness has labeled most such groups as potential internal enemies. As with other sensitive issues, these governments have either supported or created acceptable substitutes, effectively diluting or forcing underground such organizations.

Policy Institute GONGOs

Management of the issues extends beyond the civic activism or hands-on projects common to most NGOs. As think tank and policy institute roles in the democratic development of a country have received more attention, a number of Eurasia country governments have increasingly sought to extend or tighten oversight of such expert groups. Most of these groups have already been partly connected to government or academic bodies, but have enjoyed some level of independence; however, increasing government crackdowns on legitimate policy groups and further self-editing by the others has reduced the number of such institutes significantly across Central Asia. When Freedom House Europe compiled the 2006 think tank directory of policy-related institutes functioning in the Eurasia region, for example, no institutes from Uzbekistan responded except the governmental Center for Economic Research.

The situation in Central and Southeast Europe is much less dramatic. However, policy institutes still face a balancing act of engaging with the government, but not being part of the government. Most often the think tanks and policy groups have some affiliation with a political party, if not formally aligned. Very few in the policy community in Hungary, for example, can claim to be politically unaligned. Those in power tend to fund particularly those institutes close to the party and take policy advice primarily from such institutes' experts. Admittedly, this type of think tank or policy institute development is similar to those in many of the consolidated democracies of Western Europe, but in countries where experts are scarce and massive legislation related to EU requirements needs to be passed quickly, such politicization can be extremely harmful to the reform process. The exception to this trend is Bulgaria. In a country that has managed to develop a significant number of high quality institutions, most mainstream think tanks, such as the Center for the Study of Democracy, the Centre for Liberal Strategies, and the Institute for Market Economies, have managed to retain their independence while serving as key sources of policy expertise to their governments. Funding of such organizations is often diverse, but generally includes both government as well as EU funds partly funneled through government institutions. Governments have come and gone in Bulgaria, but most such institutions have managed to maintain their close, yet separate identities.

Service Delivery GONGOs

The use of NGOs for service delivery is seen as a critical component of softening the socio-economic transition for populations of cash-strapped governments. NGOs have increasingly taken on primarily humanitarian related tasks that governments either do not have the capacity to perform or have made a decision to outsource due to the cost-efficiency of NGOs.

The selection of preferred service providers to carry out these tasks is, in itself, not problematic and can, in fact, greatly enhance NGO sustainability. For example, the social partnership between a provider such as Mission Armenia and the Armenian government has resulted in a line item in the state budget for the organization. However, a trend of selecting newly government-supported or created service providers over established civil society organizations often results in a reduction in quality for price and/or re-inventing government type bureaucracies while depriving legitimate groups of both the ability to serve and obtain financial support for their work. Illustrative of this trend is the case of Azerbaijan where most government contracts for service provision appear to go to GONGOs or commercial entities. Similarly, in

Kazakhstan the government creations of quasi-NGOs or GONGOs receive the bulk of service provision contracts from the steadily growing pot of state funds for civil society.

The temptation for creation of such organizations is particularly strong when substantial international funds are primarily channeled through government organizations. Critically, more and more international funds in both the Europe and Eurasia regions are coming through EU and EU country funding mechanisms, which generally target government rather than non-governmental institutions. Increasing concerns over some governments' intentions has led to the shifting of some of these funds directly back to civil society in places like Belarus. However, for countries that have displayed less overt hostility to civil society, this trend appears to be continuing. As a consequence, creation of such organizations can be a booming business. In Tajikistan, for example, the Judicial Consortium estimates that almost 1,000 NGOs have been created by the government or have informal access to the government to take advantage of the international funds meant for civil society.

Even if NGOs are able to take part in the process, unclear accreditation and licensing procedures, as well as decision-making criteria, often blur the transparency of the system and lead to concerns about overall fairness of the system. It is unclear, for example, how NGOs in Ukraine managed to receive over $2 million in public procurements in 2007. Ukraine's current public procurement laws generally make it difficult for NGOs to access such funds; consequently, the fact that NGOs managed to win these contracts could be illustrative of their competitiveness. Nevertheless, the lack of a specific service provision allocation to the NGO sector and unclear standards or criteria for subsequent NGO selection do little to improve confidence in the transparency of either the government or the sector in this spending of public money.

Part of the challenge in countries like Ukraine or those in Southeast Europe is to put in place adequate mechanisms to transparently carry out public procurement processes or granting service provision in partnership with selected NGOs. Most countries of Southeast Europe have in place freedom of information legislation which helps to encourage good governance in such service contracts. But even in Croatia, where the legislation is arguably amongst the most advanced in former Yugoslavia, government familiarity with citizens' rights in relation to receiving public information on public procurement processes or service contracts is still not consistent, suggesting that more needs to be done to improve the oversight of service provision decision-making. EU countries of Central Europe also have quite developed systems for working with NGOs as service delivery providers, but regardless, most still cite transparency concerns as an obstacle to greater cooperation and further financial diversification for their NGOs.

FOSTERING A GONGO ENVIRONMENT

Administrative and Legal Obstacles to NGO Independence

Creating and implementing a civil society-friendly legal and administrative environment has been a mark of democratic development for many countries of the former communist world. Conversely, establishing some level of civil society legal framework that is vague and has very few safeguards against government encroachment has been a growing indicator of countries becoming less democratic and less conducive to the growth of independent in civil society.

The re-registering of NGOs process, for example, is a popular game of civil society management in many of the Eurasia countries where GONGOs tend to benefit. The processes are often long, costly, and confusing. As a consequence, for one reason or another, organizations find themselves in a legal limbo, many choosing to close up shop rather than risk official closure or further sanction.

Arguably, the re-registration process can serve to weed out the real NGOs from inactive one-man shows or business fronts, yet such administration actions taken in places like Tajikistan or Uzbekistan serve more to frighten the population away from civil society organizational opportunities rather than to allow the real civil society organizations to continue their activities. Over 70 percent of previously registered organizations in southern Tajikistan, for example, did not manage to re-register their organizations during the 2007 process. However, if the number of NGOs dips too low, the Tajik government apparently has measures to stimulate the creation of primarily (pro) government NGOs in order to satisfy international requirements.

ARE NGOS HITTING THE JACKPOT?

One trend in increasing government financing of NGOs focuses on persuading governments to give a portion of state lottery funds to civil society. In Montenegro, these efforts may soon bear fruit, with NGOs able to obtain up to 60 percent of lottery funds. The recent tightening of legislation to disqualify business entities from holding tax exempt NGO status and the amendment to the lottery law that specifically defines NGOs (and not public institutions) as the benefactors should improve the odds that legitimate NGOs will receive lottery proceeds. Nevertheless, in spite of these legal refinements, few institutional mechanisms point to a transparent disbursement process that will target true NGOs.

Despite attempts at legislation to improve transparency, local and national level government offices continue to be criticized for primarily funding "favorite," or government friendly, organizations with little if any established criteria. A much anticipated Parliament Grants Commission that would standardize the NGO funding process has been on hold for two years even while tax administration harassment of NGOs that pursue sensitive cases against the government or officials continues. Montenegro, as the second newest country in Europe, still has some way to go before its NGOs feel the financial benefits of its European Union reforms.

Generally speaking, basic civil society legal frameworks or their shells are in place, with greater or lesser problems, throughout the Central and Southeast Europe and the Eurasia region, but specific gaps in the laws, newly added laws, or their interpretation have resulted in new opportunities for government management of the sector. Notably, specific laws for financial or oversight and control of the sector appear to be on the rise again. Whether it is an issue of VAT or other taxes or the ability to do income generating, legal confusion – intended or not – is resulting in more power shifting back to government structures. The situation in Slovakia is illustrative of the fragility of a framework that was previously considered quite strong. Civil society served as a key factor in achieving a democratic change in government in 1998. Since then, civil society has played a leading role in assisting the government to take on its many reform challenges and make EU Accession in 2004. However, with a new government that came to power in 2006 that is less interested in or trusting of the NGO community, laws like the *Law on the Financing of Terrorism* could be applied in a way that exercises restrictive financial control over NGOs if the government so chooses.

FUNDING

National Foundations and one and two percent tax assignation laws

Strategic planning and financial sustainability are two key challenges for most civil organizations in the CEE Eurasia region. Government funding of NGOs is seen as a key component of NGO financial sustainability, particularly as many international donors have left the countries of the region. Accordingly, the shift to more European based and domestic sources of funding has focused much attention on the establishment of national foundations and one or two percent tax assignation laws which allow direct funding of civil society organizations by the government and the population.

In the most democratically developed countries, the basic structures for this type of funding have been in place for several years, and generally speaking, the impact has been positive. Organizations gain access to

a greater variety of funds while often also raising their domestic profile. Optimism over such funding mechanisms should be tempered, however, by acknowledgment of the challenges that remain.

Decision-making transparency is one of the most cited concerns. Legislation governing the National Civil Fund in Hungary, for example, is being modified to improve its performance and to lessen the conflict of interest potential. A similar process to improve procedures for managing government funds is underway in countries like Romania; however, according to NGOs locally surveyed, many still find government funding conducted in an unclear manner.

Towards the other end of the spectrum of countries with less consolidated democracies, the creation of national foundations should be greeted with more skepticism. The much hailed development of a national foundation in Azerbaijan and the lifting of government funding restrictions towards NGOs in Kazakhstan are positive developments. However, the accompanying environment for NGOs in both countries suggests that direct government funding of organizations – even for more apolitical areas of service provision – will be nontransparent at best and will likely be conducted with numerous strings attached. While neither has as restrictive an environment as that of Uzbekistan, the Uzbek government's use of its national fund stands as a warning. Not surprisingly, the National Fund for NGO Support in Uzbekistan has been criticized for its lack of transparency in fund disbursal. The fund is administered by the government-sponsored network of NGOs (NANNOUZ), and it is these NGOs which primarily receive the funds.

The state friendly role of corporate philanthropy

Beyond straight government funding through foundations or service provision, the network of government-related funding and interest is murkier, but the impacts appear to be similar. The complex nexus between government, state-friendly firms, or government firms and their support of NGOs on one level is an example of corporate social responsibility (CSR) or domestic corporate philanthropy, yet most donations (from Hungary to Russia) appear to be geared towards apolitical organizations that either are uncontroversial or have the government's blessing. In the case of Russia, organizations like *Nashi* that are politically active, but blessed by the Kremlin and Gazprom, also appear to be good CSR recipients.

The diversification of domestic funding is welcome, particularly if the legislative environment provides little tax incentive for such corporate giving. But in some countries, the ability of civic-minded organizations to capitalize on this additional source of funding remains questionable. Some progress towards a more broad-based set of funding areas has been made by Kazakhstan state-run and partially state-run companies, but it is unclear what level of decision-making independence the companies will actually take on if faced with funding requests from organizations perceived to be politically controversial. The situation is clearer in Uzbekistan: government pressure is exerted on Uzbek business to fund GONGOs in order to enhance their funding opportunities.

An area of further complexity is the role that international corporations might play in this mix. A number of high profile multilateral corporations have begun to be more involved in the domestic civil society of the countries where they are located. Most of their funding, like that of the domestic corporate community, tends to be geared towards non-controversial humanitarian and social issues, but whether these risk adverse strategies are due more to corporate policy or partly out of consideration for maintaining good relations with the host government is unclear.

Consequently, a number of NGOs in such countries as Ukraine or Albania have reacted with caution in accepting corporate funds that could be perceived as having strings attached or being part of a larger corporate public relations campaign. In other countries, the development of domestic foundations like the Balkan Community Funds Initiative (BCFI) in Serbia that can accept corporate funding and then re-grant is seen as one solution for avoiding conflicts of interest.

IMPACTS

The use of GONGOs to develop and manage civil society in a number of the Eurasia countries has a significant impact on each country's ability to further its democratic development. On a macro political level, overall governance suffers from a narrowing of both participation and expertise available to the governments; it also distorts the role that civil society can play in a country. Within the third sector, GONGOs can play a spoiler role in the ability of NGOs to cooperate and come together to form issue-based coalitions. And the overuse of GONGOs can lessen the amount of already tight financial resources that are available for service provision or direct funding.

Macro-political level

▶ *Constricting political space*

Frontline, activist GONGOs have been quite effective in assisting their governments to constrict political space. Pre-electoral and post-election management of the populations in Belarus and Russia has served to continue the governments' or their successors' mandates and literally took over public spaces in order to prevent alternative public protests or initiatives.

But beyond the specific issue or challenge of elections, GONGOs have had an effect on what types of advocacy can actually be taken on by the civil society and what can be considered an issue of public discourse. Islam used for political purposes, for example, is a sensitive issue for a number of Eurasia country governments; efforts by even moderate rule-respecting groups to integrate issues of Islam used for political purposes into public discussions are frequently stopped before they can be started. Often state-sanctioned and supported Islamic GONGOs are the only permitted representatives of these segments of society. However, their legitimacy is generally low and does little to diffuse potential tensions. Rather, the use of such GONGOs only serves to further isolate this segment of the population and increase the stakes to control rather than share public space.

▶ *Minimizing independent voices and expert policy makers*

Some level of participation in the policy process is at least officially sanctioned now in most of the countries of the region. But engagement is often kept to either civil society-related legislation or policies and other "soft" subjects that the government can afford to engage on. Clearly getting civil society legislation put in place is critical for the development of the sector, but civil society organizations also have many other types of expertise to offer transitioning governments. In more restrictive countries, it is also common that such civil society consultations are primarily with GONGOs. For example, in Azerbaijan, an official consultancy process has been set up for legislation on civil society, education and agricultural reform and even the anti-corruption strategy, but how prominent a role is actually played by independent organizations rather than GONGOs is unclear.

Even in more consolidated democracies, governments often have a tendency to bypass a civil society consultation process when dealing with high politics or particularly sensitive issues. Accordingly, that GONGOs are being used in this manner in many Eurasia countries is not surprising. Overall, this limits the opportunity of non-governmental experts to weigh in on a policy decision and of governments to benefit from either additional expert voices or, in some cases, the only expert voices.

▶ *Further lowering public's trust and awareness of civil society*

Civil society throughout Central and Southeast Europe and Eurasia struggles to increase public awareness of its work. Even in countries where civil society has grown into a vibrant and diverse part of society, the general population, if it recognizes the work of civil society organizations, is most familiar and comfortable with its humanitarian or basic service delivery work. In countries where civil society is

officially or through de facto acts seen as more of a fifth column than a third sector, the challenge of raising general awareness and gaining public trust in activities and organizations is even greater. Presumably the general trust of society in its government is also low, if not, publicly articulated. The creation of GONGOs only reinforces the general distrust in society and heightens the difficulty for credible NGOs attempting to distinguish themselves or their programs, further isolating such groups from potential societal awareness and support for their work.

The difference between NGOs taking political sides, as in the case of Kyrgyzstan, and NGOs serving as an extension of government policies should be noted. Clearly, independent civil society organizations can be political or even support government policies and still remain independent. But in many of the Eurasia countries where institutions remain weak, this distinction is lost, and once the NGO community becomes or is perceived to become politicized, it paradoxically gains heightened exposure while losing credibility. For example, the politicization of the sector in Georgia during the political turmoil in 2007 distorted the sector's image and lessened its credibility to tackle tasks in a neutral manner.

There appears to be some level of correlation between countries with public respect and awareness of NGOs and their work and the level of a country's permissive environment. In countries such as Estonia where there is a generally friendly legal environment and civil society awareness is quite high, the level of public approval also registers quite high. Further along the scale, Moldova has basic civil society structures in place despite some noticeable challenges; awareness of actual work is quite low, and the NGO community is perceived to be made up of 'grant consumers' and thus receives one of the lowest levels of public trust of Moldovan society. More dramatically, in tightly-controlled societies like Turkmenistan, NGOs and their activities have a very low profile and garner considerable government, if not also public, distrust. Unfortunately, gauging the true opinion of civil society is not possible.

Within civil society

▶ *Stunting development of coalition-related work and cooperation within civil society*

The broad-based issue campaigns around elections or anti-corruption efforts on which civil society groups engaged in the Czech Republic or Albania demonstrate the power of organizations when they come together to affect change. Creating this dynamic environment, though, even in the best of circumstances depends on trust and cooperation among civil society actors. Resource competition is one deterrent to trust, but perhaps even more divisive is the feeling of the "enemy within" that comes about in societies where the development of GONGOs has been perceived by civil society actors as a means for further control of their sector by a hostile government. In these situations, the ability of like-minded actors to coordinate and work towards a common objective is constantly undermined by fears of infiltration. The result is a divided and suspicious civil society that has further weakened itself, rather than found strength in numbers and solidarity of cause. Arguably, civil society in most of Central Asia, for example, battles with these concerns even when undertaking what are presumably apolitical public awareness campaigns or initiatives.

▶ *Choking out emerging service providers and methods of diversifying financial sustainability*

Service provision is a growing area of both NGO activities and means of financial support. When the legal environment is unclear about who can compete for such tenders, however, the NGOs, as well as publicly-funded institutions, find themselves competing for the same government and EU structural funds; the result is one where government-related organizations usually win out. Even if the law is clear about eligible organizations, in countries where the transparency of public procurement processes is not guaranteed, the awarding of contracts often comes to the same result. For example, the unclear laws surrounding service provision and public procurement in Lithuania typically favors government-related organizations over other civil society organizations.

The decentralization of governments has expanded the opportunities of NGOs to provide services on the regional and local government level. More organizations outside of the capitals are able to diversify their activities and funding through these opportunities, but the impact of GONGOs at this level is similar to the one on the national level. While engagement is more direct, the funding that local governments have available is often still controlled by the central government, and mechanisms to ensure transparency are even less common than at the central government level. This issue, combined with the fact that many of the organizations at the local government level are smaller and have fewer capacities, further inhibits their ability to equally compete for government funds.

CONCLUSIONS

GONGOs, like NGOs, have increasingly become strategic actors in many former communist countries in the past decade. As civil society is recognized as an important component of a democratic society, governments have worked to put in place the necessary environment for the development of civil society. The fine line between nurturing this development and managing or controlling is one that is hard to specifically identify. Some government-created or organized NGOs are easy to identify, and their impacts are also possible to chart; in particular, youth and frontline groups can be quite starkly contrasted with their more organic counterparts.

GONGO LEGACIES THAT OUTLIVE THEIR GOVERNMENTS: WHEN GOVERNMENTS CHANGE, BUT GONGOS DO NOT

The Croatian government's creation of the national umbrella organization Hvidra (Association of Croatian veterans and invalids of the Homeland War) in the early 1990s to assist war veterans was a key part of a strategy to keep this portion of the population loyal to the Tudjman HDZ government. The government gave Hvidra both basic infrastructure and a means to financially support itself through a number of concessions, including the management of city parking lots and towing businesses throughout the country.

When a pro-reform government came to power in 2000, Hvidra worked closely with the HDZ political opposition to stymie any critical examination of war time activities. Despite a change in political climate, Hvidra's objectives related to war crimes cooperation stayed the same when the reformed HDZ returned to power in 2004 and pledged to improve this cooperation. The GONGO created to assist the government in its management of the legacy of war activities effectively turned against its creator. Most visible of these actions has been continued opposition to the government's war crimes cooperation with The Hague.

The majority of GONGOs, however, are less clear in their objectives and allegiances. GONGO development in itself is not negative. GONGOs can and do play an important role in the larger interactions between civil society and governments in most countries of the world. The danger, however, is when GONGOs are designed to subsume the growth and development of a civil society and, in the process, create a space, society, and government which are less open, democratic, and civil.

Notably, all GONGOs do not necessarily stay loyal to the governments that create them; whether this change in loyalty results from a natural evolution of organizational development or an honest disagreement with government policies, GONGOs are not necessarily static and can stake out an independent stand. The example of the Croatian war veterans' GONGO (see text box) reminds us that gaining a clear understanding of GONGO impacts in a particular country also requires an understanding of the changing political environment in which they engage.

Clearly, the exploration of GONGOs is only in its early stages. As a start, specific systematic research is needed that will more reliably quantify the groups. In a few countries of the Central and Southeast Europe and Eurasia regions, researchers have managed to estimate the number of GONGOs thought to operate in their specific countries and to strategize with or around these groups accordingly, but in the majority of countries the facts are mostly conjecture. Only by piecing together data on funding and legal

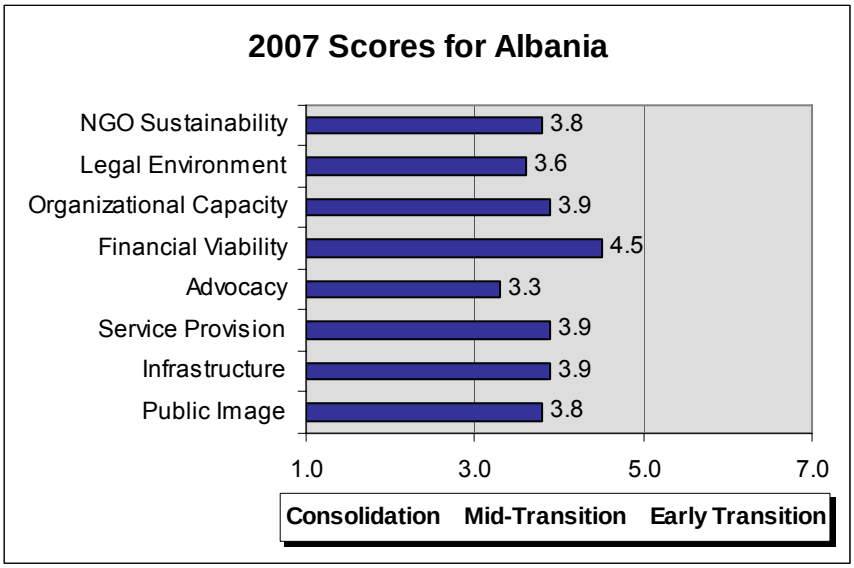
environments, as well as country-specific issue areas, is it possible to begin to gain a better picture of each country's GONGO community and its impacts.

Beyond the identification of GONGOs, a closer look at their major sources of funding and their trends in government interaction would shed much needed light on the different manifestations of GONGOs and their impacts on the development and sustainability of civil society and democracy development in the region.

Better understanding of GONGO trends and transformations will be a necessary component for donors as they strategize ways to best assist further democratization throughout the Europe and Eurasia region to the point that civil society is truly developed rather than managed.

SECTION 5: COUNTRY REPORTS

ALBANIA



Capital: Tirana

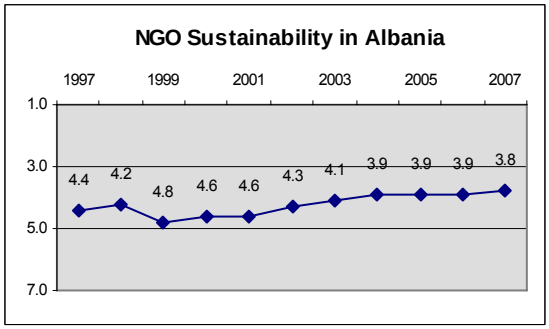
Polity:
Presidential – Parliamentary Democracy

Population: *
3,619,778 (July 2008 est.)

GDP per capita (PPP):
$5,500 (2007 est.)

NGO SUSTAINABILITY: 3.8

The Albanian NGO sector experienced both slight advances and minor setbacks during 2007. A handful of Albanian NGOs came together to reprise their 2005 role as election observers in the February 2007 local elections. Two organizations worked in partnership to carry out Albania's first-ever parallel vote tabulation, while a coalition of seven NGOs monitored the voting and counting processes. Together, these NGOs articulated a nonpartisan – if muted – message amid the political wrangling that marred the process and postponed the elections by several months. In the spring of 2007, opposition parties teamed up with Albanian NGOs, led by the Association of Journalists, to organize large protests in Tirana and other cities against the Government's attempt to penalize a tax-evading TV station with ties to the political



opposition. While the TV station did in fact evade taxes, it was singled out for ill-treatment by the Government, which overlooked other tax-evading stations with which it had closer ties, generating a vocal groundswell of opposition.

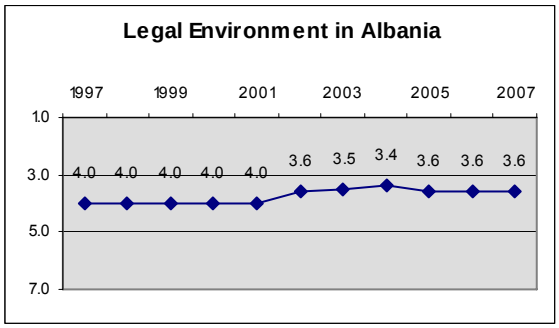
* Population and GDP figures in all reports are drawn from Central Intelligence Agency, The World Factbook (2008)[ttps://www.cia.gov/library/publications/the-world-factbook/].

NGO activities were mostly overshadowed in the public sphere by jockeying among parties, with whom most NGOs are aligned. Business associations, meanwhile, blocked a government attempt to impose unreasonable tax penalties. According to the 2007 *Partners-Albania NGO Address Book,* there are approximately 440 active NGOs in Albania.

LEGAL ENVIRONMENT: 3.6

The legal environment for NGOs in Albania remained largely unchanged over the past year. NGOs refused to sign on to a successful business registration reform that would have made it possible for them, along with businesses, to register in a single day through an administrative procedure in 29 municipalities throughout the country, as opposed to having to apply at the Tirana District Court. While the business community jumped at this streamlined procedure, Tirana-based NGOs balked on ostensibly constitutional grounds, apparently preferring the *status quo* of a lengthy court process over an executive-branch dominated registration process, a sign, perhaps, of the mistrust NGOs harbor for the Government.

In any event, few NGOs consider registration to be the most significant problem facing the sector; enforcement of tax laws is a much more pressing issue. Tax-exempt NGOs are required to possess a taxpayer identification number and report income to tax authorities in much the same way businesses are required to. Although no administrative or legal sanctions were taken against any NGOs over the last year, the Government was perceived to be exerting pressure on NGOs aligned with government opponents through random audits by the tax administration. Fueling fears was an abortive government plan to amend the NGO law to render nonprofits more susceptible to audits.



The current law also makes it hard for businesses to purchase services, such as trainings or market research surveys, from NGOs. Businesses require tax invoices, which in turn would force NGOs to pay 20 percent in VAT, thereby rendering their services less competitive.

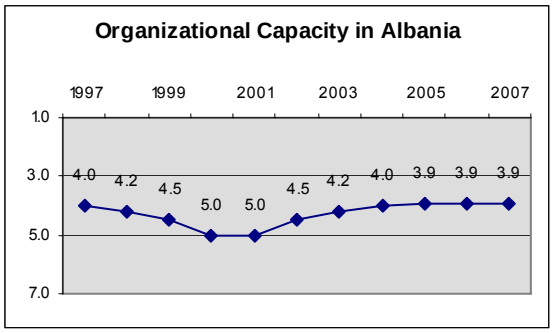
ORGANIZATIONAL CAPACITY: 3.9

The number of Albanian NGOs that have solid organizational structures still remains quite limited, with a heavy concentration in Tirana and Durres. Donors have prodded organizations with a long history of donor funding, such as Citizen Advocate Office (CAO), the Mjaft! Movement, the Albanian Disability Rights Foundation (ADRF), the Coalition of Domestic Observers, and others, into developing membership databases, but there are few NGOs that truly have permanent volunteer bases or dues-paying members. The exceptions are the professional and business associations, including the newly-established Association of Journalists and Confindustria, the producers association.

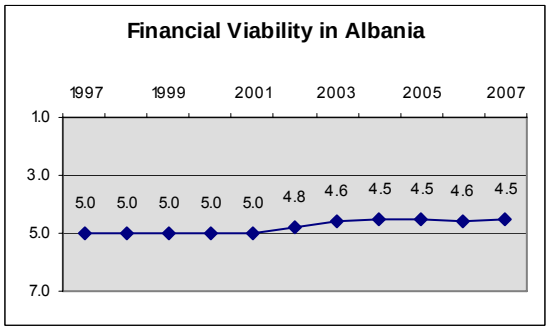
As a whole, the NGO sector is continuously improving its nascent capacity to engage in strategic planning, due in large part to donor-funded training. Perhaps the best indication that organizations have become stronger is that key NGOs are undergoing changes in leadership. This year, two strong organizations – Mjaft! and CAO – withstood a transfer of leadership intact. In most NGOs, the maintenance of a large paid staff is not yet possible or sustainable, especially

as donors now fund specific project activities and cover fewer operational costs. The sector as whole has yet to fill this void with fundraising or in-kind contributions from members.

In terms of constituency-building, people want to be engaged but lack initiative, leaving NGOs with the responsibility for pursuing or recruiting members. The most active regional NGOs have support, but their constituencies are only active when mobilized for specific actions.



FINANCIAL VIABILITY: 4.5



NGOs are slowly recognizing that donor funds are shrinking and that funds are now tied closely to specific project activities and integrated into larger democracy assistance or "good governance" strategies – a far cry from the stand-alone support programs with the "let a thousand flowers bloom" approach of donor funding in years past. Most active NGOs generate precious little income by themselves and are still dependent on donor funding for their survival. A growing minority of Tirana-based organizations have, however, managed to diversify their funding with smaller grants from multiple donors. NGOs have also begun to charge fees for consulting and other kinds of services, and to elicit some private contributions through fundraising, a practice still in its infancy in Albania. A few NGOs have registered subsidiaries as businesses; for example, some nonprofit opinion research firms have spawned affiliated businesses that offer market research.

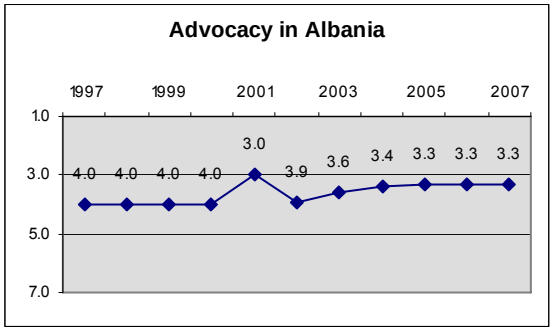
Private philanthropy is still uncommon in Albania, but appears to be slowly increasing. Incentives for businesses to sponsor NGOs or make contributions are non-existent under current tax laws. Nevertheless, organizations like ADRF have successfully solicited some funds from foreign-owned businesses, like Vodafone and AMC. Politically-oriented NGOs maintain a "purist" standpoint vis-à-vis corporate contributions for fear that accepting corporate funding might compromise their integrity or credibility. For example, a number of NGOs, including the Albanian Consumer Protection Organization, have complained about the exorbitant cell phone rates in Albania as an example of price collusion, and are therefore loath to solicit funds from telecom companies.

NGOs lack the capacity to comply with financial reporting requirements and must hire certified accountants to complete these reports, which is a financial burden.

ADVOCACY: 3.3

A number of key partnerships and loose-knit coalitions were formed prior to the 2007 local government elections, and then disintegrated when the election results were reported. A coalition of seven organizations that had monitored the 2005 elections mobilized 3,000 short-term independent observers at voting stations and 540 count observers, covering three-quarters of all voters. The coalition also launched an e-day monitoring effort using text messages sent from polling stations and disclosed via press conferences throughout the day. Elections to Conduct Agency, a newly-formed NGO, partnered with Mjaft! to issue real-time media reports of the results from the counting centers in Albania's first-ever parallel

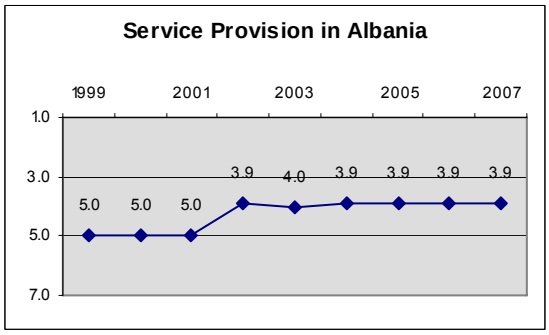
vote tabulation (PVT). In summary, NGOs demonstrated a quantum improvement in technical capacity for domestic election monitoring during the 2007 local elections. Unfortunately, the weak coalition dissolved quickly after the elections, and it is doubtful that Albanian NGOs would have seized the initiative or mobilized an effort of this magnitude without extensive support from donors like the Soros Foundation, USAID, Council of Europe, and OSCE.



Associations representing the business community played a more public and decisive role in shaping tax policy in 2007, effectively lobbying against a proposed increase in tax penalties for businesses. On its part, the Government showed more openness to outside input by organizing several rounds of public consultations with business associations on the new tax procedures. The business perspectives expressed during these consultations induced the Government to modify its proposed tax legislation.

In other areas of advocacy, several NGOs forcefully pushed for the Law on Education and testified in front of parliamentary commissions during deliberations on the law. Most importantly, advocacy for local-level reforms made important strides, especially as the pace of fiscal decentralization accelerated in 2006-2007. Over the last several years, fiscal decentralization has granted local officials significantly more discretion over a larger pool of revenues. At the same time, elected officials, especially at the municipal level, are under greater scrutiny by a new crop of local NGOs, many of which are operating with donor support and are being trained to monitor public expenditures at the local level. A new infusion of donor funds steered to groups outside of Tirana in 2006 led to a minor upsurge of watchdog activities in smaller cities like Berat, Pogradec, Girokastra, Peshkopi and Vlore. In Pogradec, Un Gruaja (I, the Woman) became a forceful presence with an innovative media campaign that called the municipal government to account for questionable spending practices.

SERVICE PROVISION: 3.9



Few NGOs in Albania provide services to constituents or members. Even associations such as the Albanian Association of Municipalities, the National Chambers of Advocates, or the Association of Journalists do not provide valuable member services, as demonstrated by the low rate of dues payments in associations with voluntary membership contributions.

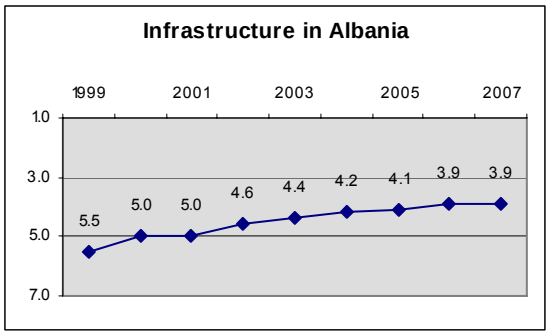
NGOs also do a poor job of using services to attract new members or shore up existing membership. For example, the Albanian Coalition Against Corruption (ACAC) collected dues from 30-plus organizations, yet failed to use its advantageous position in Tirana, physical facilities, and connections to international donors to serve its members. As a result, ACAC is now defunct as a coalition. NGOs are also reluctant to charge fees to indigent populations for valued services, such as the pro bono legal services that CAO provides in Shkodra, Tirana, Durres and Vlore. As a result, when donor funds disappeared, CAO was forced to cut back on legal aid and even considered closing offices. On the other hand, NGOs demonstrated an improved understanding of their communities' needs this year. For example, NGOs at the local level perceived a public demand to monitor local

government performance and began to track local expenditures.

There is still no legal framework to allow the central or local government to contract with NGOs. The Government is currently considering legislation that would provide funding for certain NGO services, which would help them recoup some, but not all, of the costs of service provision.

INFRASTRUCTURE: 3.9

NGO resource centers are located in six districts – Durres, Elbasan, Vlore, Korce, Kukes and Shkodra. While their services have not changed over the past year, by all accounts, after three years of operation, resource centers are better known by local organizations and better utilized for a wider range of services, including computer and Internet access, training, photocopying, and the use of office and conference spaces. Thus far, resource centers have not been successful in building NGO coalitions or partnerships. Meanwhile, some other NGOs offer services to the sector, such as distributing grants, providing training and consulting services, publishing newspapers, etc.

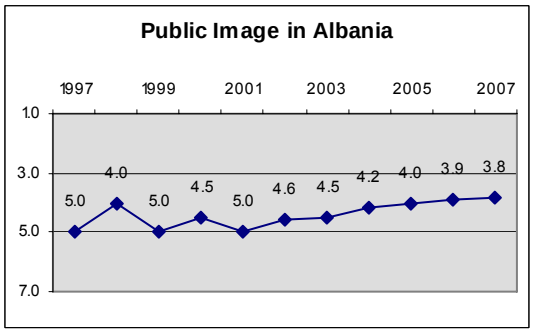


PUBLIC IMAGE: 3.8

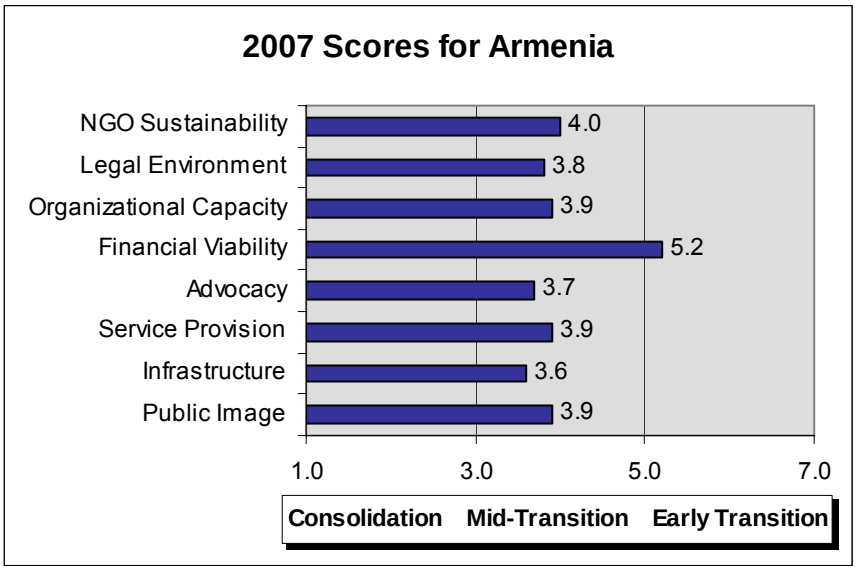
Survey research in 2007 confirms the overall low public awareness of NGO activities, and the tepid public opinion about civil society's contribution to the fight against corruption. According to the annual *Corruption in Albania Survey* published in 2007 only about one third of people are aware of any civil society involvement in anti-corruption activities. Additionally, civil society was seen as only slightly more helpful than government and far less helpful than media in fighting corruption. On balance, NGO leaders are seen as more honest than corrupt, an important change from the findings of the *Corruption in Albania Survey* conducted in 2004, when they were found to be, on balance, more corrupt than honest.

NGOs continue to experience problems conveying their messages to the public. Media coverage of a protest, publication or public event depends as much on the size and importance of the NGO as on the NGO's relationship with a media outlet or important donor. At the same time, the coverage of NGO activities during the electoral process was surprisingly wide and neutral, reinforcing the small but important space for public discourse not dominated by either of the two major political parties or its allies. In the regions, local media has started to cover NGO events for free.

While there is no survey data to support this contention, anecdotal evidence suggests that larger businesses are starting to view voluntary associations as instrumental in articulating their interests in a policy process that is traditionally government-dominated and not solicitous of business input.



ARMENIA



Capital: Yerevan

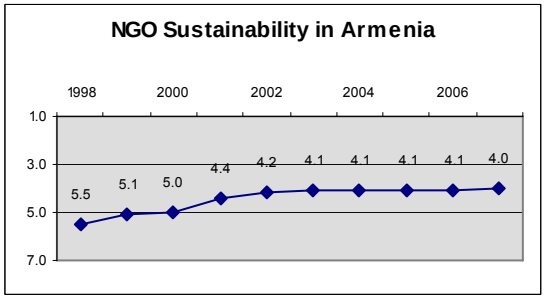
Polity:
Presidential – Parliamentary Democracy

Population:
2,968,586 (July 2008 est.)

GDP per capita (PPP):
$5,700 (2007 est.)

NGO SUSTAINABILITY: 4.0

The overall sustainability of Armenian NGOs remained largely unchanged in 2007, although positive developments initiated in previous years are beginning to pay off. There are currently an estimated 4,000 public organizations and foundations registered in Armenia, approximately 10 percent of which are considered active.

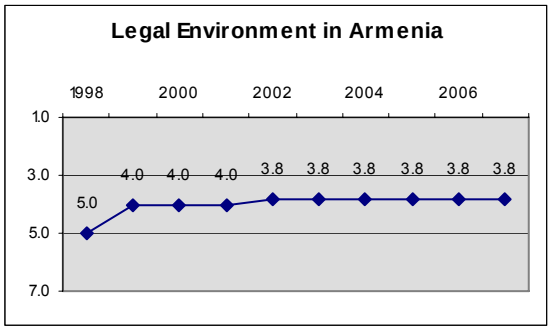


Armenia has always been a funding-rich environment for NGOs, but the prospects for easy international funding are dwindling as a result of new demands on foreign assistance and increasing donor insistence on impact. This decrease in funding has led to a gradual weeding out of weaker NGOs and those NGOs focused too heavily on shifting donor agendas, leaving stronger NGOs that are more focused on their missions. At the same time, civic activism, advocacy and NGO strengthening programs funded by USAID and other donors three to four years ago have had a major impact on the NGO sector's programmatic and administrative capacity. Many NGOs have improved their financial and organizational structures, and reviewed their human resource, financial and programmatic management policies. More NGOs have also developed strategic plans focused on their core missions and competencies.

NGOs are pushing harder on both open and closed doors in the government through focused advocacy initiatives. The draft Law on Lobbying, which had a serious and detrimental potential, was finally removed from Parliament's agenda due to the consolidated efforts of NGOs. In 2007, NGO coalitions successfully lobbied for the continuation of Radio Free Europe/Radio Liberty (RFE/RL) transmissions in Armenia. The public perception of NGOs improved significantly due to their active participation in elections during 2007. NGOs were also more successful at developing cooperative relationships with the Government, especially in the regions.

NGO sustainability is still hindered by the legal framework in which NGOs operate. Across all dimensions in this index, there are weaknesses that directly result from the legal environment, which lags behind best practice in the region.

LEGAL ENVIRONMENT: 3.8



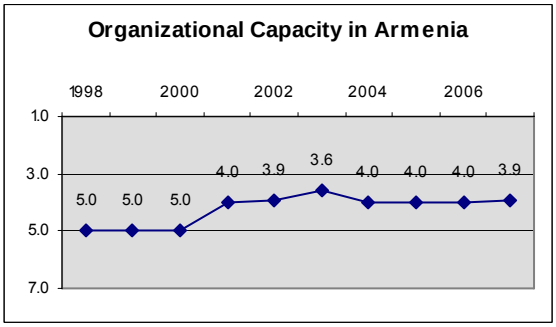
The NGO sector is regulated by three laws—the Law on Public Organizations, the Charity Law, and the Law on Foundations. The majority of NGOs are registered under the Law on Public Organizations, which requires registration with the Yerevan-based Ministry of Justice. The process is somewhat expensive and burdensome, especially for groups that have to travel from the provinces, and NGOs claim that the registration process is corrupt and difficult in practice. While there are no plans to revise the process, there have been some minor improvements. For example, offices that issue required stamps have been opened in the regions, allowing newly registered organizations to order and receive their stamps locally thus reducing the number of trips to the capital. USAID-supported activities are working to identify and address gaps in legislation, including streamlining of the registration process and introducing the right for NGOs to engage in entrepreneurial activities.

NGOs registered under the Law on Public Organizations are prohibited from engaging in direct income generating activities, although foundations may. In addition, the Law on Public Organizations only permits NGOs to register as "general membership" organizations, which is unwieldy and prevents the adoption of organizational structures such as boards of directors or advisory councils.

NGO efforts finally succeeded in getting the draft Law on Lobbying removed from the National Assembly's agenda. If passed, this bill would have required NGOs and individuals to be "certified" by government officials before engaging in lobbying or advocacy activities, permitting the government to exert unprecedented control over the sector.

ORGANIZATIONAL CAPACITY: 3.9

NGOs increased their organizational capacity this year in response to the increasingly competitive environment created by the overall decline in grant opportunities and the more rigorous organizational capacity requirements by donors. Many NGOs are now engaged in strategic planning and more NGOs are using their missions and strategic plans to guide their activities. NGOs are also making efforts to identify and advocate for their constituents and beneficiaries. There is also progress in NGO staffing. Following donor requirements, a number of NGOs now have clearly defined staff responsibilities and regularly evaluate their staffs.

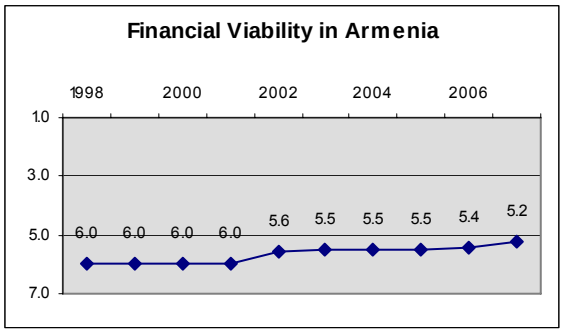


Though many continue to be driven by and depend on a single charismatic leader, more NGOs, especially youth-led groups, are adopting a more inclusive approach towards management. The overly simplistic Law on Public Organizations, however, prevents organizations

from adopting a more sophisticated and effective model of NGO governance involving boards of directors. Typically, Armenian NGOs only do what is prescribed in the law, which does not contain adequate provisions requiring effective minimum standards governance. Additionally, the state registry overseeing NGO registration and charters does not allow flexibility. As a result, advisory councils and boards are not written into organizational charters.

Most organizations have the equipment they need to operate. Access to the Internet, however, is spotty throughout the country.

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 more 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 Armenian government continues to provide small-scale funding to NGOs, primarily in the areas of social services for vulnerable populations, and public awareness and health campaigns. There are new, although limited, opportunities for NGOs to receive funding from local self-governing bodies and individual cases of social partnership and small grant programs are emerging on the local level. Local businesses and individuals have similarly increased their support of NGOs over the past year. In the last year, two large businesses provided direct funding to independent NGOs for public safety programming, while also engaging in the programs as advisors and active participants.

The Government of Armenia and the NGO community had been discussing a "one-percent" law that would earmark public funding for the NGO sector, but this discussion was tabled in 2007 due to the National Assembly and presidential elections.

The legal framework restricts NGOs from generating income and fails to provide beneficial tax exemptions. The government justifies its restrictions on economic activity by claiming that nonprofit organizations will evolve into de facto for-profit organizations. Many NGOs fear that if they engage in economic activities, or provide accurate disclosure of their income from such activities, they will attract the attention of the tax authorities. As a result, NGO financial disclosures do not always reflect reality.

NGOs' financial management systems have noticeably improved and more NGOs now have effective systems in place, including better competitive bidding practices.

ADVOCACY: 3.7

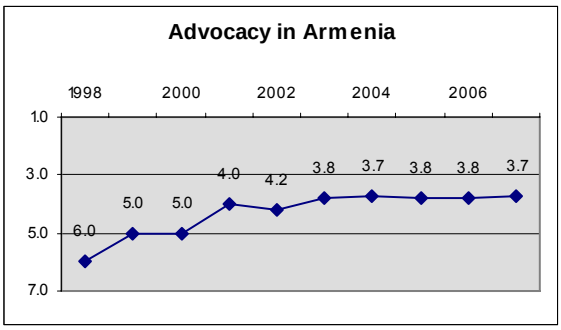
In 2007, NGOs were more articulate in engaging the government at all levels and more savvy in targeting their advocacy initiatives. In general, there is broader cooperation between NGOs and local governments. While many NGOs take part in decision making at the community and regional level, they are more passive at the national level. Nevertheless, NGOs are now making regular and substantive contributions to legislation and ongoing policy issues, including the RFE/RL case, regional development, environment, and the Law on Lobbying.

Unprecedented numbers of NGOs, in all regions of Armenia, engaged in election-related activities including voter education, voter list corrections, observation, as well as legal recourse in cases where electoral rights were

violated. These non-partisan activities allowed NGOs to garner greater trust among voters and distinguish themselves from political parties.

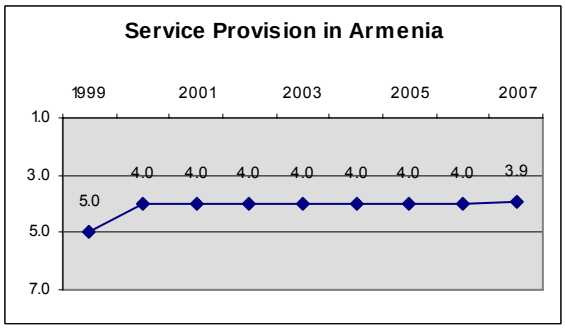
NGOs are being taken more seriously by the executive branch in the implementation of public policy as well, with examples including the development of consumer safety guidelines, procedures for involuntary institutionalization of the mentally ill, and activities to develop small and medium enterprises. Cooperation with local and state government has been more constructive and the National Assembly's approach to NGOs has been favorable. The government now understands the role of NGOs and sees the value in cooperation. Accordingly, when NGOs raise issues, there is a greater likelihood that the government will engage seriously in dialogue. The removal of the Law on Lobbying from the National Assembly's agenda was a major success for advocacy groups, as were the passage of the Law on Volunteerism through the Executive Cabinet, changes to the electoral code, implementation of the anti-corruption strategy, and halting of the broadcast media digitalization plans.

Several high-ranking officials have created advisory councils that include both government and NGO representatives. In the past, such councils were designed primarily to control and preempt rather than to seek broad outside input, but this situation is now changing.



Ad-hoc inter-sectoral partnerships have improved over the past year. While these come together to address specific issues and disappear once the issue is addressed, the consolidation of resources and efforts are increasingly occurring at the behest of NGOs themselves, rather than donors.

SERVICE PROVISION: 3.9



Service provision by NGOs has substantially increased and improved. NGOs are offering more varied services to a greater variety of clients, including donors, local governments, other NGOs, communities, businesses, and citizens. Additionally, the quality of services has improved as a result of greater competition and increased capacity. NGO services range from soup kitchens and medical assistance to the elderly and vulnerable, to legal advising, capacity building and grant management. There is broad public recognition of NGO services.

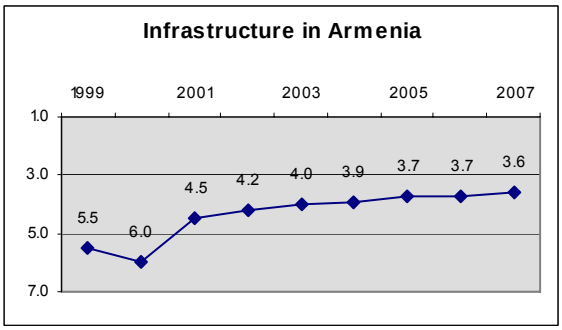
To some extent, NGOs are developing social partnerships with local governments. However, the centralized national government greatly limits the authority and budgetary power necessary for local governments to form sustainable partnerships. The national and regional governments have slowly started to procure the services of NGOs to implement social policy. For example, Mission Armenia, a major community-based service delivery organization that has been funded by international donors, now has a line item in the Armenian state budget, which is a major step towards sustainability and indigenization. The cities of Vanadzor, Gyumri, Ashtarak and Gavar also have budget lines for service provision to citizens, partially through public organizations.

Ongoing legislative efforts between the government and NGOs related to the legal environment governing service provision, including fee for services, licensing and procurement, did not result in any positive changes during the year.

INFRASTRUCTURE: 3.6

Intermediary Service Organizations (ISOs) operate throughout Armenia with donor funding. Through them, USAID, UNDP, OSI, and the EU have provided extensive training and consulting services to NGOs. With substantial financial support and technical assistance, ISOs have begun a large-scale re-granting effort for the donor community. The ability of ISOs to responsibly manage significant funds, program implementation, and evaluation has increased substantially. As a result, for the first time in Armenia, NGOs view local organizations as viable grantmakers, with confidence in their ability to run competitions and manage programs fairly and effectively.

ISOs reported a substantial increase in income within the past year, confirming that there is a change in NGO culture and that more and more NGOs are willing to pay for the services of Armenian ISOs and experts. Nevertheless, not all NGOs are willing or able to pay for services without donor assistance. At the same time, legal limitations on income generation prevent ISOs from becoming sustainable in the long-term without continued donor funding. Some NGOs have set up for-profit subsidiaries, but the limited successes in this area have been accompanied by mission drift.

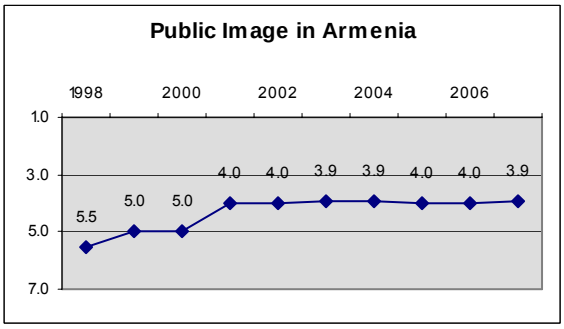


The number of NGO coalitions has increased, although cooperation is still limited to specific issues and rarely goes beyond the implementation of specific programs. In 2007, many NGOs worked together on election-related issues, including voter education and election monitoring campaigns. Inter-sectoral cooperation also increased; NGOs work very closely with local governments and communities.

PUBLIC IMAGE: 3.9

Media coverage and public perception of NGOs improved this year, especially after NGOs' active role in the 2007 elections. NGO are becoming increasingly sophisticated in their media outreach efforts and the media shows more interest in their activities. NGOs report that they are no longer defamed as "grant eating" organizations.

The government's perception of NGOs has improved as well. As NGOs have demonstrated that they can engage in more sophisticated forms of advocacy and add value to the policy process, the government has started to take NGOs more seriously and invite NGOs to participate in various policy discussions.



Although this attitude is still not systematic, it has become more prevalent in the last year. NGOs have also helped to improve their image by relying on facts and data in their public

pronouncements, campaigns, and general outreach.

As it is not required by legislation, NGOs are not fully transparent, but are beginning to see the value in providing public accounting to constituents. NGOs still only publish annual reports in isolated cases, although more NGOs produced such publications in 2007. Also in the past year, NGOs began producing programmatic reports that link their finances to their efforts and successes. NGOs have developed a unified code of ethics; however, the final code has not yet been adopted and the will to implement such a code remains weak.

AZERBAIJAN

Capital: Baku

Polity:
Republic

Population:
8,177,717 (July 2008 est.)

GDP per capita (PPP):
$9,000 (2007 est.)

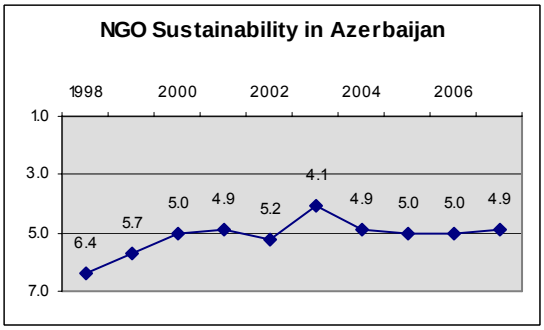
NGO SUSTAINABILITY: 4.9

The sustainability and capacity of the NGO sector in Azerbaijan has improved over the past year. During the same period of time, the number of registered organizations increased 16 percent, reaching approximately 2,800, of which roughly 600 to 700 were active and visible.

There is a positive trend towards dialogue and cooperation between the state and the NGO sector. There has been more participation of government officials at NGO events, as well as recognition of NGO expertise – most notably in the spheres of legislation and local self-government. More significantly, a Presidential Decree created a state fund to support NGOs – with an initial allocation of 1.5 million AZN (approximately $1.76 million) in the 2008 budget.

Despite these improvements, the government, primarily in the regions, generally continues to mistrust the NGO sector. While an appropriate legislative framework is in place, many organizations continue to experience difficulty registering, needing to submit numerous documents multiple times or the intervention of "influential forces."

International and local NGOs have made significant progress in creating a more favorable legal environment for NGO sector development. Several draft laws and amendments to existing laws were prepared with active public participation and submitted to the Parliament. NGOs continue to depend almost solely on international funding, but are beginning to generate some local financing by expanding their services and membership, collecting membership fees, offering fee-for-service training courses, and establishing links with private companies.



The spectrum of services rendered by the NGO sector expanded slightly, and now includes humanitarian relief, environmental protection,

gender, youth, human rights, civic and legal education, health, and economic development. NGOs in the regions are benefiting from the opening of NGO Resource Centers and more NGO management training, and are engaging in new advocacy campaigns. NGOs are becoming more proactive in public relations and media, and are launching websites and producing annual reports.

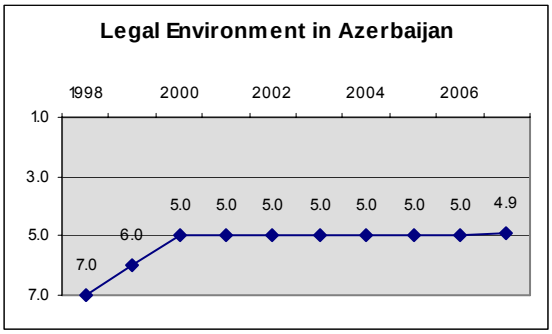
While there are positive developments, the growth of the NGO sector and civil society in Azerbaijan is still restricted by the lack of government support, increased competition for limited financial resources, weak constituent relationships, and a lack of public awareness and understanding of the sector. Positive initiatives related to legislation and local financing set the foundation for significant improvements, but results may not be visible for several years.

LEGAL ENVIRONMENT: 4.9

With financial and diplomatic support from international NGOs, local NGOs made significant efforts to enhance the legislative framework governing NGO activities by introducing amendments to existing laws and drafting new laws. A preliminary agreement between Milli Majlis (the Parliament) and a coalition of local NGOs, led by the NGO Forum, created a working group of experts to work on draft laws. During the year, the working group drafted several amendments to legislative provisions affecting NGO activities, as well as five draft laws on Associations, Foundations, Community-Based Organizations, Volunteers and Charity. All legislative initiatives were submitted to Parliament and included on the 2008 Parliamentary agenda.

In July 2007, a Presidential Decree created a state body for NGO issues and a foundation to support local NGOs through grants and other means. A coalition of international and local NGOs is encouraging the government to implement the decree in accordance with best international practices. Most of the coalition's recommendations were accepted by the government, including the creation of a Council of State Support of NGOs, which was established by another presidential decree in December 2007. NGOs are currently making nominations for the Council.

NGO registration is improving. While only 100 NGOs were registered in 2005, this number reached 548 in 2006 and 229 in the first half of 2007. That said, while the law on state registration is favorable, NGOs still encounter difficulties when registering. The Ministry of Justice unnecessarily delays the process and returns documents to applicants multiple times. At the same time, local executive entities conduct unofficial investigations of NGO leaders and staff to determine if they are politically engaged. While there have not been any reported cases of the state dissolving NGOs, most NGOs feel that their activities are closely monitored and controlled. This is especially true in the regions, where local executive authorities request official notifications of public gatherings such as seminars, trainings and roundtables.



The number of experienced lawyers in not-for-profit legislation is steadily increasing. However, this is less so in the regions, where NGO leaders have become proficient in legal issues related to registration, accounting and governance out of necessity.

Tax laws remain unchanged: they still require organizations to pay 22 percent of their consolidated payroll into the Social Insurance Fund. Only grants from bilateral donors such as the U.S. Government are exempt from taxes, including the social tax. However, 14-35 percent of individual salaries must still be paid to income tax and three percent to the Social Insurance Fund. A draft Law on Charity, which

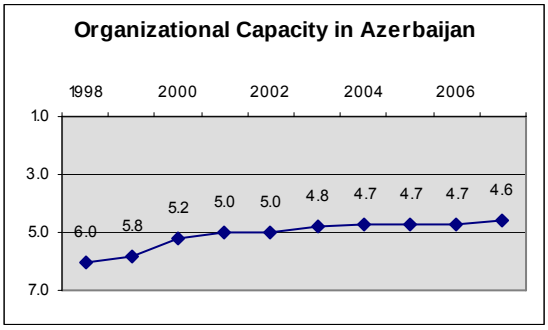
would provide tax incentives to local and international businesses that fund charitable activities, was vetted with the public and submitted to Parliament.

NGOs can legally apply for government tenders. However, NGO participation is minimal, as the tender process is not transparent and very burdensome, requiring deposits, bank guarantees and other expensive and complicated actions. Additionally, such financing is very limited and NGOs generally mistrust governmental structures. As a result, most government tenders are awarded either to commercial entities or GONGOs.

ORGANIZATIONAL CAPACITY: 4.6

NGOs are beginning to attract constituencies to their work strategically and several organizations work actively with local municipalities to engage citizens into discussions about local issues. Over the past year, several organizations – some of them regional – made progress developing management systems and improving their internal and external governance. Additionally, more NGOs now allow public access to their finances through annual reports, informational bulletins and leaflets, thereby increasing their transparency and public awareness of NGO work. Despite these improvements, most NGOs still fail to understand the importance of strategic planning.

While there is still no Law on Volunteers and NGOs have no legal right to recruit volunteers, there are more and more young people seeking to participate in NGO activities. The makeup of NGO staffing remains unchanged, on average consisting of three or four men, often members of one family. Lack of funding allows only a handful of NGOs to employ qualified, permanent, salaried staff. Most NGOs, especially in the regions, only hire staff to meet the immediate demands of current projects and grants, often recruiting employees from a volunteer base. Otherwise, they switch to "standby position," operating on a minimal level with minimal staff. On the other hand, NGOs, including those in the regions, are increasingly able to hire experienced staff, as more young people complete higher education in the country and abroad.



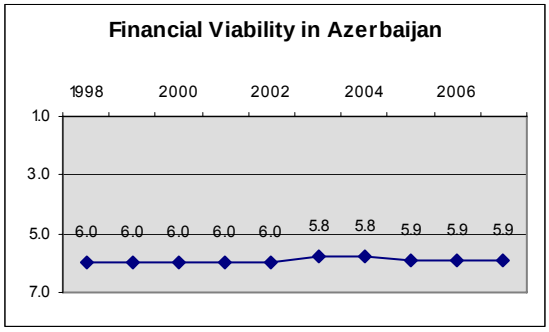
NGOs in Baku generally have better technology and equipment than their peers in the regions. However, infrastructure in rural areas, including stable electricity and Internet access, is improving. Additionally, over the past year eight NGO Resource Centers were opened throughout the country as part of a USAID civil society project, offering services such as Internet access and other forms of communication.

FINANCIAL VIABILITY: 5.9

There is limited progress with respect to financial viability. Most NGOs operate with international funding. A few NGOs have access to state funding and some continue to benefit from limited non-financial support from different groups and volunteers. The combination of a societal lack of altruism or culture of philanthropy, a weak transitional economy, and low public awareness of the role of NGOs in society hinder NGOs' ability to attract local donations.

While USG assistance is decreasing, more funding is expected from the European Union, other international donors, and local state structures. The State Fund for NGOs, which is expected to begin operating in 2008 with an initial allocation of 1.5 million AZN

(approximately $1.765 million), should improve funding diversification and overall NGO financial viability. While some NGOs are skeptical about this Fund and the selection process of its "grantees," the initiative does increase and recognize the role of NGOs in civil society development.



Different ministries have awarded grants and social contracts to local NGOs. Of special note, the Ministry of Sports and Youth issued several grants to youth and sports-oriented NGOs.

Local corporate philanthropy is undeveloped and, when it exists, assistance is provided directly to the beneficiaries, and not through NGOs. Collection of membership fees is often only symbolic, and supplemental income generation is not popular among NGOs, as they are reluctant to subject themselves to profit taxes and related complications with tax authorities.

The overall state of financial management systems and practices has improved. While most moderately developed NGOs use Excel to prepare budgets and reports and track expenses, some are introducing financial software, primarily of Russian origin. NGOs now recognize the necessity of budget forecasts and financial projections, but do not have the human resources or skills to include them as part of their daily financial management. Cash operations are preferred, but some NGOs have started using the banking system, including ATM cards for salary payments. Conducting an independent audit is a luxury for which most NGOs do not have financial resources. An additional barrier to audits is that qualified local low-cost auditors are not readily available.

ADVOCACY: 4.9

Overall, the attitude of authorities towards NGOs and their activities has improved, perhaps because NGOs are increasingly apathetic to politics. In some cases, government officials, generally at the central level, rely on NGOs as sources of expertise and information. For example, the 2007 State Anti-corruption Strategy was created jointly by the State Commission on Anti-corruption and NGOs, including the Azerbaijani branch of Transparency International, whereas this same strategy for 2004-2005 was developed solely by the state. Additionally, NGOs and their coalitions have been permitted to work on legislative initiatives. NGO expert working groups created draft language about student credits as part of the Law on Education, several initiatives in the agricultural sphere, and a draft Law on Volunteers, some of which are now on the Parliament's agenda. However, the NGO voice is often ignored particularly when dealing with human rights issues. At the local level, NGOs are attempting to improve the transparency of local budgets and increase the public's role in local decision making. Most municipalities and executive authorities are receptive to these initiatives.

During the past year, several advocacy campaigns were launched by diverse coalitions including NGOs, local businesses, and media. Over 50 NGOs are involved in the Improving Transparency in Extractive Industry (EITI) project aimed at increasing the transparency of payments from mining companies (BP, SOCAR,

EXXON, Lukoil, etc) to the Government of Azerbaijan, as well as the use of their profits. As a result of an advocacy campaign led by the local NGO Multimedia, several municipalities, some ministries, and the Parliament assigned staff and allocated additional funding to improve public access to information through better functioning government websites.

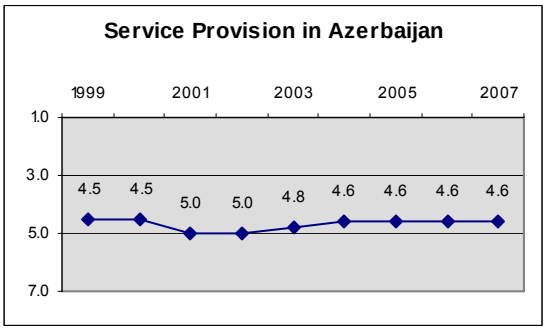
Additionally, as described above, as a result of significant lobbying efforts by a coalition of local NGOs, several legislative initiatives to enhance NGO effectiveness and sustainability were included in the 2008 Parliamentary agenda. Local and international NGOs also contributed significantly to the adoption of the Presidential Decree on State Support of NGOs, which establishes the legal ground for developing real cooperation between government and NGOs. Specifically, this Decree authorizes the Cabinet of Ministers to prepare and submit recommendations on the establishment of a state body to address NGO issues and create a foundation to provide assistance to NGOs. Within the framework of USAID's Civil Society Project, in December 2006, ICNL and a group of engaged NGOs facilitated a public debate on the role of the NGO sector in the country's economy and on various mechanisms of government support for NGOs. Following a spring 2007 workshop on international legal mechanisms for public financing of NGOs, several members of Parliament, various ministry officials, and NGO representatives solicited ICNL's comparative analysis and advice on drafting similar legislation, which resulted in the Presidential Decree. Despite these examples, coalitions of like-minded NGOs remain limited and are often viewed as donor-driven. Strong coalitions are inhibited by the personal ambitions of authoritarian activists/leaders combined with a narrow view on social problems and lack of collective thinking and decision making skills.

SERVICE PROVISION: 4.6

Overall, the NGO services menu is diversified and NGOs generally ensure that their activities are consistent with their missions. Many NGOs now design their projects around the direct problems and needs of the population. Activities include humanitarian relief, public and economic development, human rights protection, elections, health, and basic public services. Some NGOs provide quality services and products, however, the need for social services is growing, and the NGO sector is incapable of fulfilling these needs. Donors have also become increasingly focused on supporting needs-based projects.

Executive authorities are more accepting of NGOs working to improve social services and public infrastructure. Some ministries (e.g., Ministry of Youth and Sports, Ministry of Ecology, Ministry of Economy, Ministry of Labor and Social Protection) have created or identified NGOs with which they want to cooperate.

NGOs offer seminars and presentations and publish materials for use by various official bodies and ministries. For example, the local NGO ARAN published a book on the legislative and regulatory framework of municipalities in Azerbaijan. Several NGOs developed and provided training modules on organizational capacity development to interested organizations around the country. During the year, several new NGO Resource Centers, located primarily in the regions, were opened and provide free access to e-communication, library, and meeting space.

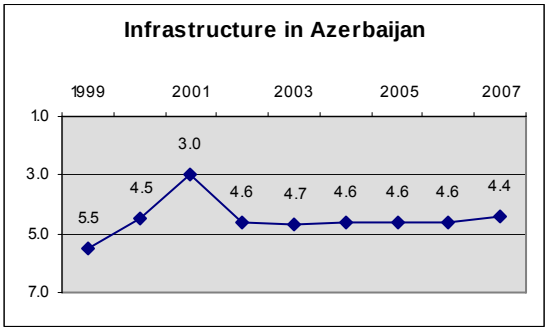


Some NGOs collect fees for their services, but many do not charge their clientele. Some NGOs have started offering fee-for-service trainings to the general public, most commonly language, accounting, and computer courses.

INFRASTRUCTURE: 4.4

The infrastructure for NGOs improved significantly over the year, as several NGO Resource Centers opened throughout the country, even in remote rural areas such as Sheki, Imishli and Barda. In addition to free access to e-communications, literature and donor information, these centers provide assistance related to registration, fundraising, and NGO taxation. Very few Resource Centers generate substantial income from their services, although they do earn revenue by renting conference rooms. Some centers offer NGO-focused training such as courses in organizational development, languages, computer and accounting.

Skilled trainers and training opportunities in NGO management, including specialized training in strategic management, financial sustainability, fundraising, public relations, advocacy, and proposal writing, are available in Baku and other urban settings such as Ganja, Barda, Imishli, Lenkoran, and Sheki. Azeri-language literature, often on human rights, is also available, and translations are usually of high quality. A very limited number of NGOs re-grant international donor funds.



Examples of NGOs cooperating with authorities remain rare. However, NGO partnerships with mass media and local businesses are improving as a result of more proactive public outreach. Some local businesses have expressed their willingness to work with NGOs on issues of corporate social responsibility.

A fairly advanced information network covers most of the country. There are a number of popular online resources that provide credible information on vacancies and trainings, and offer virtual space for debates and exchange of views.

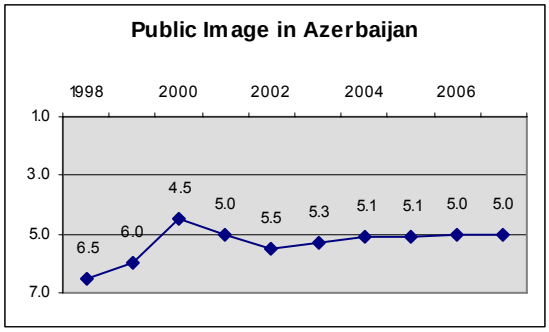
PUBLIC IMAGE 5.0

Over the last year, media coverage of the NGO sector improved significantly. NGOs began to work intensively with local and national media outlets – creating core groups of journalists, inviting them to events, preparing regular press releases, organizing project launch/completion events and press conferences, and writing articles. NGO experts are frequently invited by TV companies to participate in public debates on various topics. Some newspapers and informational e-agencies (AzerPress, Turan, APA, Bakinfo, ABC.news, Day.Az) cover the NGO sector on a regular basis. Though published irregularly due to its dependence on grants, the journal "The Third Sector" covers NGO activity. In addition, many NGOs are creating websites, including www.gaba.az, www.development2006.org, www.fscs-az.com, www.aran.az, www.uluchay.org, and www.bf-az.org. While these websites have been created primarily to attract donor funding, NGOs understand the need to make them more constituency-focused and will continue to develop them further and create Azeri, English and/or Russian versions.

Although the advertising law does not provide privileges for public service announcements (PSAs), the charters of most private local radio stations, TV companies, and newspapers provide a 50 percent discount for PSAs. In reality, though, it is difficult for NGOs to obtain these rates, or they are simply unaware of these incentives and therefore do not request them.

Despite the improved media coverage, citizen awareness and support of NGO activity remains low. NGOs working on human rights are more likely to be recognized by the public, whereas

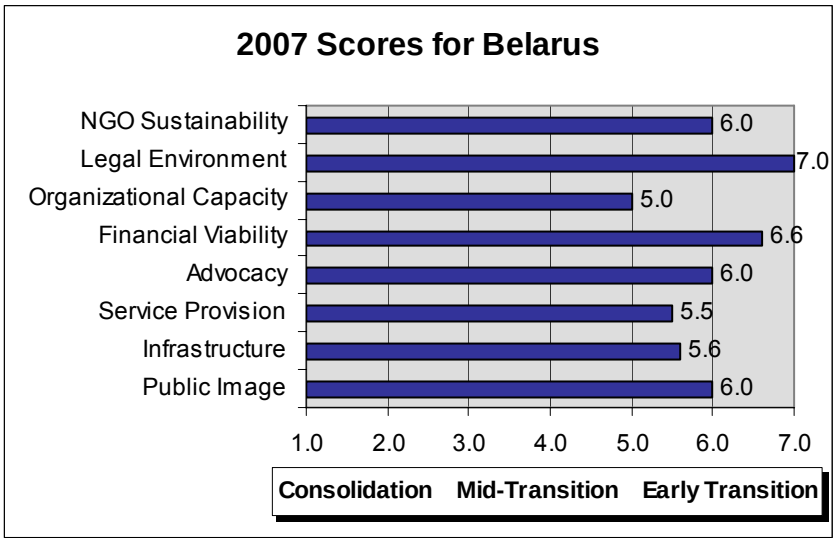
those working on social projects are often known only by their constituents.



Officials are starting to recognize NGOs as sources of expertise, and are showing a heightened willingness to attend and participate in public events and joint working sessions. The business sector remains rather ambivalent to NGOs. There is a nascent culture of corporate social responsibility and charity, and businesses are more likely to fund and implement social projects themselves, as opposed to contracting NGOs, if they engage in such work at all.

There is still no sectoral code of ethics for local NGOs, and most NGOs are not fully transparent to the public. Some of the more developed NGOs have created internal Codes of Conduct, policies and procedures, and many NGOs are beginning to publish, distribute and post annual reports on their websites.

BELARUS



Capital: Minsk

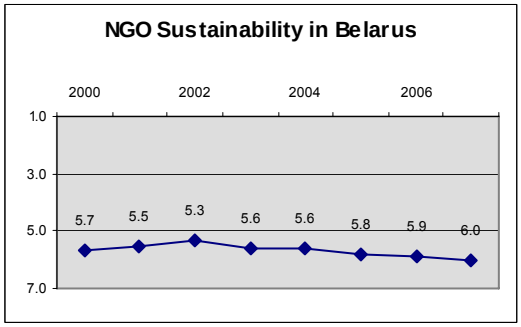
Polity:
Presidential

Population:
9,685,768 (July 2008 est.)

GDP per capita (PPP):
$10,200 (2007 est.)

NGO SUSTAINABILITY: 6.0

According to Ministry of Justice data from November 2007, there were 19 NGO associations, 61 foundations, and 2,263 NGOs registered in Belarus. Though the total number of registered organizations has changed little over the last five years, their sustainability and morale have deteriorated as a result of the difficulty of registering and operating an independent NGO in the country. Although illegal, there are also hundreds of unregistered civic groups and several unregistered coalitions in Belarus.



Belarusian society is controlled heavily by the state. There is no proper rule of law, division of powers, or freedom of speech, and opposition forces have limited access to the media. Ordinary people, as well as political leaders and journalists, have been subject to criminal and administrative persecution for participating in demonstrations. The government censors works of art, books and rock groups and is looking for ways to control domestic Internet content. Religious freedom is also considerably restricted: religious activity without state registration as a religious organization is prohibited.

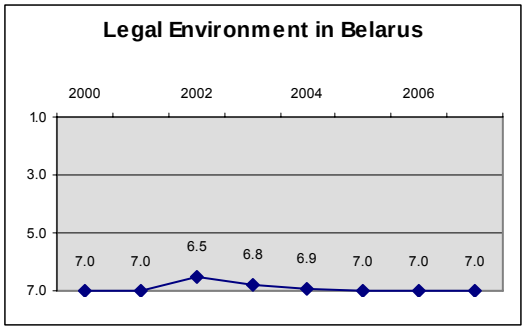
The difficult environment in Belarus threatens the very existence of independent NGOs. Belarusian authorities view NGOs as a source of opposition and consequently try to repress genuine civic initiatives, replacing them instead with quasi-NGOs loyal to the regime. Over the last year, 26 NGOs have been closed by court decision and 48 NGOs decided to dissolve because of oppressive restrictions on their funding and operations. Authorities have also stifled NGOs through taxation and auditing policies and by arbitrarily raising rents or terminating rental contracts. NGO leaders have been victims of threats, intimidation and arrests. Procedures for registering an NGO remain cumbersome and non-transparent, and tax legislation is unfavorable. Moreover, NGOs in Belarus lack support from the business sector

and citizens – both financially and programmatically.

The Law on Mass Events in the Republic of Belarus seriously restricts the freedom of assembly and freedom of expression. The Criminal Code of the Republic of Belarus foresees criminal penalties for activities carried out by non-registered organizations or associations. In May 2007, new criminal cases were opened against members of *Malady Front*, who were ultimately fined after being detained.

LEGAL ENVIRONMENT: 7.0

NGO registration and operation in Belarus is complex, expensive, difficult, and highly dependent on the good will of government decision-makers. Registration remains difficult, if not impossible, for those who are not openly loyal to state policies. There are cases where even NGOs providing social services are unable to register their regional structures: the Belarusian Young Women's Christian Association (YWCA) has been trying in vain to register six of its local branches for over four years.



While there is no official data from the Ministry of Justice concerning the number of registration applications, well-known initiatives have been denied registration. Some of them, including *Malady Front*, *Za Svabodu*, and *Viasna,* appealed the decision in the Supreme Court without success; however, they were permitted to change their charters and re-apply for registration. An association of people involved in the Chernobyl cleanup had to seek legal status in neighboring Ukraine after it was denied registration in Belarus. Individuals trying to establish an NGO also experience psychological and administrative pressure from tax authorities and police. Although illegal, there are hundreds of unregistered civic groups and several unregistered coalitions in Belarus.

While denying registration to independent groups, the government continues to create its own organizations. The latest example is the formation of the association *Belaya Rus* in November 2007 to mobilize support for the Lukashenko regime.

Numerous governmental authorities, from the Ministry of Justice down to tax inspection offices, have the right to audit NGO activities. KGB inquiries, rent increases, termination of rental contracts, and unannounced inspections are also widely used to hinder the functioning of NGOs, intimidate their employees and volunteers, and create a pretext for imposing sanctions to close or suspend operations. For the first time in the history of the Belarusian third sector, 48 NGOs made a conscious decision to dissolve this year.

NGOs are not allowed to have offices in privately-owned apartments or houses, and must register at non-residential premises, most of which are owned by state agencies or state-controlled companies. State rents were increased throughout 2007 and a new presidential decree issued in October canceled preferential rents for non-humanitarian NGOs beginning in April 2008, while providing many GONGOs with office space free-of-charge.

Restrictive legislation makes it difficult for NGOs to engage in nearly any activity. Every action needs state approval, and many government decisions have no clear explanation or legal grounds. As a result, many groups that educated voters, participated in electoral commissions, or nominated election observers or candidates to local councils now refuse to engage in such activities or use other NGOs to mask this work.

Pro bono legal support for nonprofits is insufficient and lawyers have become increasingly disillusioned about their ability to provide real help to NGOs.

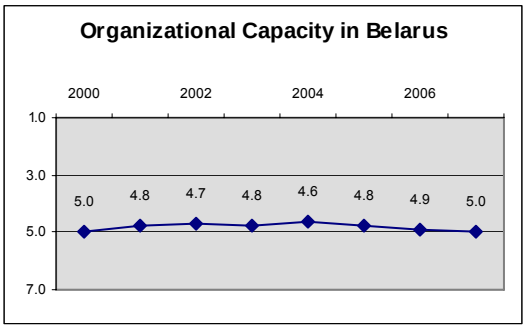
Current legislation does not allow NGOs to earn income in any form, and thus they can not compete for government contracts. *Real World*, a Svetlogorsk-based NGO, won a tender for a local HIV prevention program in April 2007, but the contract has not been signed yet due to this restriction. At the same time, GONGOs such as the *Belarusian Republican Youth Union* receive funding from the state budget.

ORGANIZATIONAL CAPACITY: 5.0

The availability of organizational capacity building support for NGOs continued to decrease in 2007 to the point where there are virtually no organizations or programs that continually and systemically provide basic knowledge and skills, technical assistance, consulting or information to NGOs across the country. Consequently, the gap between the few mature organizations – which often have clearly defined specializations, strong ties with domestic and foreign counterparts, and are predominantly concentrated in the capital city – and the plethora of grassroots initiatives has increased.

The foreign donor community increasingly insists that NGOs include constituency building and community needs assessments into their project proposals; however, as a result of the hostile atmosphere described above, many NGOs focus more on their donors and members than true constituency-building. Some leaders of high-profile national organizations spend more time abroad cultivating donor relationships than developing contacts within local communities and with other NGOs.

Due to the lack of capacity building support, NGOs – particularly newly established regional organizations – do not understand the importance of cultivating, developing, and responding to local constituencies. Others, especially unregistered organizations, use alternative means to reach out to their constituencies such as Internet, e-mail, and hand-delivered publications. NGOs that provide services to state institutions expand their constituencies by involving civil servants into their activities.



The majority of NGOs accepts the importance of strategic planning, but fails to see any practical results from it. Some conduct strategic planning only to meet donor requirements, while others do so simply to demonstrate their capacity. Only a few NGOs engage in strategic planning for their own development. Though NGOs have boards of directors, their governance functions are poorly developed, with the distinction between boards and staff often blurred and board roles inadequately defined.

Most funding for NGO activities is neither registered nor reflected in the books; therefore, only a limited number of people have full information about an NGO's operations and plans. This lack of transparency stifles the development of internal regulations and communication and often leads to internal conflicts. Unfortunately, more and more NGOs are using the tough operating environment as an excuse for authoritarian management practices. Only a few NGOs conduct real audits and publish annual reports.

NGOs with stable financing are able to employ staff; others have to use volunteers even for bookkeeping. As many donors do not cover administrative expenses, NGOs are generally unable to pay competitive salaries or provide social benefits. As a result, NGOs often find it

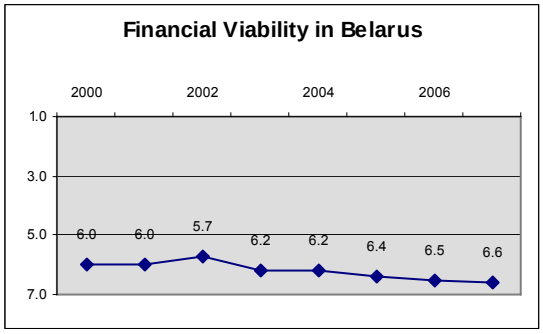
difficult to recruit and retain qualified professionals. Even large and well-developed NGOs, such as *BelAPDI*, are losing professional staff due to low salaries.

In general, NGOs in Belarus have office equipment, but have problems purchasing licensed software. Even NGOs without equipment have access to basic technology as every post office has a public computer with Internet access. Though there are still cases of government confiscation of NGO equipment (nine computers were recently confiscated in Gomel from *Malady Front* activists), they are rare and do not dramatically affect overall NGO access to equipment.

FINANCIAL VIABILITY: 6.6

Financial sustainability remains one of the most pressing issues facing the NGO sector in Belarus. The weak capacity of many NGOs to design projects and apply for financial support, combined with the lack of information on available funding opportunities, inhibits the development of the sector.

Belarusian NGOs are financed by three major sources: financial and technical support from foreign donors; membership fees; and through partnerships with foreign NGOs for specific projects. The latter is especially popular because it allows local NGOs to conduct activities without going through the cumbersome grant registration procedure. Smaller, regional organizations face difficulties in accessing all three of these funding sources.



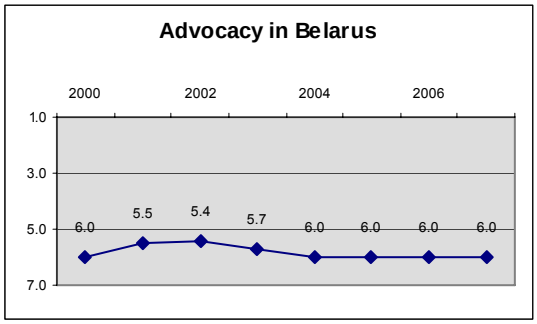
As domestic funding sources are almost non-existent, Belarusian civil society depends substantially on foreign funding. Many NGOs seem to be comfortable following foreign donors' strategies and decisions and unperturbed by the poor prospects for local funding. In many cases, foreign donations are not formally registered because of the difficult registration procedure, which discourages sound financial management practices and transparency and may explain why NGOs avoid audits and do not publish annual reports.

Most leaders of social service NGOs recognize the importance of partnering with local businesses, yet report decreasing or stagnant interest by the business sector in cooperating. Decree #300 on charitable donations and sponsorship, issued in 2005, made corporate donations to independent NGOs economically unfeasible and procedurally difficult and continues to impact the financial situation of NGOs. The most popular forms of business-NGO cooperation are donations of goods and services and cash contributions. Most commercial enterprises, both state-owned and private, prefer to provide assistance directly to end beneficiaries, thereby avoiding contacts with social organizations. Existing business-NGO projects are based primarily on personal relationships between business owners and NGO leaders.

NGOs collect membership fees, which nonetheless make up a small share of their budgets because of small memberships and the inability of Belarusian citizens to pay high fees. Belarusian legislation does not allow NGOs to engage in economic activities: a separate commercial arm must be created for that purpose. To get around this limitation, Belarusian NGOs often exchange services for donations, both financial and in-kind. While this practice is irregular, it nevertheless helps organizations recoup some of their expenses and maintain long-term social programs.

mentioned above, a presidential decree issued in October 2007 will significantly raise the rents NGOs must pay for offices in state-owned buildings beginning in April 2008, thereby posing unbearable economic effects on the sector.

ADVOCACY: 6.0



The NGO community is fragmented and unable to unite to develop viable approaches to advocate the interests of the sector as a whole, defend NGOs' rights, or increase the sector's public profile. During the year, NGOs initiated national advocacy campaigns against nuclear power plant construction and government-dictated labor contracts, and continued network activities in the areas of environment, health, and community development. However, due to poor organization and low community involvement, these efforts had mixed results. Local campaigns, including one against the demolition of historical buildings in Grodno and another in Gomel to commemorate victims of Stalinist repressions, were better organized and received greater public support. As the real power vests with the presidential administration, appeals to the Parliament or Ministries are fruitless, causing frustration and disillusionment among campaign organizers. One successful advocacy initiative during the year was the efforts of the *Belarusian AIDS Network*, which led to the Council of Ministers' adoption of recommendations to the country strategy on HIV/AIDS Prevention, Treatment and Care.

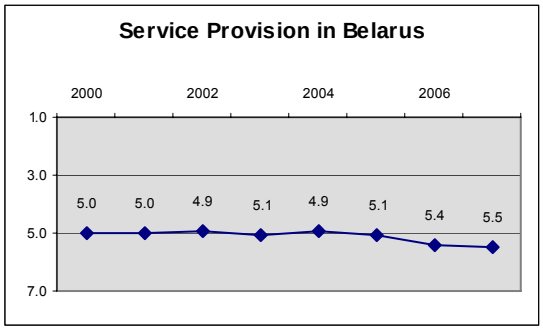
Though the general climate for public-private cooperation is unfavorable, NGOs are represented in expert and advisory bodies created by Ministries for issues such as the environment, eco- and agro-tourism, corporate social responsibility, HIV prevention, and social service provision. Several of the most respected NGOs providing trafficking prevention services in local communities received partner–observer status in the *National Working Group on Combating Trafficking in Human Beings* last year. At the same time, most NGO contacts with government bodies are limited to relations with individual officials and have little impact on policy decisions. Cooperation at the local level is wider, but is still mainly based on local administrations' desire to leverage NGO resources.

SERVICE PROVISION: 5.5

The general deterioration of the operating environment and internal capacities of NGOs has affected their abilities to provide quality services. Limited resources and restrictive legislation sometimes force NGOs to stop providing demanded services and transfer them to state institutions. For example, workshops for young disabled people run by *BelAPDI* were transferred to the state-owned *Territorial Centers for Social Services*; the same happened with the social enterprise of *Doveriye* in Kobrin. Another indicator of the decline in service provision is that the share of projects presented by NGOs at the annual social projects fair decreased in comparison with previous years in both relative and absolute terms.

The spectrum of social services provided by NGOs expanded during the year, while activities in other areas diminished or even disappeared. While the government favors more NGO engagement in social service provision, the number of registered think tanks, resource centers, human rights and educational NGOs is decreasing due to lack of funding, government intimidation, and deregistration.

NGOs continue to provide vital social services where the state has failed to do so, and are increasingly serving as valuable sources of expertise for the government itself, particularly at the local level. In some cases, NGOs have so effectively filled the social services void that local governments are experimenting with the idea of contracting them to provide such services.



Many NGOs introduce social innovations to the country, leveraging their international contacts, greater flexibility and relative absence of ideological constraints. For example, the *Christian Children's Fund* grantees introduced fifty new or modified social services for orphans, vulnerable children and families in 2007.

NGOs count on continued foreign assistance, and therefore have little incentive to focus on market demand or cost recovery. Training on financial management, marketing, pricing, break-even analysis, and cost effectiveness is neither available nor demanded. Only a limited number of NGOs conducts needs assessments of potential beneficiaries and hardly any do cost-benefit analyses of services.

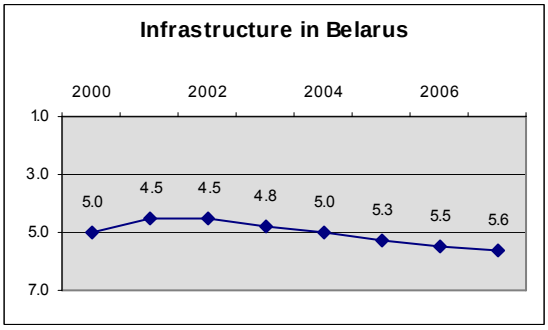
Government procurement opportunities for NGOs are underdeveloped or nonexistent. A few NGOs have contracts with the government to provide social services, but for the most part, such contracts are extended to state-controlled pro-governmental organizations. State bodies and institutions acknowledge the expertise and professionalism of NGOs but prefer to work with individual NGO professionals as trainers and consultants.

INFRASTRUCTURE: 5.6

The NGO sector in Belarus does not have the infrastructure needed to protect itself against punitive government measures, build a cadre of professional staff, publicize the sector's success, perform brokerage functions between donors and recipients, or lobby the legislature. Most NGO resource centers were previously de-registered by the state. While other NGOs and their networks have assumed some of their information sharing and training functions, these services are neither regular nor consistent. Smaller regional organizations are hit hardest by the lack of such resources.

Local grantmaking organizations are limited in number and information about their activities is not widespread. Some large international organizations like the *YWCA* re-distribute funds among their own local structures.

With rare exceptions, horizontal linkages between NGOs remain sporadic and ineffective, particularly between organizations working in different areas of expertise. That said, NGOs have become more aware of the benefits of cooperation and information exchange and have formed new networks and coalitions: organizations that deal with HIV/AIDS prevention established an association and even managed to get registered, and a group of women's NGOs renewed their coalition to promote women's rights and gender equality. Existing coalitions, though not formally registered, continue to redesign strategies to better serve their members.

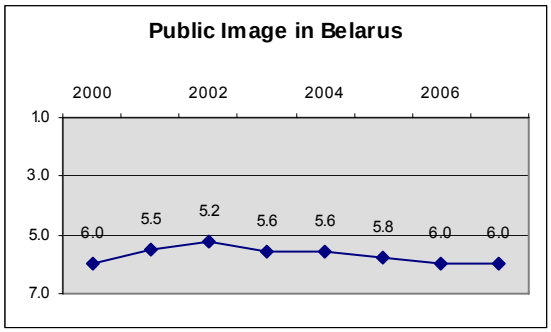


While local trainers are able to conduct high quality training in Russian and Belarusian, NGOs lack funds to pay for their services, and donors do not sufficiently support these activities. NGOs in provincial towns and villages have limited access to training. There is a great need for local trainers to improve their capacity, broaden subject topics, provide peer education in small communities, and develop a forum to exchange experience and tools.

Cross-sectoral cooperation remains underdeveloped, and NGOs have a long way to go to earn trust and support from other segments of Belarusian society.

PUBLIC IMAGE: 6.0

The state media occasionally reports on activities of GONGOs and quasi-NGOs like the *Belarusian Republican Youth Union*, as well as veteran's and women's organizations loyal to the authorities. Other NGOs are rarely covered in a positive light, if at all. On the contrary, state propaganda often portrays independent NGOs as foreign agents working against national interests. Even NGOs implementing programs supported by the state have difficulties with media coverage. Independent media, in contrast, provide more balanced coverage of NGOs and their activities, but do not reach a large enough percentage of the population to affect public opinion.



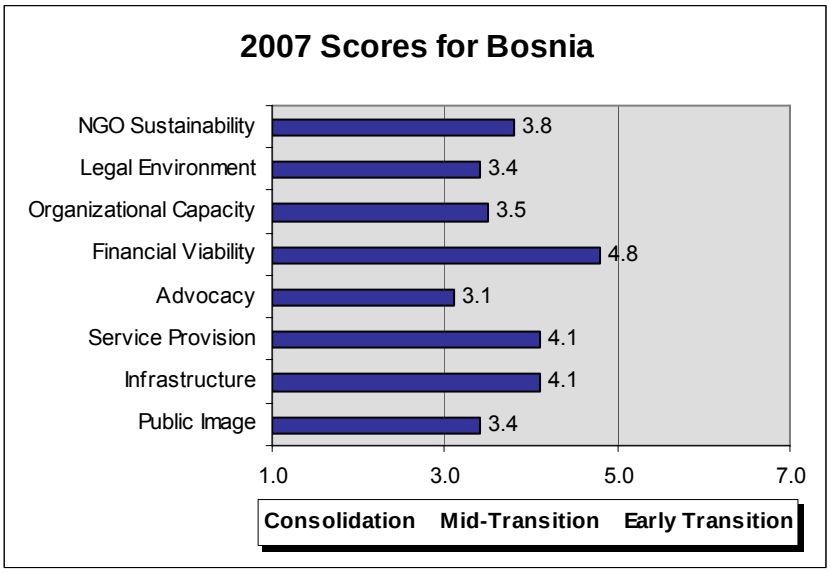
Lack of access to traditional media forces NGOs to look for new ways to reach people while safeguarding their interests. Internet and e-mail are very popular tools and sources of information about all kinds of civic initiatives.

The government, media, general population, and NGOs themselves view NGOs as divided into two sides: those loyal to the government and those critical of it. With virtually no middle ground and high animosity between the sides, communication between NGOs and government officials can be particularly difficult.

Heavily influenced by propaganda in the state media, the public sometimes suspects NGOs of being susceptible to foreign interests and misusing financial resources for personal profit. Most NGOs need help identifying and articulating their impact and success to overcome such suspicions.

The hostile NGO environment in Belarus and resulting closed nature of NGOs does not encourage joint work on ethical standards or rules of conduct. However, such rules do exist among a few NGOs, networks and coalitions.

BOSNIA AND HERZEGOVINA



Capital: Sarajevo

Polity:
Federal
Democratic Republic

Population:
4,590,310 (July 2008 est.)

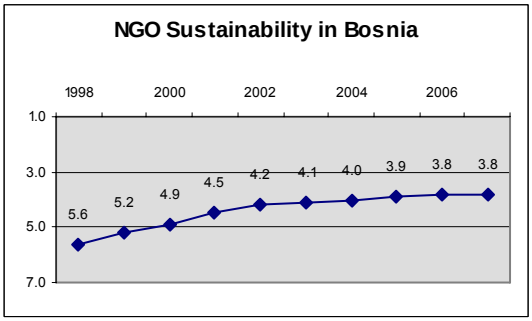
GDP per capita (PPP):
$6,600 (2007 est.)

NGO SUSTAINABILITY: 3.8

The NGO sector in Bosnia and Herzegovina remained at the same overall level of sustainability over the past year. The perceived stagnation stands in contrast to the 2006 pre-election period when NGO activism and public exposure were at record high levels, and reflects the post-election reduction of activity and coverage. Following the October 2006 elections, inter-party fighting over government positions delayed the formation of both State and Federation governments. During the six months it took to form the State government, NGOs had no official counterparts with whom to interact. Furthermore, the issue that dominated public discussion – police reform –was driven by the international community and civil society was not given the opportunity to discuss or provide input on this issue.

The State government signed an Agreement on Cooperation between the Council of Ministers and the NGO Sector creating significant opportunities to increase citizens' involvement in State-level decision making. Additionally, the Republika Srpska (RS) Government – on its own initiative – approached USAID for assistance in setting up an RS NGO coordination office.

A small number of well-developed, capable and professional domestic NGOs has emerged. These organizations have sound internal structures, transparent operations and professional capacity to sustain operations and undertake social initiatives; however, they rely primarily on foreign donors.



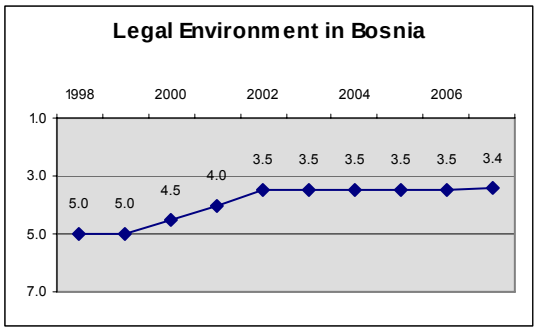
Financial viability remains the biggest concern for long-term NGO sustainability. NGOs continue to rely heavily on the international donor community for support, although the level of international funding declines each year. As a result, the NGO sector is constantly consolidating and decreasing in both size and level of activity. There is some evidence that NGOs have begun to diversify their funding

sources and recognize the potential of local philanthropy, which must be tapped to promote the sector's long-term viability. New legislation on both personal and corporate income taxes comes into effect on January 1, 2008. The effects on philanthropy, which are generally anticipated to be positive, will only become apparent in the future.

Approximately 7,000 local associations, foundations and organizations are registered in BiH. Of those, less than half are active. Only 229 organizations and associations are registered at the state level, with the remainder registered at the entity or local level.

LEGAL ENVIRONMENT: 3.4

Little has changed in the legal environment for the NGO sector over the past year. The legal framework for foundations and associations still does not adequately reflect the needs of the BiH NGO sector. For example, the definition of 'public benefit activities' needs to be harmonized with new tax laws and reformulated to provide a broader range of activities with the prescribed tax benefits in order to encourage individual and corporate giving for such activities.



Two new tax laws – the Law on Personal Income Tax and the Law on Company Profit Tax – were recently adopted in each entity, but failed to bring any new benefits to NGOs. The RS Law on Company Profit Tax provides tax exemptions for corporate donations to public institutions, humanitarian, cultural and educational organizations, while the Law on Personal Income Tax provides individuals who are employed independently with deductions for donations to humanitarian, cultural, educational, and sport activities. The FBiH laws provide companies with deductions for donations to humanitarian, cultural, educational and other activities up to 0.5 percent of corporate gross income, and individuals with deductions for donations to cultural, educational, scientific, health, humanitarian, sport, and religious NGOs or individuals.

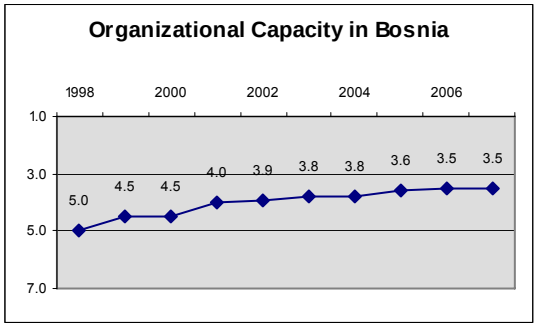
The introduction of a Value Added Tax (VAT) at a flat rate of 17 percent on January 1, 2006 imposed a burden on the NGO sector, effectively increasing the cost of all purchases and services by 17 percent. As the majority of smaller NGOs do not have revenues exceeding BAM 50,000 annually and are therefore not in the VAT system, they are not able to claim a VAT refund. Overall, the introduction of VAT has decreased the percentage of their budgets that NGOs can spend directly on their beneficiaries. In 2007, the NGO Council started an initiative to introduce tax benefits for the work of public benefit organizations using models from other transitional countries in the region. The BiH Parliament has not yet added this issue to its agenda.

NGOs trying to register at the State level still face a gap between what is prescribed by law and how it is implemented. Registration officers who do not implement the law properly are virtually insurmountable obstacles, with state-level registration taking between six months and a year. As a result of these obstacles, of the approximately 7,000 NGOs registered in BiH, only about 200 are registered at the state level.

In April 2007, the newly formed Council of Ministers signed an Agreement on Cooperation with the NGO Sector. Through this agreement, the government opened the door for the creation of government offices to promote better cooperation with civil society, greater and more organized NGO involvement in the formulation of public policies, and more transparent distribution of public funding to local NGOs.

ORGANIZATIONAL CAPACITY: 3.5

Organizations are increasingly committed to their missions and an increasing number of NGOs have developed long-term strategic plans. Donors now closely consult with NGOs to better target their projects and define their priorities through consultative meetings and roundtables. However, NGOs still sometimes adjust their strategies in response to donor plans, particularly now that competition has increased as a result of decreased donor funding. Increased competition has also prompted NGOs to write stronger project proposals, address donors more effectively, and communicate with local, entity and state-level government officials. At the same time, many in the NGO sector now accept that an NGO does not need to continue if it has fulfilled its mission.



All larger and some smaller NGOs can be characterized as "professional organizations" with fully equipped offices, websites, organizational charts, a proper allocation of responsibilities, more diversified funding and greater transparency. Most organizations are relatively well-equipped with computers, faxes, e-mail and Internet access.

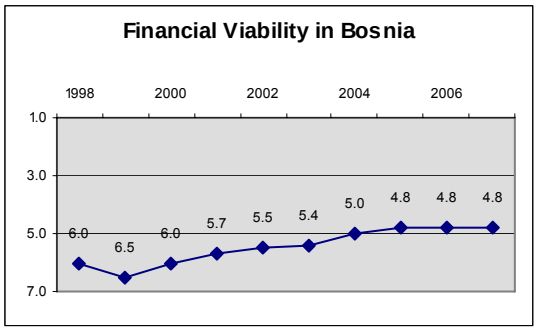
Over the past year, the efforts and ability of NGOs to build constituencies and engage the communities and groups that they serve has lagged. During the post-election period, when it took several months to form governments in the Federation of BiH and at the State level, the NGO sector was fully engaged as a government watchdog, pressuring politicians to form a government. In doing so, NGOs focused more on the government than on their own constituencies.

With the decrease in available funding and tighter competition, many NGOs face staffing challenges as experienced personnel are drawn into other sectors that offer more secure employment and better conditions. High taxation and social contributions – including health insurance, unemployment insurance and pension contributions – make it difficult for NGOs to commit to taking on full-time staff. NGOs cope with this by maintaining networks of part-time or short-term contractors who are engaged on a project basis. As a result, many organizations are operated by a small core staff that takes on multiple roles, and remain underdeveloped in areas such as strategic planning, public relations, and effective and transparent management.

Volunteerism is at a very low level in Bosnia compared to the region. NGOs should take active measures to provide information about opportunities for volunteer engagement to reverse this situation. In the Republika Srpska, a working group has formed to work on a Draft Law on Volunteerism, and in the Federation of BiH a Law on Volunteerism has been drafted but has not been introduced into the legislature.

FINANCIAL VIABILITY: 4.8

Financial viability remains the weakest dimension of NGO sustainability. The UNDP Donor Coordination Report confirms that international donor funds continued to decline in 2007 following the short-term increase in the previous year for pre-election activism, such as the GROZD campaign. The amount of domestic public sector spending going to the NGO sector is estimated at 58 million BAM, or approximately $44 million, but it is unlikely that the domestic public or private sectors will make up for the decrease in international funds in the near future.



Cooperation between NGOs and municipal governments continues to improve, although municipal funding of NGOs remains modest. Local funding of NGO initiatives often occurs only because of matching funds from donors. In other cases, municipal allocations to NGOs are ad hoc and politically motivated.

Public fundraising is very limited and difficult in practice, but there is increasing awareness among NGOs that it is a necessary and worthwhile effort. Research conducted in 2007 on the philanthropic practices of BiH citizens and businesses by the Center for Policy Studies[1] indicates that citizens and local companies give 40 million BAM ($30 million) in donations annually, 85 percent of which goes to religious organizations. This reflects the absence of political and civic community engagement, although NGOs are becoming increasingly aware of the general principles of corporate philanthropy.

More organizations realize that their survival depends on improving their fundraising skills and diversifying their funding sources, although they remain heavily reliant on international donor funding. Some NGOs have developed to a point where they will survive further decreases in donor funding, but many others will fail. Most NGOs only search for alternative funding sources when their existing donors pull out or decrease their support.

NGOs largely recognize the importance of transparency and accountability from a fundraising perspective, but few can implement these measures. There is a continued need for training in effective and transparent management.

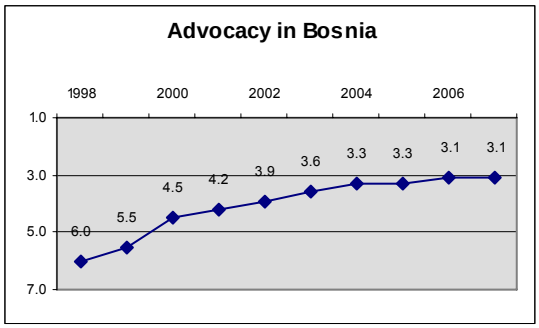
ADVOCACY: 3.1

In 2007, NGO advocacy efforts lacked the dramatic and catalyzing focus of the GROZD initiative, which united 200 NGOs and 2,000 volunteers to advocate political parties to adopt the GROZD platform in the lead-up to the 2006 elections. Unfortunately, the activities of GROZD in monitoring and holding political representatives accountable after the elections have not met the high expectations formed in the pre-election period.

Several organizations that were part of GROZD, such as CCI, ALDI, and Transparency International, continued their advocacy and watchdog activities in 2007 on their own, producing analyses and evaluation reports of the work of all levels of government in BiH. These 13 reports were made public and reported on in the media – there were more than 110 stories about CCI's semi-annual reports on the work of parliament alone. In addition to highlighting shortcomings of the governments, the reports also offered recommendations for improvement.

Policy analysis organizations and think tanks have continued to develop cooperative relationships with government officials and departments. At the same time, these organizations are starting to specialize in certain policy areas, such as macroeconomics, social policy, or foreign policy. The Association of Policy Analysts was formed to further improve relations with the government, lobby the government to pay for research, and increase coordination among these organizations.

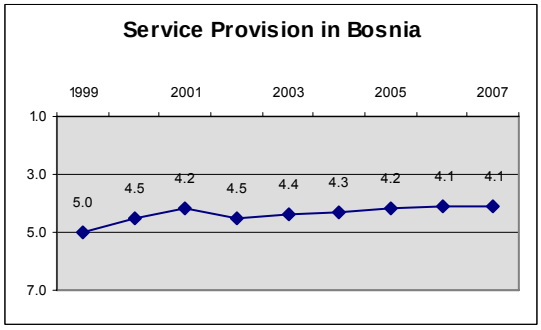
[1] Philanthropy in BIH: Policy Implications for the Government and Non-Government Sectors, Dino Dipa, Emir Dervisevic, CEPOS Center for Policy Studies, June 2007.



Expertise in advocacy continues to be concentrated within a few leading national organizations, as smaller NGOs lack staff with expertise to conduct effective advocacy. That said, local NGOs have increasingly approached larger national organizations or actively sought to enter ad hoc or permanent coalitions for assistance in advocating on their focal issues. This positive change in the way that NGOs link efforts is a result of the GROZD initiative's approach to coalition building.

A body of 30 elected NGO representatives from different interest groups formed the NGO Board of BiH. As this Board will represent the interests of the NGO sector to the Council of Minister's NGO Coordination Office, it has the potential to become a significant player in future advocacy initiatives.

SERVICE PROVISION: 4.1



NGOs' ability to provide services has not changed significantly in the past year. Cooperation between the government and NGOs to address social welfare needs continues. Government is slowly recognizing the value of service provision by NGOs, but still does not systematically incorporate them in policy making or issue-based debates. At the municipal level, governments co-fund NGO service provision in some instances, although this is still rare.

Although generally responsive to community needs, service provision continues to be largely defined and funded by foreign donors or identified by NGOs in an unsystematic way in response to calls for proposals. However, donors are increasingly consulting NGOs and involving them in the conceptualization of their programs, which is increasing the focus on community needs.

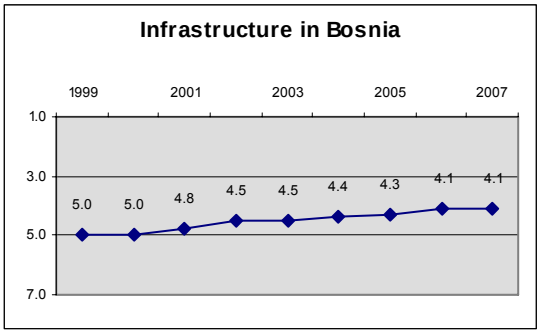
As reported above, policy think tanks have established or strengthened cooperation with government officials and departments. Departments in the government are also becoming more receptive to consulting with NGOs, recognizing that NGOs can be effective partners. The work of think tanks continues to be predominantly donor-funded and the impetus for government to allocate adequate funds to them is still weak.

There is an increasing awareness of the need to charge for services and some NGOs have started trying to raise revenue in this way.

INFRASTRUCTURE: 4.1

The most significant development in the infrastructure of the NGO sector over the past year was the signing in May 2007 of the Agreement on Cooperation between the Council of Ministers and the NGO sector, which will significantly increase citizen's involvement in State-level decision making. This agreement was drafted by the Center for Civil Society Promotion (CCSP), which lobbied for several years for its acceptance. In October 2007, the NGO Board of BiH was formed, which will act as the consultative body representing civil society's interests to the government. The Board

is developing a strategic and action plan and should be fully operational by spring 2008.

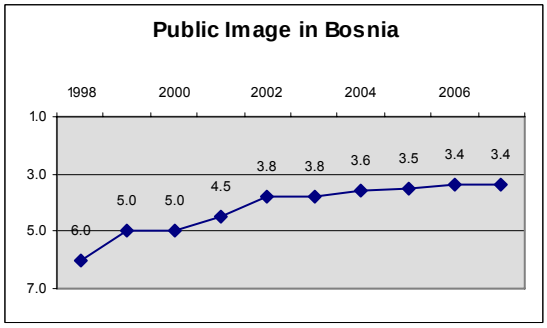


Intermediate support organizations and more developed NGOs continue to include smaller organizations in their joint initiatives. CCSP in Sarajevo remains the only civil society resource center. The Center had an increasing number of visits to its website and inquiries from NGOs and individuals throughout BiH, indicating the need for an organization to serve as a link between different sectors of society. The lack of NGO resource centers in other major cities continues to hinder the regular and effective exchange of information and opportunities for cooperation. CCSP plans to organize more activities in the field, such as a series of training activities in smaller towns in BiH.

The slow formation of governments at the Federation of BiH and State levels after the 2006 elections delayed further improvements in relationships between the NGO sector and the media, as the media was fully focused on the political negotiations. Relations with the business community remain weak. Businesses still do not recognize NGOs as valuable partners and NGOs still do not involve businesses in their work, except as potential donors.

PUBLIC IMAGE: 3.4

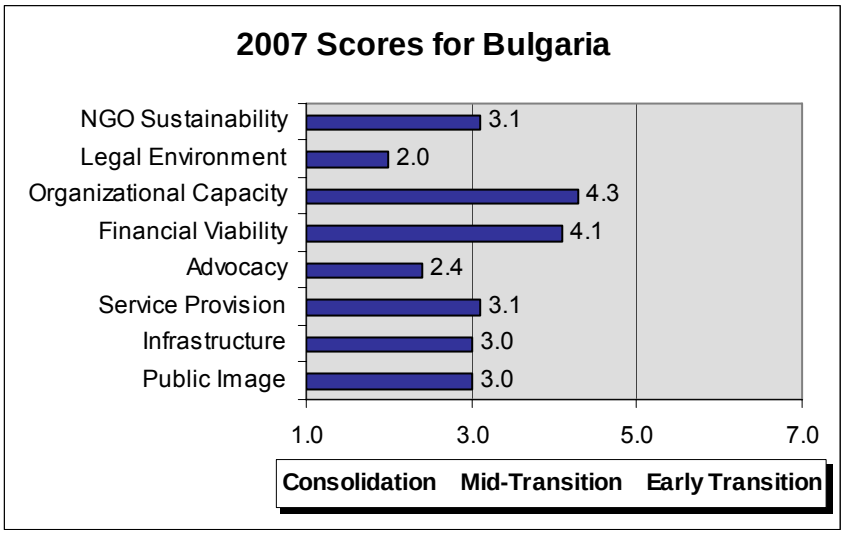
A survey conducted by CCSP in September 2007 assessed the structure, environment, values and influence of civil society in BiH. The survey found that public trust of NGOs is satisfactory. While religious communities are trusted the most, they are followed by the NGO sector.



The period following the October 2006 general elections saw less contact between government and the NGO sector, especially larger advocacy groups and policy think tanks. In the 2006 pre-election period, the GROZD initiative produced and attracted a great deal of media interest and coverage. At that stage many considered GROZD a “catalyst” for NGOs, and a model for how to develop interesting ways to maintain and succor media interest. Although there was a strong public relations and awareness-raising component to GROZD, the increased publicity did not translate into a markedly improved public image of the NGO sector.

Media regularly invite NGO leaders to comment on NGO activities as well as broader social, economic, and political issues. Some NGOs have developed very effective modes of communication with the media. NGOs must now make it a priority to develop their public relations skills, learn how to use and educate the media, and relay their missions and ideas.

BULGARIA



Capital: Sofia

Polity:
Parliamentary Democracy

Population:
7,262,675 (July 2008 est.)

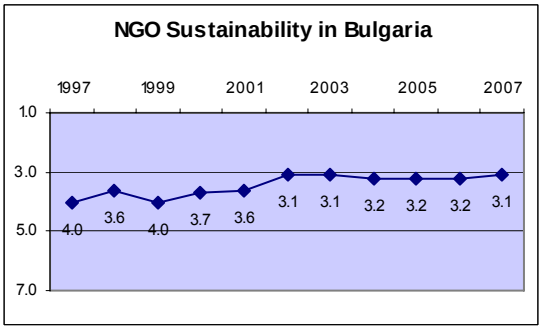
GDP per capita (PPP): $11,800 (2007 est.)

NGO SUSTAINABILITY: 3.1

By 2007, there were approximately 28,700 NGOs registered in Bulgaria, including 3,700 community centers or "chitalishte." Of these, roughly 5,000 are classified as Public Benefit Organizations.

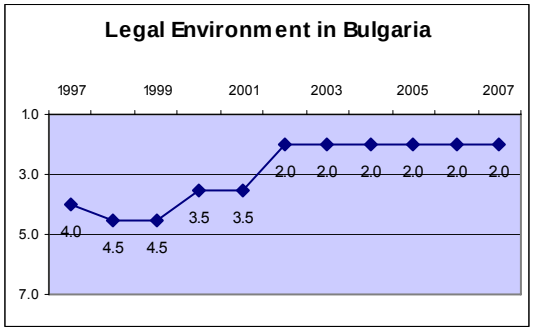
Bulgaria's accession to the European Union on January 1, 2007 marked a key event for the NGO sector – and for the country. EU membership created a new environment for NGOs with new challenges and opportunities. The major NGOs had been preparing for this event for some time and had adequate organizational capacity to adjust accordingly. Others will have to quickly adapt, or risk failing if they are unable to adapt to the new donor environment and priorities, work style and financial support that EU membership offers. The smaller advocacy organizations constitute the most vulnerable segment of the NGO sector. The Trust for Civil Society in Central and Eastern Europe and the Balkan Trust for Democracy offer the best chances for their survival in the short-term, while also providing these authentic grass-roots civil society structures with much-needed encouragement.

The first year of EU membership saw an increase in citizen activism and public initiatives. NGOs proved capable of formulating and upholding positions supported by thousands of citizens. In doing so, they accentuated their unique expertise, making them desirable partners for public authorities, businesses and media.



While financial viability continues to be the sector's greatest challenge, positive changes have taken place with respect to organizational capacity and public image.

LEGAL ENVIRONMENT: 2.0



The legal environment for NGOs did not witness any significant changes in 2007 and remains adequate. As a result of growing competence of the court staff, the law that regulates the registration of new NGOs no longer creates problems in either Sofia and the larger cities or the smaller, more remote municipalities. Following amendments to the law in 2006 that eliminated several bureaucratic requirements, NGOs enjoy greater freedom of activity and management.

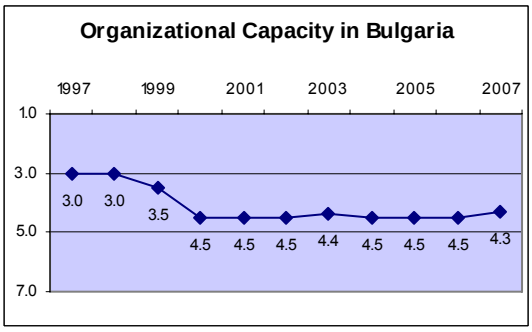
The Ministry of Finance increased requirements for financial accountability by NGOs, especially those receiving public funding – a change that has been viewed positively. No cases of government bodies imposing administrative obstacles or difficulties were reported in 2007. While the participants in eco-protests connected with NATURA 2000 – one of the largest EU environmental programs – claim that the police reaction was repressive, no protests were banned.

The Government pursued a policy of streamlining and unifying tax legislation in 2007, resulting in the gradual reduction of the tax exemptions which NGOs have enjoyed. Specifically, the limit on the tax deduction for donations made by natural persons to NGOs has been decreased from 10 percent to five percent of taxable income. However, at the same time, NGOs benefit from the overall reduction of corporate taxes, which has given rise to more corporate donations than previous tax incentives. In 2007, NGOs also benefited from a VAT exemption on the delivery of social services and the elimination of the threshold for registration for VAT purposes.

ORGANIZATIONAL CAPACITY: 4.3

While destabilizing for many organizations, the restructuring of the NGO sector that began several years ago provided an opportunity for the development of NGOs that offer technical assistance and social services. These NGOs recognized the changes taking place in the donor environment and created or revised their strategic plans accordingly. At the same time, many smaller NGOs realized that their administrative capacities were not sufficient to meet EU standards for projects funded by the state, and reacted promptly by strengthening their administrative capacities beyond what they were in 2005 and 2006.

NGOs are strengthening their capacity to comply with standards for transparency and accountability, as they recognize the need to develop as competitive organizations. The number of full-time NGO staff declined slightly in 2007, but remained at approximately the same level as the previous year. On the other hand, the number of external experts and volunteers is growing. While some NGOs fear that the growing reliance on external experts will weaken their organizational self-sufficiency, the increasingly successful work with volunteers represents an undeniably positive trend.



NGOs have demonstrably improved their capacity to build support not only for their

specific initiatives, but for longer-term causes, which may prove the most significant development of 2007. The successes of NGOs working in the areas of environment, consumer protection, cultural heritage preservation, protection of the rights of persons with health problems, etc. are particularly notable.

The fact that regional programs, most notably the Trust for Civil Society in Central and Eastern Europe, are based in Bulgaria testifies to the strength and capacity of the Bulgarian NGO sector.

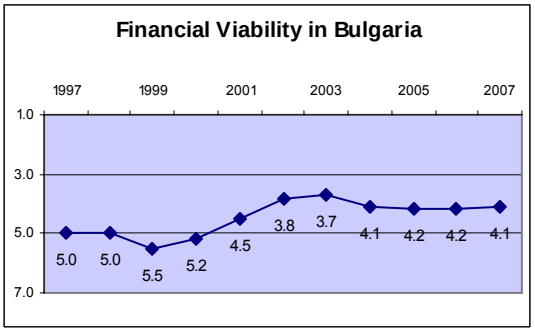
In comparison to 2006, the NGO sector achieved significant technical progress, and the condition of its facilities and equipment does not impede its functioning.

FINANCIAL VIABILITY: 4.1

On the whole, the financial resources available for NGOs in 2007 have increased in comparison to 2006 as a result of the growing number of programs funded by the EU and managed by the Government of Bulgaria; the increasing commitment of local governments to finance projects of municipal importance; and the increased interest of citizens and businesses in making donations.

In 2007, Bulgarian NGOs became eligible for funding from the European Social Fund under two Bulgarian Government-managed Operational Programs. USAID/Bulgaria also set up a special $3 million fund within the Balkan Trust for Democracy as a post-USAID legacy mechanism to finance viable NGO projects related to rule of law and judicial and government reform; economic opportunities for and social integration of vulnerable groups; and, labor force and labor market development. According to data from the Bulgarian Donors Forum, donations to NGOs from businesses and citizens reached more than 30 million Bulgarian Lev (approximately $22 million) in 2007, the highest level in recent years.

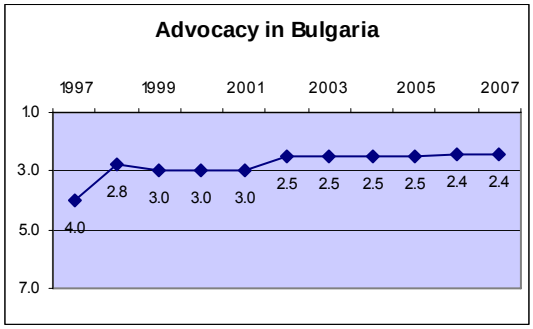
Despite this progress, the NGO sector remains financially unstable. Income remains uncertain and expenditures on office maintenance and external experts continue to rise at a faster pace than revenues. Although there are quite a few NGOs with diverse financing sources, many NGOs have been unable to adapt to the new donor environment and the restructuring of the sector. Growing capacity for fundraising encourages NGOs to undertake fundraising campaigns, but so far this has had little bearing on financial viability. Some of the NGOs involved in service delivery have been positively affected by the possibility to register for the purposes of VAT and thus make use of the tax credit, but they constitute a small portion of the sector. In 2007, banks took a significant step by lending to NGOs, enabling the sector to implement projects requiring co-financing and greatly expanding their financial potential. The easier access to loans, however, has given rise to a new phenomenon for the NGO sector – indebtedness.



As was the case in 2006, the most viable NGOs are those generating revenue from their own activities. These NGOs offer consulting services to address the growing demand from local governments and businesses for assistance in developing project proposals for EU Structural and Cohesion Funds. Sound financial management practices are increasingly necessary for NGOs to be financially viable, but as in previous years, only several hundred have such ability. The EU funding model includes large disbursements of funds, which does not help smaller organizations.

ADVOCACY: 2.4

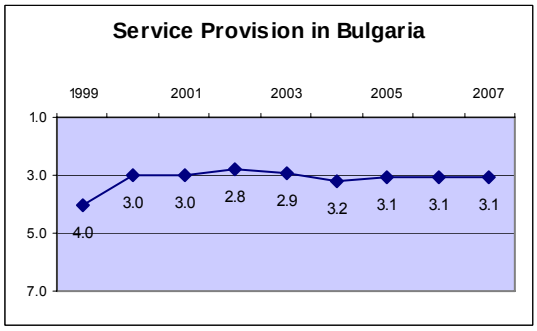
NGO cooperation with central government bodies in 2007 reveals contradictory tendencies. Some ministries show increasing willingness to work in partnership with NGOs, while others do not. NGOs have also noted some reluctance by the legislative branch to accept ideas and initiatives coming from civil society. While this step back from the level of partnership reached in previous years is not yet a distinct trend, NGOs have grounds to fear that after Bulgaria's EU accession, government authorities are losing some interest in pursuing a policy of continuous and open dialogue with civil society. On the other hand, local governments actively seek such dialogue. Hopefully this trend will continue and does not represent temporary tactics on the eve of the October 2007 local elections.



2007 saw successful NGO advocacy campaigns, both locally and nationwide. Among the most notable were campaigns in support of NATURA 2000, road safety, and the liberation of the Bulgarian nurses in Libya, and protests against illegal construction along the Black Sea coast and in the mountains of Rila and Pirin. Additionally, timely action by the NGO community prevented the National Assembly from approving some problematic draft amendments to the Access to Information Act. The consumer federations, the associations of persons with serious diseases, and union branches all demonstrated increased advocacy capacity by using political lobbying, citizen pressure and other advocacy techniques to represent the interest of their members. NGOs also made use of their right to criticize the actions of the central and local authorities and brought lawsuits against them in courts, thus demonstrating their increasing competence in law and advocacy. Despite these successes, it is disappointing that the Act on Lobbying, which has been under preparation for quite a while, has not yet been enacted.

While advocacy NGOs have been the most affected by the withdrawal of foreign donors, the most active among them have formed coalitions with newly emerging informal citizen initiatives and remained relatively effective advocates. Advocacy campaigns show a growing effectiveness, primarily due to the increasing interest of citizens in safeguarding their rights and interests. EU membership affords a strong incentive in this respect and has inspired many NGOs to initiate new and viable civic initiatives.

SERVICE PROVISION: 3.1



NGOs continued to widen their portfolio of products and services to meet the needs of citizens, public authorities, other NGOs or businesses. This positive development is due to both NGOs' growing specialization and competitiveness and the new opportunities created by Bulgaria's EU accession. The services in greatest demand remain training, consulting services and research – all areas in which the NGO sector has substantial expertise. There is practically no policy or significant institutional project for which NGOs have not been invited to carry out activities like monitoring, impact evaluation, or development

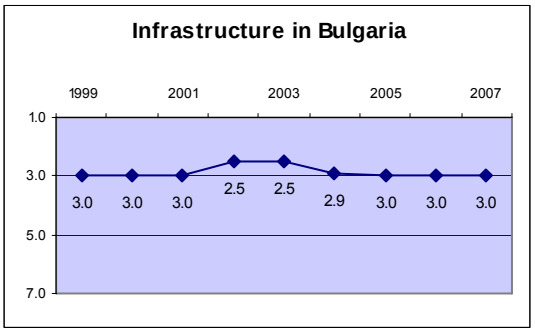
of public campaigns. NGOs are also slowly entering the sphere of delivery of basic public services, including social care and crisis relief. The sector is still not allowed to work in areas like healthcare, housing, water and energy supply, but it has not shown eagerness to work in these areas either.

One issue that raises concern is that NGOs are generally not in a position to offer services for free to those who cannot afford to pay. Growing competition, not only among NGOs, but also with businesses entering their field of activity, is forcing NGOs to improve the marketing of their products and services. Government support for NGO service provision, especially basic social services, is still scarce. A promising step in this direction is a reform in the system of social care for children and mentally disabled adults. A very small number of NGOs continue to receive government subsidies, as they have for decades.

INFRASTRUCTURE: 3.0

In recent years, the NGO sector has been learning practical steps on how to survive and work without intermediary support organizations, local resource centers and local grantmaking organizations. While such organizations were the key elements of NGO infrastructure during the 1990s and established the prerequisites for sustainable NGO development in Bulgaria, they proved to be unsustainable. Those ISOs that still exist have had to look for new specializations to survive. At the same time, the conditions for training NGOs are becoming more favorable because of the development of necessary capacity by higher educational institutions, the growing number of NGOs and consulting companies providing this type of service, and access to the Internet.

No external incentives exist for creating sustainable NGO networks, although fragments of previously active networks still exchange information, ideas and expertise. The sector does not recognize the need for an organization to represent its interests before the legislative and executive branches of government and make its ideas known to the broad public. None of the diverse NGO communities view defending and defining the so-called common interest as a priority.



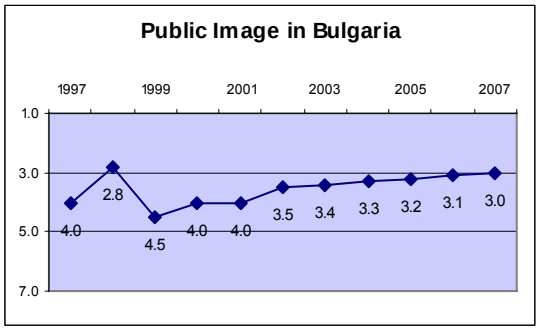
Offsetting the negative trends discussed above is the improving inter-sectoral partnerships between NGOs, the media and local governments. What is really new in 2007 is that these other sectors now more actively seeking such partnerships. In another positive trend, a growing number of Bulgarian NGOs are joining international – usually European – networks, which partially compensates for the collapse of national networks.

PUBLIC IMAGE: 3.0

Media coverage of key initiatives launched by NGOs is not only more intensive in 2007 than last year, but is also predominantly positive. The major national and most local media actively look to partner with NGOs and are easily involved in joint advocacy campaigns, thus offering for free their capacity to influence public opinion. These positive trends in NGO-media partnerships result from the desire of both parties to get closer to the needs of citizens and civil society.

Most advocacy NGOs and some of those specialized in service delivery strive to publicize their activities, with varying success. The most successful are those having opinion-makers

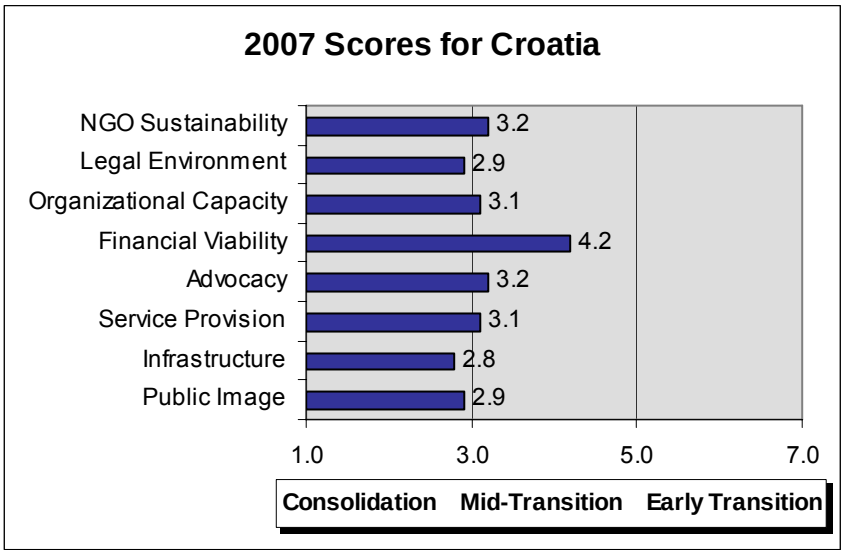
among their members, as the media increasingly prefers such high-profile individuals over organizations as sources and focal points for their stories.



Fortunately, the types of scandals and incidents that raised public doubts about the sector's integrity in previous years did not recur in 2007. On the contrary, actions by environmental and other advocacy organizations to safeguard the public interest by protesting against the passive stand of the government and the illegal actions of business fostered public confidence in NGOs, as evidenced by the mounting involvement of citizens in NGO-led initiatives. Confidence in NGOs on the part of local governments and businesses is also on the rise, although it is unclear if this will be sustained.

2007 finally saw the development of a Code of Ethics for the NGO sector. While not adopted yet, the proposed draft represents a real step towards more transparent and accountable conduct.

CROATIA



Capital: Zagreb

Polity:
Parliamentary Democracy

Population:
4,491,543 (July 2008 est.)

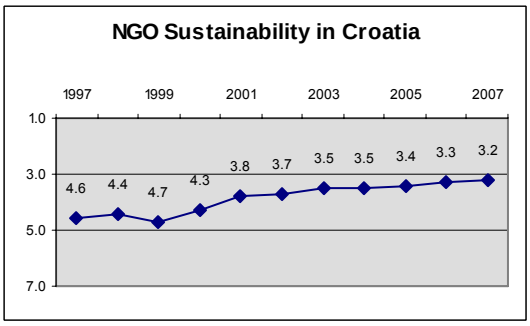
GDP per capita (PPP):
$15,500 (2007 est.)

NGO SUSTAINABILITY: 3.2

The Croatian NGO sector continued to grow and develop in 2007. There are currently more than 33,500 associations and 116 foundations registered in Croatia.

2007 witnessed notable improvements to the legal framework, including the adoption of the operational plan for the civil society strategy, the Code of Good Practices in Public Financing of NGOs, and the Law on Volunteerism. The sector also benefited from greater levels of activity and effectiveness of the country's three pillars of civil society – the Government Office for Cooperation with NGOs (UzU), the National Council for Civil Society Development, and the National Foundation for Civil Society Development (NFCSD) – including their work to implement the operational plan for the civil society strategy. The sectoral infrastructure continued to improve on a regional level as well.

NGOs are investing more actively in their organizational capacities and quality of services. Additionally, a number of NGO networks are developing, especially in less developed regions where the sector has traditionally been weaker. Larger NGOs continue to be successful in advocating for various issues, including prevention of corruption, decentralization in political processes, pro-bono legal assistance, education, and environmental protection.



While the number of foreign donors has decreased, domestic funding to NGOs is significant and growing, including support from the NFCSD, ministries, and other national or local government bodies. Decreased foreign funding has also motivated several NGOs to explore self-financing activities and other social contracting mechanisms. Some experienced and stronger NGOs have been promoting local philanthropy, and two new regional/community foundations have been established recently. Corporate philanthropy also continued to expand, most notably through the establishment of the largest corporate foundation in the region

– the Adris Foundation – by the country's biggest tobacco company.

The public image of Croatian NGOs has continued to improve, and their presence has become quite regular on national TV, radio, and print media. Additionally, many NGOs now regularly inform the public about their work through public events and campaigns, press conferences, web sites, reports and other publications.

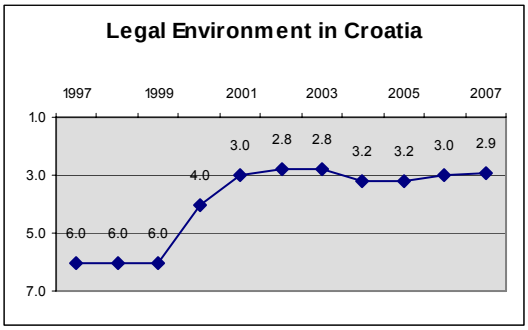
LEGAL ENVIRONMENT: 2.9

In 2007, there were significant improvements to the legal framework, including the adoption of the Code of Good Practices in Public Financing of NGOs, the Law on Volunteerism, and the operational plan for the civil society strategy. These measures will improve the openness and transparency of government grantmaking programs, legally recognize and promote volunteerism, and further improve the legal, institutional and financial framework for civil society.

The current Law on Associations continues to be progressive and liberal. Just three people are needed to register an NGO, and basic information about the registration process, as well as an electronic registry, is available on the government's web site. NGOs have autonomy and existing laws preclude unwanted state control, although there is always the possibility of the state using other legal mechanisms, such as audits by the tax police, to pressure NGOs. However, direct interference of the State in dissolving NGOs for political or arbitrary reasons is a thing of the past. On the contrary, NGOs often publicly criticize the government with no repercussions.

The existing Law on Funds and Foundations continues to be quite restrictive, making it complex to register a foundation as it requires three governmental approvals. Efforts to change the existing law, including the development of a new draft, have been unsuccessful to date due to competing government priorities.

The number of lawyers specialized in NGO legal issues continues to be small, although several of these actively participate in NGO legal initiatives. There is also some solidarity among NGOs, with larger NGOs providing legal advice to smaller ones. UzU and the National Council for Civil Society Development have been the most active players in promoting legal reforms, especially related to the NGO-government consultation processes and public benefit status.



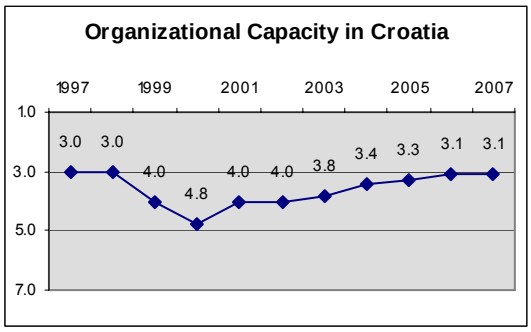
Lack of uniformity in the Croatian NGO tax system highlights the need to better define and regulate public benefit status, a current priority for the sector. Humanitarian organizations, political parties, trade unions and chambers, religious communities, and medical and cultural institutions created under separate laws are exempt from the 22 percent VAT, while advocacy, watchdog, and human rights and peace organizations are not. An NGO is exempt from paying taxes on grants and donations received as long as the funds are used to further the organization's nonprofit activities. Corporations and individuals are able to deduct up to two percent of their incomes for donations to organizations with cultural, scientific, educational, health, humanitarian, sport, religious, and other activities. Unfortunately this tax incentive is complex and little known, so it is rarely used.

The current Law on Associations enables NGOs to engage in economic activities, although this area is not precisely defined. Under the current Tax Code, NGOs are exempt from paying taxes on income earned from economic activities up to 85,000 Kuna. However, if an organization's economic activity is found to give it an unfair

market advantage, it may be required to pay the 20 percent income tax like a for-profit business. 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.

ORGANIZATIONAL CAPACITY: 3.1

NGOs continue to improve their organizational capacities through investments in training and technical assistance supported by NFSCD or other donors. Consequently many of them have improved their professional skills and governance, and now better meet the NGO quality standards established by the NGO Quality Assurance System (called SOKNO), which NGO leaders modeled after a system in the United Kingdom. During the past year, over fifty NGOs, both large and small, continued to implement SOKNO with the assistance of certified trainers.



According to the Law on Associations, NGOs must have management and supervisory structures with a clear division of roles and responsibilities. In most NGOs, the role of supervisory or managing boards is not strong and they do not challenge NGO leadership to improve operations and capacity. A recent study conducted by NFCSD shows that in most NGOs (81 percent) members of the supervisory boards are not employees, but in three-quarters of organizations (primarily smaller organizations) board members act as consultants or external project managers. An initiative to develop and promote guidance on NGO governance issues is ongoing.

The NFCSD research confirmed that almost 91 percent of NGOs have clear missions and that 61 percent have strategic plans, one-third of which are for one year periods and the remainder of which are for periods of two to five years. Although strategic plans were once developed in response to foreign donors' pressure, nowadays many NGO leaders see the value of strategic plans and strive to implement and monitor them. In accordance with their strategic plans, more NGOs are also trying to improve relationships with their beneficiaries and constituents by conducting needs assessments and developing programs that better correspond to constituent needs.

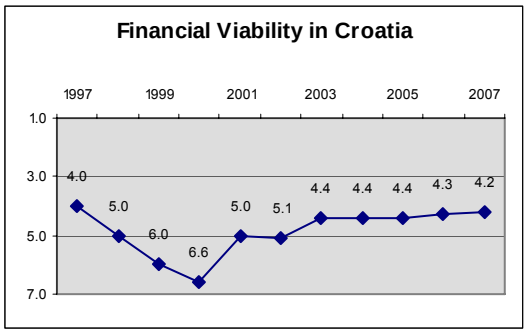
53 percent of NGOs operating throughout Croatia do not have any employees, 41 percent have between one and ten employees, and approximately five percent have more than 10 employees. Approximately one-third of NGOs have ten or fewer volunteers, while roughly 40 percent use the services of 11 to 50 volunteers. Four active volunteer centers in the largest Croatian cities continue to promote volunteerism, which is also encouraged by the recent adoption of the Law on Volunteerism.

Almost two-thirds of NGOs have basic equipment, including computer, fax and Internet access; larger NGOs have more developed and sophisticated equipment.

FINANCIAL VIABILITY: 4.2

Financial viability continues to be the weakest aspect of NGO sustainability in Croatia. However, domestic support is growing rapidly and Croatian NGOs receive significant support from local and national government and other domestic sources, such as lottery funds. The NFCSD continues to be the leading domestic donor, awarding approximately $4.5 million in

lottery funds in 2007 alone. Of this amount, almost $2 million went to institutional support grants to 59 NGOs. The Foundation has also started to decentralize their funding, subcontracting three local foundations to manage grants programs in their specific regions. Additionally, various ministries and government offices implement grant programs. In 2006, the six leading ministries provided over $50 million in grants to NGOs active in the areas of sports, culture, education, health, disabilities, gender, elderly and veterans. While public funding is significant, these grant programs sometimes lack clear priorities and grantmaking procedures and tend to support a large number of NGOs with small amounts of funding.



While domestic support to civil society continues to increase, foreign funding has been decreasing. According to the NFCSD research, government, including ministries, local governments and other local donor organizations such as NFCSD, is the primary source of funding for close to 75 percent of organizations, while only 8.4 percent of organizations consider foreign donors to be their primary source of support. NGOs are also making strides in diversifying their funding. 38 percent of NGOs receive funding from four or more sources, 49 percent from two or three sources, and only 13 percent from just one donor, primarily local governments. Income from philanthropic contributions remains small, although two new community foundations were established in the past year by leading NGOs.

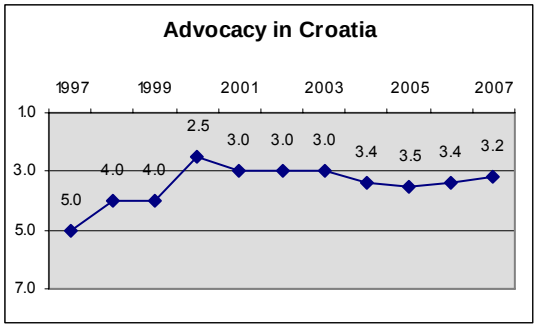
At the time of the research, 54 percent of NGOs had secured funding for the short-term future, while 43 percent had not. Despite decreased foreign funding levels, budgets have increased over the past three years for almost 53 percent of organizations, while 30 percent have remained at the same level. Over 66 percent of NGOs regularly publish financial reports, and many of them employ accountants or the services of outside financial experts in order to improve their financial management practices and transparency. Only approximately six percent of NGOs receive some income from membership fees, and 11 percent from contract-based services provision, indicating that Croatian NGOs will need to further explore improvements in these areas. Smaller and medium-sized NGOs will also need to improve their capacities to receive and absorb EU funds. Corporate donations are becoming more significant, and over ten companies now issue annual calls for proposals, which are often focused on children, youth, culture and sports.

ADVOCACY: 3.2

Cooperation between NGOs and national or local governments continues to improve, particularly through the participation of NGOs in various bodies. In addition to 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, and a few NGO representatives are members of the Croatian TV Council. In spite of an initial crisis caused by the government's investigation of some of the elected NGO members of the Council, the Council and UzU now cooperate effectively. Together, they are actively recommending policy changes and implementing the civil society strategy, with an emphasis on the NGO-government consultation process, NGO public benefit status, and the Law on Foundations.

More NGOs are now aware of the legal framework's weaknesses, but only a small number of them actively advocates for changes. For example, the Law on Volunteerism was developed jointly by the government and a small

group of NGO representatives, which is becoming a common practice.



On the local level, several larger cities have established local civil society councils or similar committees, including the City of Split, which finally signed a charter on NGO-government cooperation in 2007 after a change in the city's leadership. Interest in working on joint EU-funded CARDS projects has also expanded cooperation between local government and NGOs.

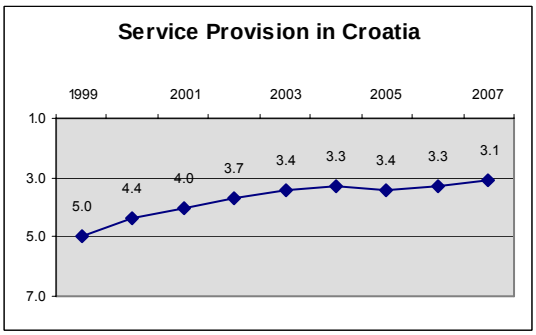
Larger and well-developed advocacy NGOs are effective advocates for the public interest, especially when they are organized around formal or informal coalitions. For example, as a result of pressure by an informal NGO coalition, a draft law on free legal assistance was rejected and sent back for further improvements. Other advocacy successes during the year included efforts related to the Law on Financing Political Parties, the Law on Environmental Protection, youth policies, the Law on Foreigners and Asylum Seekers, and the Law on Data Secrecy.

One of the most visible local advocacy campaigns was "Right to the City," organized by a coalition of NGOs, experts and artists. By collecting more than 50,000 signatures and attracting significant media attention, this initiative successfully pressured the City of Zagreb to revise plans to build a new shopping center and garage in the city center. The coalition also drew attention to how public funds are spent and changes are made to the city's urban plan.

To improve NGO advocacy efforts further, changes are needed to the law on public order and peace, which imposes restrictions on organizing public protests near Parliament.

SERVICE PROVISION: 3.1

The previously-mentioned NFCSD research confirms that Croatian NGOs have fairly diversified "product lines." Almost three-quarters of them provide training and various forms of informal education, while a smaller number of NGOs are specialized in other areas such as humanitarian assistance, health, sport, environmental protection, human and minority rights, drug addiction, unemployment, elderly, media, economic development, governance and mediation. Almost 40 percent of NGOs provide services to broader groups of citizens, while 16 percent focus on specific groups such as the disabled, children, youth, and women. A significant number of NGOs implement their programs in local communities. NGOs are implementing more research, analysis, and publishing projects, and are marketing the products to various parties, including academics, other NGOs, and even the public and corporate sectors.



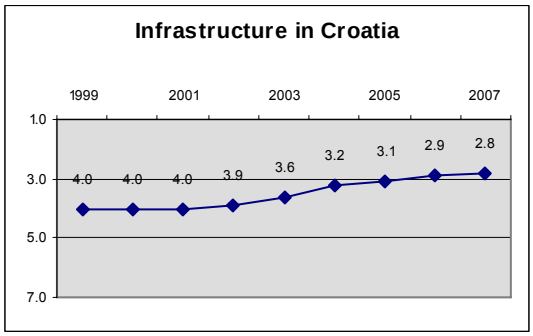
The number of NGOs that actively recover costs for the services they provide is still relatively low, with only six percent of NGOs using self-financing activities as their primary source of funding. However, with the departure of foreign donors, NGOs have become more interested in self-financing, and several publications were

recently printed to assist interested NGOs in developing such activities. Training organizations continue to be the most successful in terms of cost recovery.

Social contracting is primarily an option for social services NGOs, with a large number of such contracts on a local or national level for services to the elderly, victims of domestic violence, disabled, and homeless.

INFRASTRUCTURE: 2.8

During the past year, NGO support services were improved or expanded as a result of a new support program implemented in five main Croatian regions, and a new NGO center was established in the small town of Drnis. Support services provided to NGOs include various types of training, technical assistance, clearing-house services, and networking.



The strongest grantmaking organization is the National Foundation for Civil Society Development. The Istrian Foundation for Civil Society Development and three newly established community foundations are also actively raising funds and distributing grants for smaller NGO projects. The NFCSD also supports capacity development of these smaller foundations.

Croatia has a group of qualified NGO management trainers operating independently or within specialized training organizations or other NGOs. Trainers have created several professional organizations to promote their profession, including the Trainers Forum and the Association of Management Consultants. During the last few years, numerous books on NGO management issues were published.

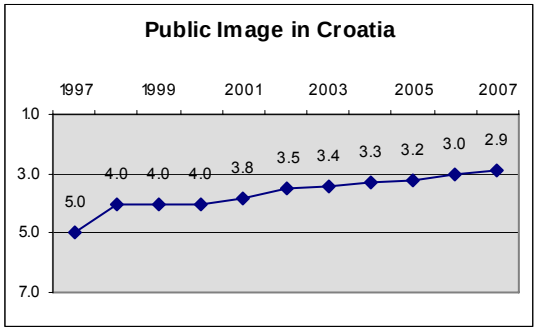
NGOs recognize that cooperation with their peers is beneficial and have created over 50 networks. Almost 90 percent of Croatian NGOs have some cooperation with other NGOs, and 64 percent of them participate in various formal or informal networks. Almost 70 percent of NGOs are satisfied with levels of cooperation, while only five percent are unsatisfied.

Cooperation between government and NGOs is now common at both the national and local levels, although the level of cooperation and partnership depends largely on the openness and understanding of the NGO sector by the relevant government officials. Partnership between NGOs and the business sector is less common, although some good models are developing in the larger cities. According to the NFCSD research, approximately 64 percent of NGOs report some cooperation with the for-profit sector. Interestingly, this is generally the result of initiatives by the for-profit sector and not of NGOs, due to the increasing number of companies that want to improve their social responsibility practices. With the growing interest in corporate social responsibility, several NGOs actively promote NGO-business sector cooperation, and businesses are seeking NGO assistance in developing their philanthropic activities and grantmaking programs.

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 advocacy efforts. According to a recent Corruption Barometer conducted by Transparency International, NGOs and religious bodies were perceived as the least corrupt in society. This is somewhat contradicted by recent NFCSD research, which shows that 63 percent of respondents have a positive opinion about NGOs operating in their region, while only 36 percent of respondents view the NGO sector as a

whole positively. According to a public poll conducted by the Ivo Pilar Institute in May 2007, 71.5 percent of citizens responded that NGO work is either "extremely useful" or "somehow useful" for society, indicating that nearly three-quarters of the population have generally positive attitudes towards NGOs.



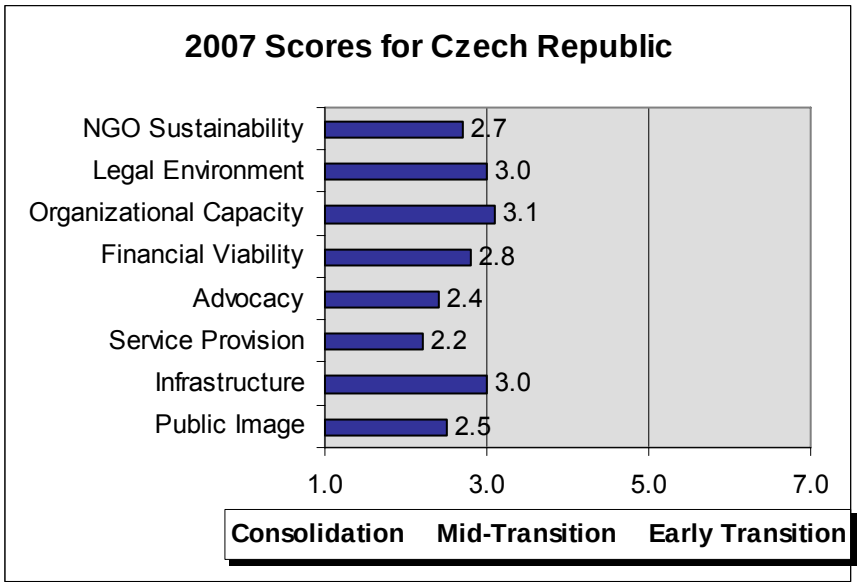
It is common practice for known NGO leaders to be invited to discuss important social, political or economic issues in TV or radio programs. Media coverage of NGO activities is mostly positive, although scandals are also covered sometimes. Local media tends to be more open to reporting on NGO activities than national media.

Cooperation with national and local government continues to improve, as NGOs leaders are recognized as experts and specialists on specific issues. As mentioned previously, a number of NGO representatives participate in joint government or parliamentary committees, or in joint civil society councils established at the national and local levels.

Approximately 28 percent of NGOs have a person responsible for PR activities, and 48 percent of NGOs have developed a PR strategy. Many NGOs are improving their PR capacities through various training programs. Larger NGOs have developed close relationships with journalists and work hard to maintain those relationships.

Many NGOs promote their transparency and openness through web sites, annual reports, and various public events. Two NGO portals – ZamirZine and H-alter – also promote various NGO issues and activities. While prospects for future developments in this area are good, there is still a need for training of journalists about NGOs and NGO activists about PR activities.

CZECH REPUBLIC



Capital: Prague

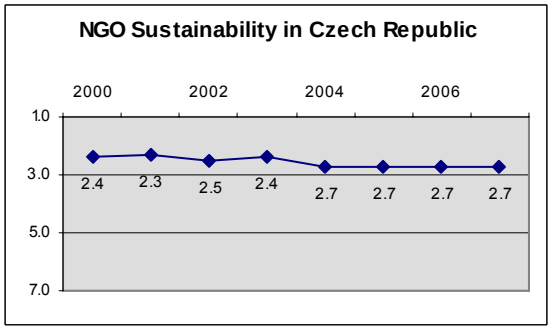
Polity:
Parliamentary Democracy

Population:
10,220,911 (July 2008 est.)

GDP per capita (PPP):
$24,400 (2007 est.)

NGO SUSTAINABILITY: 2.7

For the purposes of this survey, the Czech nonprofit sector considers the following types of nonprofit organizations: civic associations, foundations, foundation funds, public benefit organizations, church-related legal entities, and organizational units of civic associations. At the end of 2007, there were 97,423 nonprofit organizations in the Czech Republic. Of those, 60,850 were civic associations. Although EU Structural Funds have become a significant source of financing for many NGOs, the overall condition of the Czech NGO sector did not change in 2007.



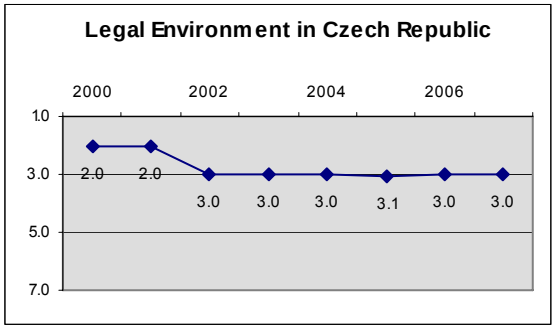
LEGAL ENVIRONMENT: 3.0

The legislative framework for nonprofit organizations in the Czech Republic is generally in place. The Law on Foundations and Foundation Funds, the Law on Public Benefit Organizations, the Law on Association of Citizens, and the Law on Churches and Religious Organizations regulate the establishment, operation, and liquidation of all legal nonprofit, non-governmental organizations (NGOs) operating within the Czech Republic.

The Law on Volunteerism applies to all of these legal forms of organizations.

Despite all of these laws, however, Czech legislation has not yet defined what legally constitutes a nonprofit organization. This leads to problems in interpreting both specific legislation, such as the Value Added Tax (VAT) law and its applicability to nonprofits, and general legislation, which regulates the activities of nonprofit organizations.

Furthermore, the registration process for NGOs varies depending on the type of NGO. Civic associations register with the Ministry of the Interior, whereas other types of NGOs, such as public benefit organizations, foundations and foundation funds, register with the register courts. NGOs still lack a single unified registry.



Legislation regulating the activities of civic associations is general in nature. While it facilitates the activities of civic associations, it also makes exercising public control over them difficult. Registering civic associations has tended to be fairly quick and easy, and completing the necessary documents does not require much time. However, starting last year, the Ministry of the Interior began to either reject registration or suspend the activities of civic associations, based on its interpretation of the Law on Association of Citizens. This law does not clearly state whether or not civic associations are allowed to collect fees for public benefit services. The think tank Nett has produced a methodical procedure that allows newly-established civic associations and associations applying for a change in status to counter unauthorized procedures or inactivity by registration authorities.

Registration of other forms of NGOs is more difficult, as register courts are slow to complete the registration process, sometimes taking up to two years. However, the registration period for these NGO types has recently been shortened. The Law on Organizations with Foreign Element, governing, for example, foreign student associations, was changed, making these organizations civic associations that can register through the Ministry of the Interior, thereby lightening the strain on the register courts.

The now defunct Ministry of Informatics launched a public register on the Internet in 2006, a pilot program which was to have established a central database for all types of NGOs. At present, fewer than a thousand organizations are listed. The public register is still available, but as the Ministry of Informatics no longer exists, the government no longer supports it.

Statistics on Czech NGOs are not completely accurate, since the divided registry makes tracking NGOs very difficult. Furthermore, a number of civic associations cease operations without going through the proper legal procedure to do so and without requesting removal from the register of nonprofit entities. One unified public registry system and central government database would be beneficial for all NGOs.

NGOs can operate freely within the boundaries of the relevant legislation. Nevertheless, the loose definition of "nonprofit" creates difficulties. The Czech Parliament discussed an amendment to the Law on Civic Associations which would have eliminated the requirement that civic associations include the words *občanské sdružení* (civic association) or the abbreviation "o.s." in their name. The amendment was not ratified, but there is a clear desire to solve this problem.

The new Law on Social Services establishes a framework for those groups providing social services, but also imposes substantial levels of paperwork. For example, the Law does not cover *all* activities provided by NGOs and requires every NGO to have its own clearly-stated mission. As a result, some NGOs have had to modify their activities.

There are only a few specialists in NGO legislation in the Czech Republic. Legal consultancy services are available only in the capital and in some towns. Some colleges and universities teach courses on the legal aspects of NGO management. While this has helped increase the number of competent NGO managers, the lack of specialized training for lawyers in this field means that the Czech

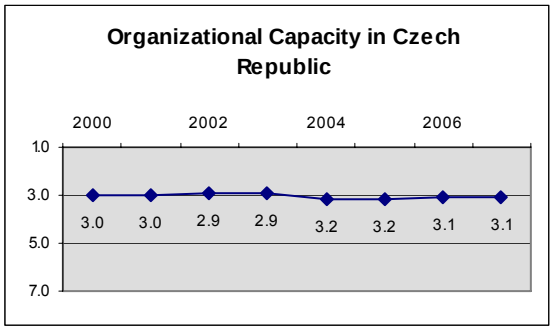
Republic does not have enough experts capable of commenting on new laws.

According to income tax laws, subsidies, grants, and donations from both individuals and companies to NGOs are tax-deductible. However, the limit defined for deductible contributions is low and hampers the development of charitable giving. The tax situation is further complicated by varying interpretations of the law.

For the most part, legislation does not prohibit NGOs from earning income through the provision of goods and services. However, as stated previously, the Law on Association of Citizens is unclear. Foundations that support other NGOs are unable to earn income via service provision. The regulations regarding civic associations are particularly complicated. Civic associations that existed before the Law on Association of Citizens are allowed to profit through service provision, while civic associations founded after the Law was introduced are not. While the Law does not clearly state that earning income is illegal, some ministries interpret it that way, thereby making certain NGOs ineligible for grants aimed at supporting social entrepreneurship.

ORGANIZATIONAL CAPACITY: 3.1

NGOs attempt to understand society's needs; however, this remains a difficult task, as NGOs do not have the capacity to perform serious, quantitative research into specific problems suffered by their target groups. Consequently, they often define needs on the basis of qualified assessments, which are not wholly accurate. Nevertheless, people generally feel that NGOs are responsive to their needs.



Defining an NGO's mission is a condition for registration. Nevertheless, not every organization defines its mission clearly and in intelligible language. NGOs are gradually being forced to plan more strategically, mostly to meet the requirements of donors, especially the Czech government and EU Structural Funds. National NGOs understand and use strategic planning more than smaller NGOs, but even smaller NGOs are beginning to perceive the importance of strategic planning. In general, even where NGOs have become aware of the necessity of strategic planning, most still lack written strategic plans.

By law NGOs must define their management structure and the responsibilities and duties of management bodies in their foundation documents. In practice, these principles are not always followed. Those structures required by statute are often not taken seriously and do not impact or govern the day-to-day functioning of NGOs. The same individuals staffing an NGO may also sit on the board, leaving the NGO without proper oversight. Boards of directors may also delegate their duties and responsibilities to the management.

Certain forms of legally-registered NGOs are obliged to act transparently and present annual reports, including financial statements, to the public. This allows contributors, donors, and supporters to gauge how effectively NGOs use donations and contributions. Not all organizations obliged to fulfill this requirement do so, however. Conversely, a number of civic associations regularly publish annual reports even though they are not legally required to.

The most significant NGOs have permanent staff, but employees do not always have clearly-defined job descriptions. Staff is often hired only for the life of a particular project. Due to pressure from the Czech government and the EU, NGOs are beginning to focus more on

human resource development. Employment in the sector is growing, but there is still a lack of competent managers, as even those who study NGO management at the university lack practical experience.

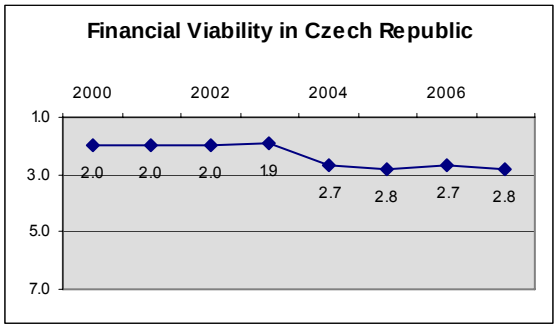
NGOs work with volunteers and occasionally possess systematically-organized volunteer databases. However, NGOs still lack skills in managing volunteers. Accredited volunteer centers provide training and education to volunteers based on the Law on Volunteerism.

For-profit entities often make in-kind contributions of office equipment to NGOs, though the donated equipment is often a little

out-of-date. Nearly 90 percent of NGOs have access to computers and can communicate over the Internet. However, NGOs sometimes lack specialized software, as well as the knowledge and skills needed to run more complex management programs. NGOs that do not own their own equipment are able to use libraries, which offer them special services, including free Internet access.

FINANCIAL VIABILITY: 2.8

NGOs obtain the bulk of their financing from domestic and European sources. Most funding comes from the government, followed by companies, foundations and individual donors. Corporate donors sometimes provide products and services to NGOs free-of-charge or at a discount.



Many NGOs have benefited greatly from access to EU Structural Funds and funds from Norway as a result of the European Economic Area (EEA), a free-trade agreement which requires adoption of EU legislation in many policy areas, including offering financial support to EU members. EU Structural Funds amount to approximately €26.7 billion for 2007-2013, with four to five percent allocated to the NGO sector. The Norwegian/EEA funds have allocated approximately €111 million to Czech Republic for 2004-2009; however, NGOs are unsure how much of this money will be assigned to the sector and what its impact will be.

Smaller, social service NGOs in particular draw funding from global grants established through the Structural Funds. Some NGOs also attracted funding for projects from the Norwegian/EEA financial mechanisms this year.

Both of these funding mechanisms require co-financing from the Czech government. This requirement is somewhat problematic, as the transfer of regular subsidies from Czech ministries into the co-financing of European projects is difficult. Frequently, the bulk of Czech government money goes towards the EU Structural Funds grants, leaving little for the co-financing of Norwegian/EEA grants. As a result, NGOs are sometimes unable to receive these grants.

Foundations represent a stable financial source for some NGOs. Nevertheless, foundation assets are generally small. The majority of resources distributed by foundations were obtained from the government's Foundation Investment Fund (NIF). Foundations also obtain resources from the same donors as other NGOs.

Large companies in particular are embracing the concept of corporate social responsibility. Although companies still prefer to support NGOs through sponsorship (i.e., through advertising contracts on which NGOs are taxed, as they provide advertising and promotion for the company, which is not considered to be "nonprofit"). Tax-free, financial donations are provided on a much smaller scale.

Individual donors represent the least significant source of income for NGOs in the Czech

Republic. NGOs do not think there is much opportunity to raise significant funds from individual donors and rely almost exclusively on public budgets and firms. Targeting the large mass of potential individual donors is also too expensive. Exceptions to this are contributions by individual donors from public collections in response to natural disasters. The donor SMS (DMS), through which donations can be made by sending a text message via mobile phone, has become a customary source of fundraising, especially during disasters. Volunteerism is gradually developing as well.

NGOs generally receive funding from three to four sources. However, most NGOs are reliant on one or, at most, two donors for over 80 percent of their funding, making them vulnerable to changes in donor priorities. Organizations which rely on one source risk losing funding and being able to provide services if that source disappears. For example, if an organization depends entirely on EU Structural Funds, it will have difficulty providing services once the Structural Funds end after 2013.

NGOs are financially secure for anywhere from three months to a year into the future. The majority of NGOs do not maintain financial reserves. NGOs financed largely from subsidies and grants are financially secure for a limited time only. NGOs that make and follow strategic plans have proven to be more financially stable.

Donors generally require annual reports, accounting and audits. Both the Czech government, in its grantmaking, and EU Structural Funds are increasingly requiring stronger financial management controls, which presents a problem for many NGOs. NGO financial management is weak due to the lack of professionally-educated accountants and financial managers.

The Czech legislature requires financial audits of foundations, foundation funds, and public benefit organizations. Those types of NGOs not legally obligated to conduct audits consider them unnecessary. Register courts require foundations and public benefit corporations to publish their annual reports, but reporting is generally inadequate and there are few if any sanctions applied for non-compliance. The limited availability of annual reports limits transparency and damages the sector's reputation.

Increasingly, fundraising is considered to be a necessity. NGO fundraising efforts focus on the business community, the government, and foreign donors. However, most organizations consider their fundraising to be unsatisfactory. Poor management skills lead to unclear fundraising procedures. Most organizations do not have a dedicated fundraiser; this work is usually done by several people, leading to inefficient and inconsistent systems. Additionally, boards of directors do not fulfill one of their basic duties – to seek out and secure financial support for their organizations. Instead, directors pass these duties off to the executive staff.

Most NGOs are trying to increase their revenue by generating their own income. These efforts generally take the form of providing various services and products. Some organizations, primarily in the social and health care areas, charge only minimal fees and thus cannot make much money from their services. A lack of financial management and marketing skills limits NGOs' ability to earn additional income. The new interpretation of the Law on Association of Citizens is also restrictive. The Ministry of the Interior allows older associations to charge a fee for public benefit services, but does not allow newly-established associations to do so. Social economy – economic activities that promote social inclusion, create new jobs, and develop the skills, knowledge, and working habits of marginalized groups of people – is also a growing trend in the Czech Republic.

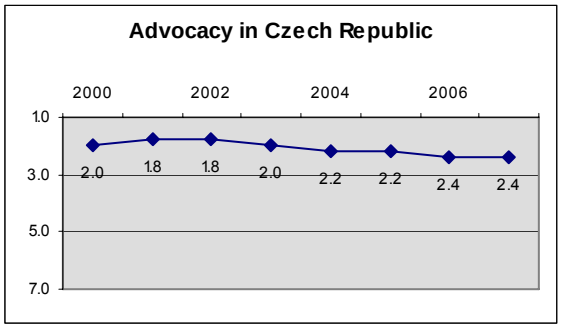
Government entities purchase services from NGOs via subsidies and grants. As a result of a new Law on Social Services, when clients themselves use their financial means, an open market slowly arises, creating competition between NGOs and driving NGOs to develop marketing strategies.

ADVOCACY: 2.4

Communication between NGOs and the central government is sufficient. NGOs have representatives on the advisory bodies of various central authorities, or ministries, and also on the Czech government advisory body, the Government Council for Non-governmental Non-profit Organizations (RNNO). The RNNO has been struggling to survive as it is not a priority for the government and therefore has an unclear and weak role. Cooperation between NGOs and public authorities was further negatively influenced during the pre-election period, when ministries and the RNNO nominated new people to sit on various committees who were largely unfamiliar with nonprofit issues.

Regional offices rely on NGOs for community planning and creating regional development strategies. In many regions, authorities have produced grant strategies and rules for NGO support. Smaller towns, on the other hand, do not work systematically, and their support is random and improvised. To promote wider public interests, NGO staffs must be politically active in local administrations and regional governments.

Government bodies implement projects together with NGOs only in certain areas, primarily Roma, drug-abuse prevention, community and minority issues, and human rights.



NGOs had a negative experience while advocating their interests in discussions about which programs would receive money during the 2007-2013 Structural Funds programming period. Some NGOs participated in these conversations and had valid comments. However, the administrating bodies, usually ministries, recognized NGO comments in only a minority of cases, as the sector lacks a strong coalition and voice. One positive development, however, is that in August 2007 the government approved a document introducing a methodology for public involvement in the preparation of government documents.

This year, NGOs led campaigns to encourage solutions to socio-political issues, including those related to the handicapped, development aid, groups of citizens facing discrimination, and other socially-excluded groups. Campaign results have varied, and in some cases are immeasurable. Nonetheless, NGOs have continued these long-term campaigns.

NGOs do not consider lobbying to be a priority and have not produced clear strategies in this area. Lobbying is challenging because of the complicated and opaque nature of the Czech legislative process. Those NGOs that regularly monitor government actions are the most successful in their lobbying efforts because they have the best understanding of how the government operates.

Nevertheless, NGOs do realize that lobbying is necessary in certain situations. Some interest groups, such as environmental organizations and, more recently, social and health organizations, have lobbied together effectively. For example, this year, NGOs carried out projects focused on the adoption of an anti-discrimination law. Thus, far, however, groups lobbying on their own have been more effective than those lobbying together. In general, joint lobbying across sectors or on a large-scale does not happen because of a lack of capacity and support.

Political representatives and government officials do not tend to view NGOs and their experts as equal partners. Consequently, NGOs are not successful in advocating interests that concern the nonprofit sector as a whole. NGOs need a national support system – for example, a network, umbrella organization, or more think tanks – to advocate for NGO issues, such as the

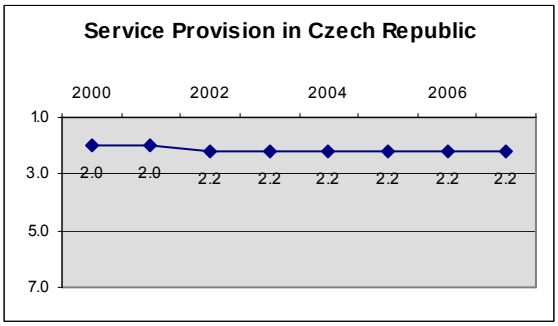
need for a unified, public registry. The RNNO council created a new Committee for Legislature and Financing, whose mission is to comment on newly-prepared and existing laws related to NGOs.

SERVICE PROVISION: 2.2

NGOs provide a diverse range of services – health care, social care, education, assistance after natural disasters, environment, culture, historical site restoration, working with youth, human rights, etc. NGOs are particularly active in the area of social exclusion, an area where there are great needs. Most of these services are of a high professional standard, although the quantity and quality of services differ across the various Czech regions.

For the most part, NGOs respond to the obvious needs of society and the market. Their interventions are often connected to the stated priorities of public authorities and the purposes of EU Structural Funds. NGOs also conduct assessments to investigate the market. Within the framework of the EU Structural Funds, the government instituted programs to strengthen the NGOs' ability to analyze their clients' needs, monitor how services fit those needs, and adjust their services accordingly. The Law on Social Services also requires research into public and client needs.

Public benefit services, primarily social, health care, and leisure time activities, are marketed to the general public. EU grants require that methodologies be shared with the larger public and all client groups.



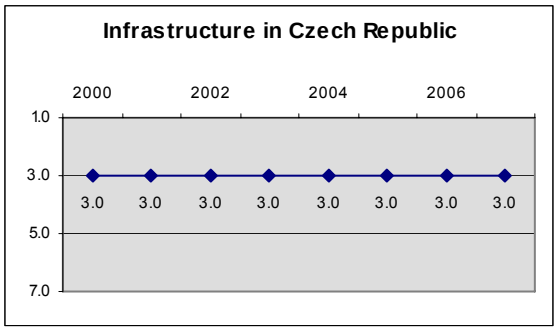
In general, NGOs lack marketing skills, although they have begun to recognize the importance of such skills in recent years. However, rather than selling services to private clients, NGOs sell services to the government, which awards contracts and grants and, therefore, does not require a traditional marketing plan.

Authorities are not very concerned with the development of the nonprofit sector. Rather, they care only about the purchase of services from the sector through subsidies and grants, both of which impose unnecessarily high administrative costs due to bureaucratic requirements. Nevertheless, government authorities do generally respect the work of NGOs. Government appreciation of NGOs differs from region to region. NGO activities in the area of community planning are perceived positively by local offices.

INFRASTRUCTURE: 3.0

NGO information and support organizations exist in the Czech Republic, but there is no network covering the entire country. Recently, regional administration offices, rather than NGOs, have begun to play the role of a service organization by providing training, creating databases, etc. Service organizations usually provide paid services.

There are a limited number of philanthropic and corporate foundations in the Czech Republic that provide grants for the implementation of local projects in accordance with their self-defined priorities. The definition of these priorities, with reference to the needs of civil society, is often a topic of discussion. Domestic foundations are young and, during their short existence, have rarely managed to create significant funds for the purpose of granting. Foundations that obtained resources from the government Foundation Investment Fund regularly distribute the proceeds into already-designated areas. Some NGOs have been authorized to administer European or other programs' grants, for example EU global grants and block grants from Norway/EHP.



There is one all-sector NGO coalition in the Czech Republic, although it has a limited number of members and therefore does not represent the sector as a whole. NGOs do not join such coalitions because they do not see them as beneficial. However, the attitude of the government and the public administration is the opposite: they need a unified NGO voice. Some issue or region based coalitions, such as those representing environmental or humanitarian NGOs, operate well. RNNO, the government advisory body through which NGOs can promote their interests, does not have enough influence to create fundamental and needed changes, such as adjusting the legislation regulating NGOs.

NGOs do not lack for training opportunities or consultants, but the quality of available programs varies greatly. A great number of training programs were created within the framework of European funds. Training is most often held in Prague and other large cities, but since the Czech Republic is a relatively small country, people from all regions are able to participate. NGOs do realize the necessity of education, but often lack financial resources and, therefore, seldom participate.

European funds and programs have made inter-sectoral partnerships a priority. Consequently, NGOs are beginning to establish and develop more partnerships. The quality of these partnerships, however, is questionable. Rather than using partnerships to respond to a specific need or situation, NGOs tend to form them to fulfill formal duties. Individual NGO representatives from different sectors have not yet completely realized the potential advantages of partnerships.

PUBLIC IMAGE: 2.5

NGO activities receive good coverage in the media. Their reports are often neutral; if there is any evaluation, it tends to be positive. Reports usually appear in regional media outlets and focus on local events. Both of the public broadcasters, Czech Radio and Czech Television, give an exceptional amount of time to NGO coverage. The media frequently call on NGO staff members who are perceived as experts on specific issues. The media also often provide time for NGO education campaigns.

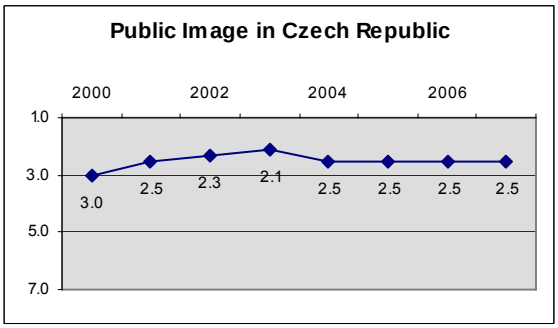
The public not only understands the legitimacy of NGOs, but also values their importance for society. Philanthropy is well-rooted in society and shows moderate growth. People have a positive perception of NGOs, in particular those promoted by the media or located in their own regions. The best-known NGOs are those that organize public collections. UNICEF conducted a poll in December 2006 which showed that two-thirds of those surveyed have contributed to humanitarian NGOs, and more than half of those surveyed contribute on a regular basis. The biggest motivation for people to donate is the particularly adverse conditions of socially-excluded people. Public administrators officially claim NGOs as partners, but in practice, the relationship is usually not equal.

Foreign and large companies, in particular, expect NGOs to be part of their corporate social responsibility programs and cooperate with them by providing support for certain issues or regions. Working with NGOs improves a company's image and is gradually becoming a standard part of corporate culture.

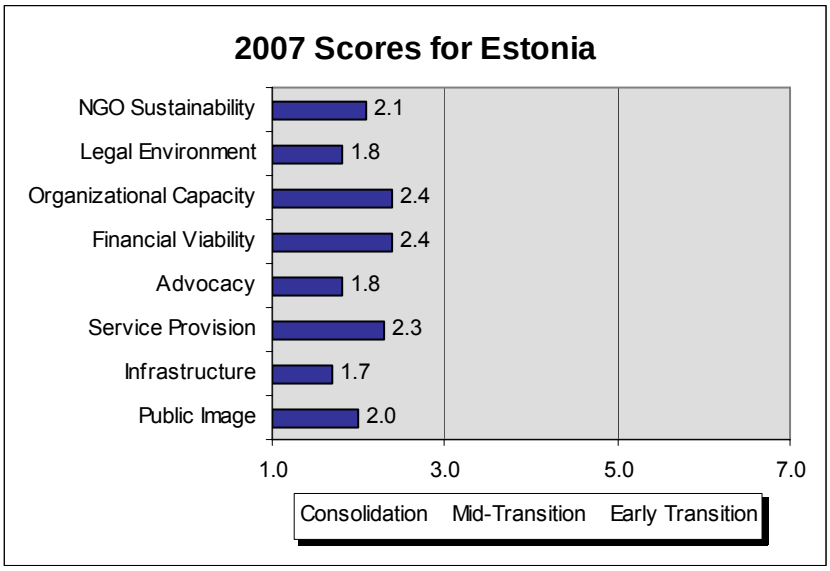
NGOs increasingly perceive public relations as necessary to their sustainability, so they are approaching the public and promoting their activities. However, NGOs are not capable of intensive and systematic public relations campaigns because they lack human and

financial resources. Also, they are not always able to communicate their intentions effectively enough for the public to understand their messages and support them.

Some key NGOs have created their own ethical principles and standards for service provision and publicize them in their informational and promotional materials and annual reports. Under the Law on Social Services, the Quality Standards for Social Services specify processes and quality in social services.



ESTONIA



Capital: Tallinn

Polity:
Parliamentary Republic

Population:
1,307,605 (July 2008 est.)

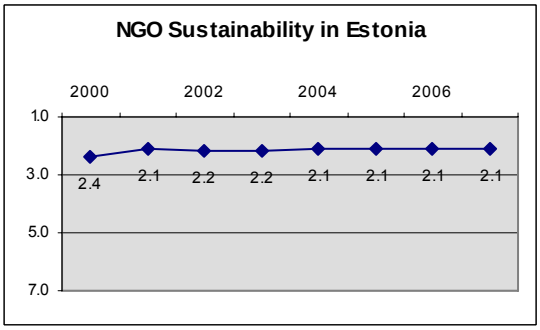
GDP per capita (PPP):
$21,800 (2007 est.)

NGO SUSTAINABILITY: 2.1

The Estonian NGO sector has continued its steady growth in numbers, capacity, and sustainability in 2007. As organizations become stronger and more professional, they play an increasingly important and visible role in society, thereby attracting more attention from the public sector, businesses, media, and the wider public. As the standard of living has risen, people have more resources, interest, and skills to participate in public life both in their communities and on a national level.

Nevertheless, as the NGO sector matures, stratification within the sector is clearly visible, with significant variations in the level of development, professionalism, and know-how. At the same time, participants in the NGO Sustainability Index focus groups noticed a spill-over effect: as more professional NGOs serve as models and agenda-setters, other organizations often replicate their innovative approaches.

A landmark in civil society development in 2007 was the publication of the Manifesto of Estonian NGOs before the March parliamentary elections. The Manifesto proposed various activities to the forthcoming parliament and government aimed at strengthening civil society and NGOs in Estonia. Five out of 20 proposals from the Manifesto were included in the government's four-year action plan, including the formation of a new Foundation for Civil Society financed through the state budget. In addition, compiling the Manifesto through a participatory process gave NGOs an opportunity to think through common interests and clearly articulate the potential and needs of the sector to politicians, the media, and the public.



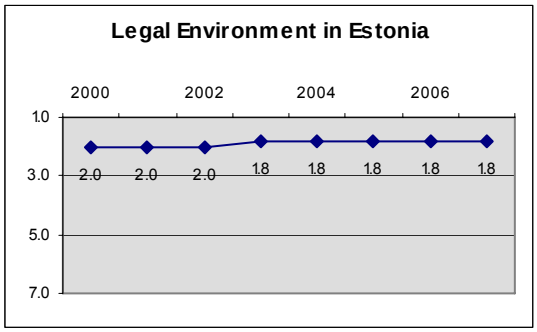
Another sign of civil society's strength was the public's calm behavior during the riots in Tallinn in April, which were set off by the removal of a Soviet war monument from the center of town into the military cemetery. On the night of the removal, a group of angry protesters

of Russian origin started breaking windows and looting shops and restaurants in the area; the riot recurred the next evening. During the riots several NGOs, including organizations that work with youth and ethnic minorities, advised people not to yield to provocations and to maintain peace, thereby preventing the conflict from spreading.

However, the riots also highlighted the insufficient integration of the Russian minority into Estonian society. Studies show that two-thirds of Estonians and one-third of ethnic minorities have only minimal contacts with people outside of their ethnic groups. Russians make up 25 percent of the population of Estonia. Although the Russian-speaking population's participation in the NGO sector has increased over the last couple of years, NGOs still tend to be fairly segregated. Nevertheless, some initiatives were started after the April riots to try to overcome this problem by bringing people from both ethnic groups together, including the White Tulip movement, youth clubs "Koos/Вместе" (meaning "Together" in Estonian and Russian language), "Forum Te," etc.

LEGAL ENVIRONMENT: 1.8

The legal environment governing NGOs did not change significantly in 2007. Some amendments to the Act on Associations and Foundations were drafted and presented to the NGO community for comment during the summer and are expected to be adopted by parliament in 2008. These amendments help to clarify some previously unclear details connected with NGO management.



Registration of nonprofit organizations is easy in Estonia, and no undemocratic restrictions limit freedom of action. NGOs are treated similarly to businesses in the sense that they do not pay taxes on their income, but on certain distributions. Donations made to eligible organizations can be deducted from a person's taxable income up to a limit. NGOs are advocating for an increase in the ceiling. To be added to the government list of eligible NGOs, the Tax and Custom Board has to find an organization to be charitable and operating in the public interest, based on reports provided by the organization and in consultation with a newly formed Advisory Committee consisting of NGO representatives.

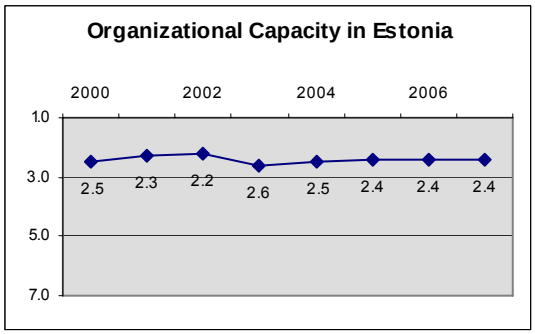
Participants in the NGO Sustainability Index focus groups noted that NGOs' awareness of the importance of complying with regulations is rising. NGOs can take advantage of trainings and learning materials explaining the requirements for NGO activities, including funding, accounting, taxation, and reporting. Regional advisory centers and some umbrella organizations provide basic legal counseling for NGOs; however, NGOs have difficulty affording more specific counseling services.

The lack of reliable data about the NGO sector hampers development, and there was no progress in this arena in 2007. Public registry data continues to be unreliable, as defunct NGOs are not required to notify the registry. While the Tax and Custom Board data might be more reliable, the public has no access to it. Associations are the only legal bodies in Estonia that do not submit their annual reports to the public registries, but to the Tax and Custom Board. The situation is expected to change in 2010.

ORGANIZATIONAL CAPACITY: 2.4

As the NGO sector matures, organizations are gaining more experience in planning and implementing their activities. More professional NGOs are clearly making progress in this regard, and are able to engage expertise from the business sector, train their staff and Board, and exchange experiences with international partners. At the same time, the gap between these professional organizations and the large number of less capable NGOs continues to widen.

Estonian NGOs typically have significant experience and expertise, a strong work ethic, productivity, commitment, and ardor for their field, and the ability to cooperate and form networks. At the same time, issues such as how to identify and achieve goals, prioritize activities, measure outcomes, and avoid burnout often remain unclear.



The Good Deed Foundation is an emerging venture philanthropy organization that regularly gauges the effectiveness of NGOs. The Foundation selects NGOs with the greatest potential to induce social change for inclusion in its portfolio. For example, the Good Deed Foundation will evaluate NGOs working in the field of education and select those believed to be the most efficient in solving educational problems. The organization supports the growth of selected NGOs through both financial investment and professional consulting (e.g. using volunteers from respected businesses like Hansabank, Hill & Knowlton, and KPMG). While venture philanthropy is still a new phenomenon and it is too early to evaluate its impact, it has certainly helped to increase the resources – human and financial – available to solve societal problems.

NGOs note a renewal of public involvement, particularly amongst young people, in nonprofit activities. The public is increasingly interested in volunteering, and NGOs are trained to engage volunteers, as well as their communities and members.

While economic growth has improved NGO sustainability in many aspects, it has also been accompanied by a rapid rise in salaries, thus making it increasingly difficult for NGOs to compete with businesses and the public sector for the best talents. Not only NGOs, but all employers in Estonia, cite difficulties in finding good staff as a significant problem.

FINANCIAL VIABILITY: 2.4

As the economy has been growing over the last couple of years, the number of funding opportunities available for NGOs has also expanded. These opportunities include grants, service procurement, private philanthropy, and revenue generation from economic activities and membership fees. In this regard as well, the stratification within the NGO sector is visible. While more professional organizations have been successful in attracting their resources, a large number of NGOs lack the basic skills and human resources needed to benefit from these opportunities. In particular, the capacity to earn income from economic activities is erratic in the NGO community, and project hunting remains the main source of income for the majority of the sector. Therefore, the long-term financial status of NGOs cannot yet be considered stable.

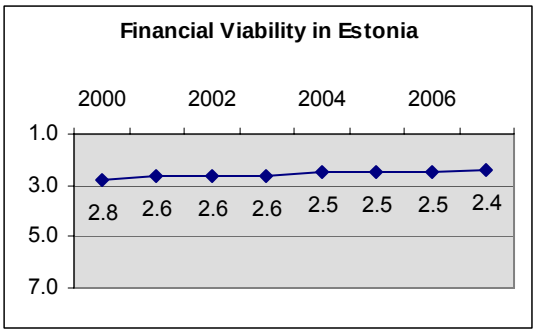
The availability of different grants from the government, EU, and both local and foreign foundations is usually not a problem. The biggest obstacle to NGO sustainability is a

shortage of funds for operational costs. Although some ministries, local governments, and private donors provide such support, this is not yet a common practice, as it requires a deeper understanding of NGO operations and more professional expertise in monitoring and evaluation. Also, in those cases when the public sector provides operational support, it is usually done based on formal criteria (i.e., number of members), without clear objectives and evaluation methods. As a result, it is difficult to measure whether the money spent yielded the best results for society.

There were several positive developments that will yeild results in 2008. After years of campaigning by NGOs, the government decided to launch a new National Foundation of Civil Society in the beginning of 2008 that will fund NGOs' operational costs and support innovative civil society development programs. The concept was developed during the summer through a participatory process in which hundreds of NGOs presented their views about the arrangement of the fund. The fund will receive EEK 20 million (approximately $1.9 million) from the state budget annually.

Also, the Norwegian/EEA Financial Mechanism NGO Fund was launched at the end of the year. This fund aims to strengthen civil society by raising the capacity and the influence of NGOs in three priority areas: democracy and development of civil society, environment and sustainable development, and social integration and regional development.

The Network of Estonian Nonprofit Organizations (NENO), an umbrella body that advocates across the NGO sector, developed the Code of Good Practice on Funding, which is currently in the consultation phase. The Code seeks to harmonize the principles of public funding for NGOs, thus providing guidance to the public sector and nonprofit organizations.



NENO is also leading a coalition that is advocating to protect the interests of NGOs in the usage of EU Structural Funds. For example, the coalition helped develop funding priorities and rules. Furthermore, as the implementation of projects begins, the coalition is participating in monitoring the funds. As a result of the coalition's efforts, NGOs have much broader opportunities than in the last program period.

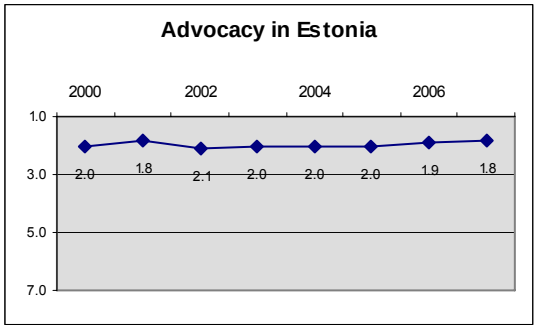
ADVOCACY: 1.8

Cooperation between the public and nonprofit sectors in policymaking is steadily improving. In 2007, each ministry named one official whose direct responsibilities include public involvement in decision making. These individuals will supervise the implementation of the Code of Good Practice on Involvement in their respective ministries and help both government officials and nonprofit organizations in matters of involvement. Additionally, the government created the participation portal www.osale.ee which allows civil society groups and individuals to post comments on recently drafted laws provided by the ministries. This portal also allows ministries to post background materials relating to draft laws and conduct polls. Also, each year NENO hosts the National Summer School, a two-day training event for nonprofit organizations. This year, the summer school – organized in cooperation with the State Chancellery – focused on involvement, bringing together representatives from NGOs and national and regional government agencies.

NENO also launched a major advocacy campaign prior to the parliamentary elections in March, when Estonian NGOs presented the aforementioned Manifesto to strengthen civil society and Estonian NGOs. During the election campaign, NENO held several meetings with

political parties to discuss the proposals and needs of NGOs. In addition, an informal network of NGOs was tasked with keeping politicians attuned to the issue by sending e-mails and asking topical questions at campaign events. As a result, for the first time in Estonian history, the new government added a chapter on civil society to their action plan which included several of the Manifesto's proposals.

On a more negative note, the parliament postponed the biennial public hearing on the development of civil society, causing indignation in the NGO community. The hearing was to take place in February, a few weeks before parliamentary elections, but the coalition parties in power at the time stated that having the hearing before the elections would not be "morally binding" for the incoming parliament and government. There was some concern in the NGO community that the true reason for the postponement was because the coalition parties were afraid of criticism of their parties just before the elections. The hearing finally took place in December.



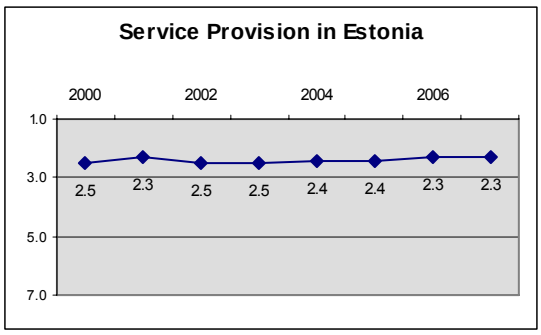
NENO and the Village Movement Kodukant, an association of small village movements, actively worked together at the local level to improve cooperation between local governments and NGOs. While there are excellent examples of stable and meaningful engagement in some municipalities, there are also places without any cooperation. As people's awareness about the potential of civil activism is growing, there are an increasing number of successful local advocacy campaigns. However, while local efforts have seen some success, the sector's capacity to advocate on the European level continues to be weak with few exceptions.

The Estonian Civil Society Development Concept (EKAK), adopted by parliament in 2002, serves as the strategy agreement between the public and nonprofit sectors. The EKAK defines the complementary roles of public authority and civic initiative, principles of cooperation, mechanisms and priorities for participation in shaping and implementing policy, as well as a plan for developing civil society.

A joint committee that includes representatives from both NGOs and the public sector supervises the implementation of the EKAK. NGOs, in particular, have increasingly become dissatisfied with the slow process of implementation caused by insufficient financial and human resources and the unclear role and responsibilities of the committee and its members. As a solution, NGOs pushed in the first part of 2007 to reformulate the principles and membership of the joint committee and to form implementing units in both the public and the NGO sectors. The reformulation was accomplished during the summer; while the new committee has fewer members, they are higher level, including representatives from umbrella organizations as well as chancellors (the highest state officials in Estonia) from the five ministries most important to the development of civil society. The Minister of Regional Affairs in charge of civil society development and one representative each from the Estonian parliament and two government foundations are also on the committee. Negotiations around the formation of implementation units, however, are still in process.

SERVICE PROVISION: 2.3

NGOs did not quantifiably improve their capacity to provide services in 2007. A new procurement law came into force in the spring, making the rules for outsourcing public service delivery more user-friendly. However, both the public and nonprofit sectors need time to become more capable in outsourcing and delivering public services, respectively. The public sector's slow progress in developing standards for public services has hampered development in this arena.



Nevertheless, the public sector expects NGOs to play a more active role in public service delivery, both on the regional and national levels. The problem, as seen by the public sector, is the lack of capable partners. On the other hand, NGOs cite short-term or unfair contracts, as well as delays in the contracting process and payments as obstacles. The nonprofit and public sectors coordinated to develop the Code of Good Practice on Public Service Delivery in 2006, a document that serves not only to harmonize the expectations of the sectors but also to create principles which both parties can utilize to proceed in their work. Awareness of the code, however, is still limited in both sectors.

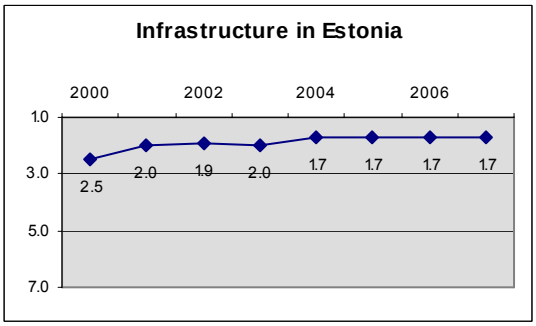
All the same, NGOs consider service provision to be an increasingly important way to fulfill their social mission, as well as a means of assuring stable funding. Also, local NGO support centers are pushing organizations to concentrate more on service provision. Particularly, the Village Movement Kodukant has been active in training small village associations in the development and delivery of local services.

The main emphasis, both on the regional and national levels, continues to be social welfare services, but services in the areas of environment, culture, sport, local tourism, etc. are also common.

INFRASTRUCTURE: 1.7

The building blocks of NGO infrastructure were put in place years ago, and 2007 brought no significant changes. There are regional development centers under Enterprise Estonia, a government agency, in every county which provide free, broad-based consulting to NGOs and basic trainings at affordable prices. This autumn, Enterprise Estonia started a pilot mentor program in which more experienced NGO leaders work with newcomers to help them develop their organizations. Availability of more advanced management trainings for NGOs, as well as trainings and materials for Russian-speaking NGOs, is still a problem.

There is a well-established system of umbrella organizations that serve as development and advocacy bodies for the sector. NENO works as a national association of public benefit organizations and the main support and advocacy organization for the NGO sector as a whole, dealing with horizontal issues common to all NGOs, regardless of the field, such as funding and involvement.



NGOs demonstrate a growing capacity to work together towards achieving common goals.

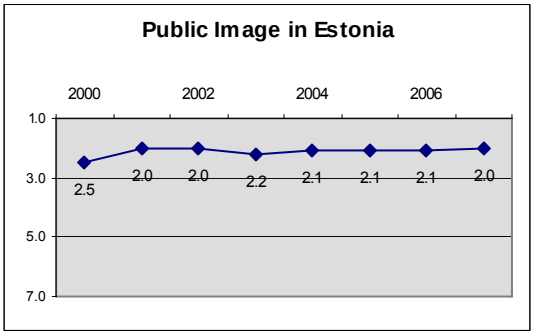
Examples include the Manifesto and the joint declaration from the Employers' and Trade Unions' associations on state budget issues.

Inter-sectoral cooperation is also more common. One notable example is the Business Coalition Against HIV/AIDS, initiated by the Health Estonia Foundation.

PUBLIC IMAGE: 2.0

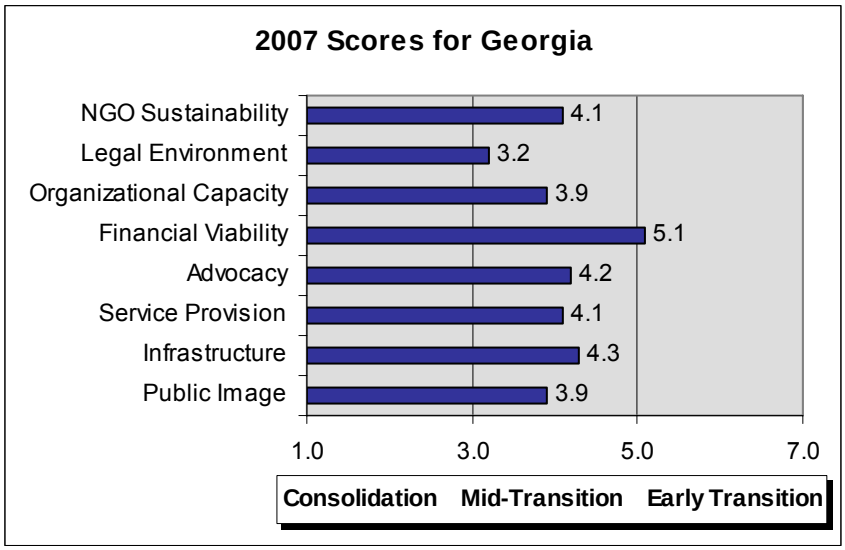
Public image was probably the fastest developing aspect of the Estonian NGO sector in 2007. Although NGOs have had a positive public image for years, media coverage has grown remarkably over the past year, in part because NGOs have become more professional in planning their activities and working with the media. Also, journalists increasingly see NGOs as partners that can comment on topical issues, address unmet needs, and provide new solutions, thus making media stories stronger. The media is especially enthusiastic about covering volunteer work and grassroots activities (such as several local campaigns for creating better living environments by preventing the cutting down of trees in neighborhoods) and innovative initiatives (such as the Youth to School program, which encourages the best university graduates to teach in schools, a solution addressing both Estonia's lack of teachers and the low appreciation for teaching in Estonian society). The media increasingly promotes more active citizen participation as a solution for different societal problems.

There were no major scandals connected with the NGO sector in Estonia this year. In autumn, the misuse of funds by the Estonian European Movement attracted a lot of media attention, but the NGO director's use of the organization's funds for private purposes was generally viewed as an individual case, as opposed to a systemic fault. Moreover, following this case, several editorials appeared in newspapers supporting NGOs in their campaign towards better and more transparent registries of annual reports.



Unfortunately, positive media coverage of NGOs is rarely supported by further analysis of their role and needs in society. Rather, the stories tend to be easy-reading materials about big-hearted people working in the sector, which can be misleading and does not help people distinguish between organizations associated with random charitable acts and those that are really creating social change. Attractive charitable events certainly appeal to the media more than the day-to-day hard work involved in solving problems. Without a more thorough analysis of this work, however, the image of the NGO sector is quite vulnerable.

GEORGIA



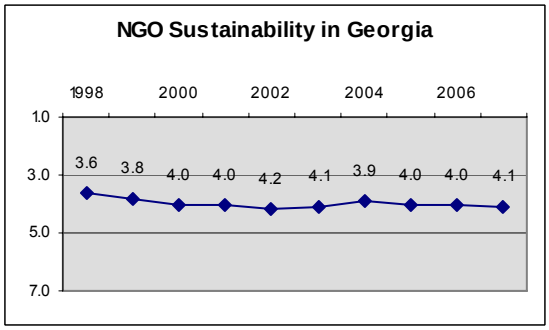
Capital: Tbilisi

Polity:
Presidential – Parliamentary Democracy

Population:
4,630,841 (July 2008 est.)

GDP per capita (PPP):
$4,200 (2007 est.)

NGO SUSTAINABILITY: 4.1



The overall sustainability of Georgian NGOs deteriorated over the past year due to backsliding in advocacy, financial viability, service provision and infrastructure. NGOs' ability to advocate continues to deteriorate as a result of their inability to establish productive working relationships with the Government. Government officials in Tbilisi and the regions have mixed attitudes towards NGOs, with examples of both confrontation and cooperation.

There is growing concern among NGOs about their continued dependence on donor funding, limited access to government funding, and the absence of local philanthropy. NGOs are less involved now in the provision of services than before the Revolution, as the government has assumed greater responsibility for certain public services which traditionally were in the domain of the NGO community. Finally, NGOs in the regions are increasingly worried about the lack of access to information, technology, training and technical assistance, as well as declining levels of collaboration within the sector.

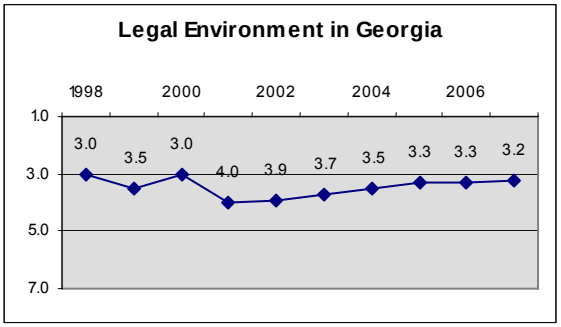
Georgia was gripped by a political crisis in the fall of 2007 when a series of anti-government protests were organized, leading to early presidential elections being scheduled for January 5, 2008. The crackdown on demonstrations, closure of an opposition private television station (Imedi TV), imposition of emergency rule, promotion of extra-constitutional measures to change the power structure in the country, and demands for the President to resign as a pre-condition to negotiations all raised red flags about both the Government's and opposition's commitment to the democratic process. While only a handful of activists were directly involved in the crisis, NGOs were accused of being associated with either the Government or opposition and seen as vehicles for government and opposition leaders to fulfill their political ambitions, distorting the image of the sector.

There are an estimated 10,000 registered NGOs in Georgia, although the number of active NGOs is significantly lower. Approximately 500 NGOs are intermittently active, with only 150-200 NGOs regularly active on a nationwide basis.

LEGAL ENVIRONMENT: 3.2

Georgian NGOs benefit from a fairly advanced legal environment. The government does not restrict the space in which NGOs operate or interfere with their work. Amendments introduced to the Georgian Civil Code last year simplified the procedures for registering and operating nonprofit organizations. The legal framework now presents fewer administrative impediments and legal actions against NGOs and NGOs are no longer subject to excessive reporting requirements.

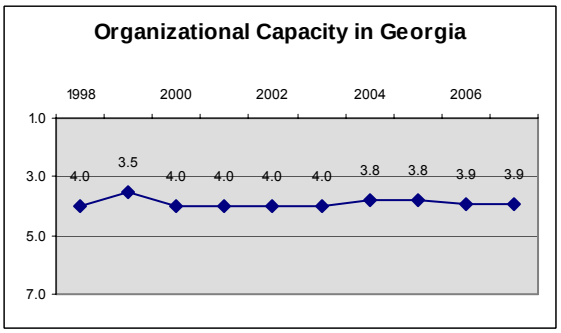
The legal framework provides NGOs with numerous tax benefits, including VAT exemptions. That said, existing tax benefits are mostly focused on international donor funding, while there is still a need to improve incentives aimed at mobilizing domestic funding. While the Tax Code does include some tax deductions for contributions by businesses and individuals,[1] there are no exemptions for economic activities, which are needed to encourage NGOs to engage more actively in such activities.



While NGOs can compete for government procurements and contracts, there are no legal mechanisms for the government to provide grants to NGOs. The absence of such legislation precludes NGOs from accessing national and local government funding sources and seriously hinders their financial viability.

ORGANIZATIONAL CAPACITY: 3.9

The growing divide between well-established and experienced NGOs and the remaining NGOs is the most notable trend related to organizational capacity. Large donors tend to fund the leading Tbilisi-based NGOs, and sometimes even help build their capacities to manage resources. These NGOs are increasingly committed to improving their financial management, internal regulations and governance. However, they do not retain wide constituencies, significant numbers of clients, or large membership bases, and can be viewed more as professional groups that represent the elite rather than broader society.



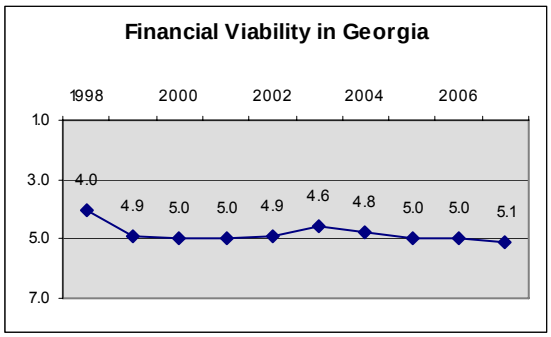
The majority of NGOs receive little capacity-building assistance. The number of active organizations, particularly in the regions, continues to decrease; the remaining NGOs strive to find new niches and priorities, which have shifted with the changes in the socio-political environment. NGOs in the regions increasingly "specialize" on areas where donor

[1] These include profit tax exemptions on donations and membership fees, and tax deductions for charitable contributions.

funding is still available. Overall, the NGO community understands the need to improve its planning process, but has problems adjusting to the constantly changing environment and shifts in donor priorities.

NGOs agree that they are much weaker now in terms of human resources than before the 2003 Rose Revolution. In particular, NGOs have more problems than ever in attracting and retaining highly qualified staff as they cannot compete with the higher salaries offered in the private sector. NGOs in the regions lack the funding to maintain permanent professional staff. Often, newcomers work with NGOs only long enough to get the experience they need to get more attractive jobs in the capital.

FINANCIAL VIABILITY: 5.1



Financial viability has always been the biggest challenge facing Georgian NGOs, and the situation is increasingly dire. NGOs are more and more concerned with their continued dependence on foreign funding. While decreasing, international support still comprises up to 95 percent of the budgets of both Tbilisi-based and regional NGOs.

The NGO community is also increasingly concerned about its limited access to government funding sources and the absence of local philanthropy. Tax incentives for corporate and individual donations introduced in the Tax Code have done little to stimulate domestic philanthropy. Local contributions are minimal, as NGOs are not skilled in identifying or soliciting domestic support. The business sector has little interest in NGOs, particularly in the regions, and generally views them as little more than freeloaders looking for hand-outs. As a result, businesses rarely support NGOs, unless an organization has a close relationship with the local authorities. Given this bleak situation, there is no reason to believe that NGOs will be able to sustain themselves with purely domestic sources in the near future.

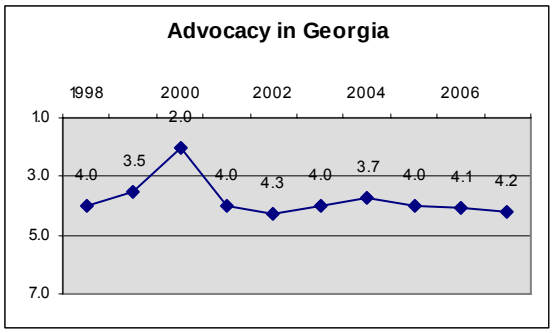
At the regional level, the situation is even more difficult. NGOs in Kutaisi, the second largest city in Georgia, characterize the state of the sector as "stagnant." Only three or four strong NGOs have more or less stable funding, while the rest are forced to operate from project to project. Regional NGOs also note that shifting donor priorities and the growing support for minority-related issues has resulted in an uneven distribution of funds at the regional level.

Some NGOs with relatively stable funding have started introducing income generating activities. For example, after assessing local demand, the Association of Young Economists in Kutaisi introduced fee-based services such as accounting courses and training in marketing, primarily to small entrepreneurs. The Association of Young Lawyers has introduced fee-based legal consultations; income from these services already makes up a significant part of its budget.

ADVOCACY: 4.2

NGOs and the Government were unable to establish productive working relationships with each other in 2007, and the Government's perception of the importance of NGOs continued to diminish. As in previous years, NGO interaction with government officials at both the national and local levels was not institutionalized, and instead depended largely on personal relationships.

Cooperation between the State Anti-Trafficking Fund and the Georgian Young Lawyers'



Association serves as an excellent, but rare, example of effective cooperation between the Government and an NGO in developing legislation and raising public awareness. The success of the anti-trafficking program, and the increased effectiveness of these joint Government-NGO activities, directly contributed to Georgia being upgraded to Tier 1 by the U.S. Department of State in its 2007 Trafficking in Persons Report. Another local NGO, the UN Association of Georgia (UNAG) assisted the government in the preparation of Georgia's first report to the Council of Europe on the implementation of the Convention for the Protection of National Minorities.

The central government lacks vision and has yet to develop a strategy for utilizing the third sector's capacities. NGOs are increasingly frustrated that the government does not recognize them as a source of expertise and that their recommendations are not given much consideration. On the other hand, NGOs also acknowledge that they are not able to provide uniformly high quality analysis and policy advice in the areas where Government seeks external support, such as social services.

Watchdog NGOs played an important role in the lead-up to the January 5 presidential elections. With funding from the Open Society – Georgia Foundation, four well-known Georgian NGOs – the Georgian Young Lawyers Association, the International Society for Fair Elections and Democracy, Transparency International Georgia, and New Generation New Initiative – opened a media center that provided timely and reliable information about election monitoring activities, advised voters on election procedures, and collected information about possible violations in the electoral process. These same organizations received considerable funding from the European Commission and USAID to support election observation, parallel vote tabulation, and voter education activities. Their findings from election day, as well as the pre-election and post-election periods, were published.

Although there are cases of NGOs interacting with local authorities, the nature of the interaction can hardly be described as true cooperation. Old habits die slowly and local authorities are often suspicious about NGOs because they are less susceptible to government influence and control. In addition, frequent turnover in local governments precludes the establishment of long-lasting relationships. For example, the Mayor of Kutaisi, Georgia's second largest city, was replaced seven times in the last three years and NGOs working on social issues in Adjara are constantly re-establishing working contacts with the Minister of Health, who has changed three times during the process of implementing one project. In addition, newly-appointed officials usually do not want to assume commitments made by their predecessors.

NGOs' effectiveness at the regional level is also limited by the fact that local governments hold no real power and have little access to resources. Regional NGOs have learned that the most efficient way to accomplish anything at the local level is to turn to the regional Governor, a presidential appointee.

Attempts by NGOs to influence directly the legislative process, especially in the regions, are generally only successful if there is a preliminary agreement with the executive government. The adoption of the Law on Tourism in the Autonomous Republic of Adjara, developed by the Civil Society Institute, serves as a rare

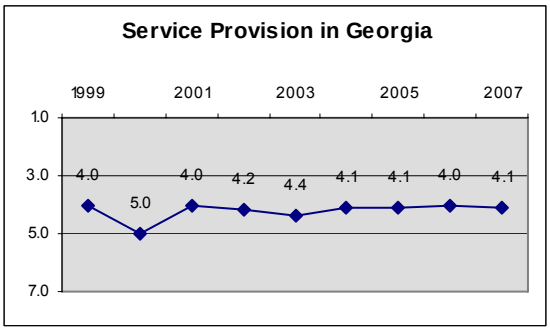
example of successful political lobbying on the local level. Another example is the collaboration of the Association of Young Economists and other NGOs with the local authorities to prepare an economic development plan for Kutaisi, which was expected to be reviewed and adopted by the end of 2007.

SERVICE PROVISION: 4.1

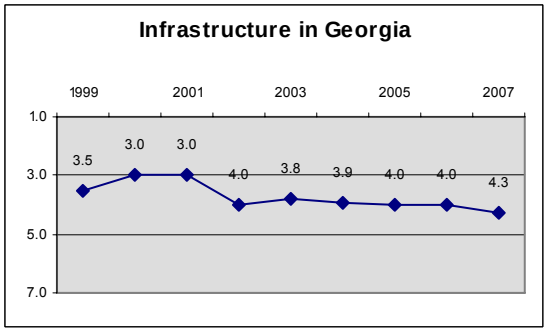
A recent survey conducted by the Civil Society Institute, a Georgian NGO, revealed that citizens most frequently turn to NGOs providing human rights protection and legal aid (56 percent) and social services (25 percent). The most experienced capital-based NGOs continue to provide specialized and high quality services in a variety of fields. Some training providers diversified their portfolios by including new services aimed at the business community that generated significant income.

NGOs are less involved now in the provision of services than before the Revolution. The government has assumed greater responsibility for certain public services which traditionally were in the domain of the NGO community, thus leaving fewer opportunities for NGO participation. While there were several cases in which NGOs were allowed to compete for government contracts to provide services, including child care, NGOs have very limited access to national and local government funding overall. With the gradual shrinking of international funding, most service providing NGOs tend to concentrate on areas where donor support is still available.

Given the nature of their work, NGO service providers, especially in the regions, do not generally charge fees for their services. By offering free services, they feel that they are more effective in reaching a wider population and meeting their obligations to the more vulnerable and marginalized sectors of society.



INFRASTRUCTURE: 4.3



After financial viability, infrastructure is the weakest of the seven dimensions of NGO sustainability, and continues to deteriorate. There are no NGO Resource Centers in the regions and it is difficult for NGOs outside of the capital to access information, training and technical assistance. Both coalition-building and inter-sectoral partnerships remain largely donor-driven activities. As donor funding for coalition efforts decreases, the level of collaboration also declines.

The most viable and visible coalitions are those created by capital-based NGOs, such as the coalition "For Transparency of Public Finances" that carries out independent analyses of the government budgetary process and monitors public expenditures. In 2006-2007, the coalition monitored the Millennium Challenge Georgia (MCG) program and the Baku-Tbilisi-Ceyhan Pipeline Company Grants program.

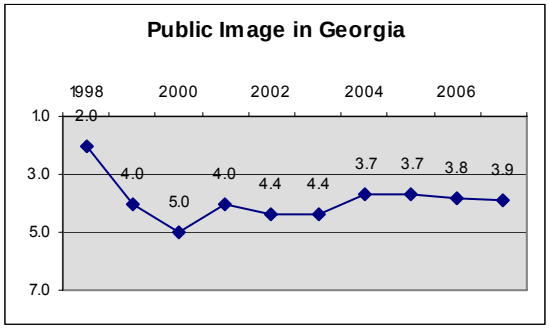
Communication and information-sharing among NGOs is becoming less frequent. Given shrinking resources, NGOs, especially in the regions, view each other as competitors and are reluctant to share information, technologies and know-how with each other. Networking and cooperation is more likely in smaller NGO communities, such as Adjara, where personal contacts create the basis for good working relationships. Another exception is Kutaisi, where the local branch of the Georgian Young Lawyers' Association organizes monthly

meetings for local organizations to share information and coordinate activities.

The demand for advanced and specialized trainings is on the rise in Tbilisi, where there are highly qualified training providers. However, such trainings have become inaccessible for most NGOs, which are unable to pay for them. The shift in donor priorities and funding has resulted in a situation where NGOs can finance costly training for other target groups, such as public servants, but can not afford high-quality trainings for their own staff.

In 2007, Internews-Georgia, with funding from the National Endowment for Democracy, organized a series of meetings with NGOs throughout the country to discuss the goals and problems of the Georgian third sector and to produce a national NGO agenda entitled "Ten Steps to Liberty." While well-intended, the project did not produce any significant results. The final conference – the first large-scale NGO gathering since 2004 – allowed NGOs to exchange opinions, but views were too diverse to reach common ground on a whole range of issues. The meeting also revealed an increased polarization of "pro-" and "anti-" governmental approaches within the NGO community.

PUBLIC IMAGE: 3.9



A 2007 survey assessing the public's attitude towards NGOs found that 43 percent have heard about NGOs, 41 percent were completely unaware of them, and seven percent were not interested at all in their work. Only seven percent of respondents had adequate information about NGO activities.

Over the past year, Tbilisi-based NGOs realized that they need to be more proactive in engaging the media, and have started giving more presentations and press conferences, publishing articles and information about their work, and trying to enhance their public image. Media, in turn, showed more interest in findings and reports prepared by NGOs, especially the results of monitoring activities, such as that of the MCG Program, which was widely covered by both electronic and print media. At the same time, the work of service providing NGOs became less visible and they found it increasingly difficult to attract media attention.

As in previous years, NGOs complained about media's focus on scandals, human rights or social injustice cases. NGOs in the regions were particularly unhappy with the low professionalism of journalists who do not understand the nature of NGO work and therefore are unable to communicate it to a wider public.

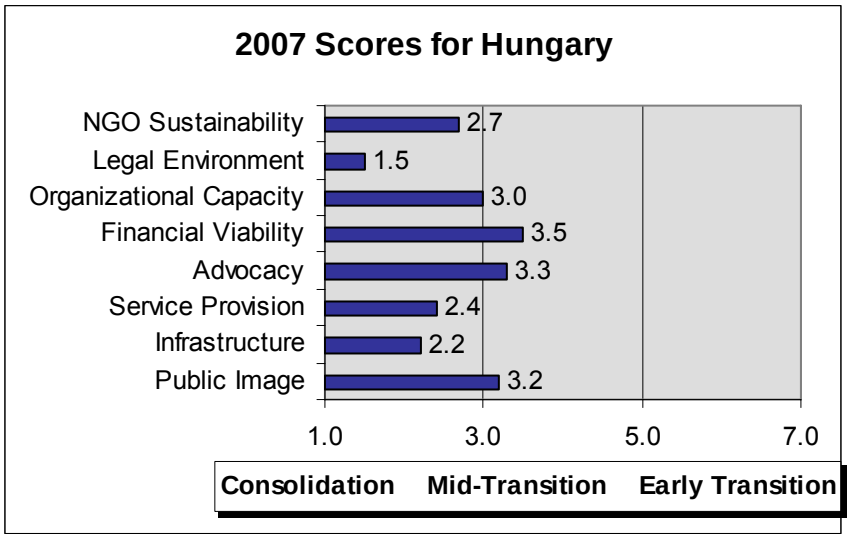
NGOs are increasingly perceived as vehicles for government and opposition leaders to fulfill their political ambitions. During the intense political tension in the fall, the media primarily covered the activities of watchdog NGOs affiliated with oppositional parties, tainting the non-partisan image of the sector.

In Kutaisi, where public perception of NGOs in the past was largely based on their watchdog activities, diminishing civic monitoring efforts undermined the public's trust of the sector. On the whole, Georgian NGOs are no longer perceived as effective tools for public oversight over the government.

For a number of years, NGOs in Adjara were actively involved in monitoring budget formulation and transparency of public expenditures. While Adjaran NGOs are trying to

preserve collegial relationships with the government and refrain from public statements, the media, local authorities and the public often view the presentations of their findings as politically motivated, thus making it increasingly difficult to obtain government support for their efforts.

HUNGARY



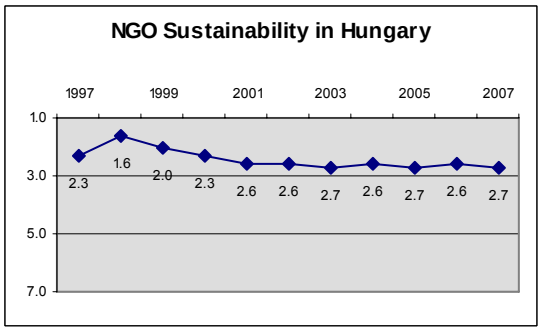
Capital: Budapest

Polity:
Parliamentary Democracy

Population:
9,930,915 (July 2008 est.)

GDP per capita (PPP):
$19,500 (2007 est.)

NGO SUSTAINABILITY: 2.7



2007 was another difficult year for the Hungarian nonprofit sector, which consists of 50,890 foundations and associations and 7,352 public benefit companies, public foundations and trade unions. Although several initiatives were launched, negative trends from previous years continued. NGOs are still very weak financially, and few are sustainable in the long-term. New EU calls for proposals are late, and the tax benefit for support to NGOs was cut again. The political crisis of 2006 continued in 2007, which weakened the advocacy capacity of NGOs, the weakest dimension of NGO sustainability. The government, not NGOs, initiated the most important developments during the year, including the official database of NGOs and the regulation of NGO conflict-of-interest issues.

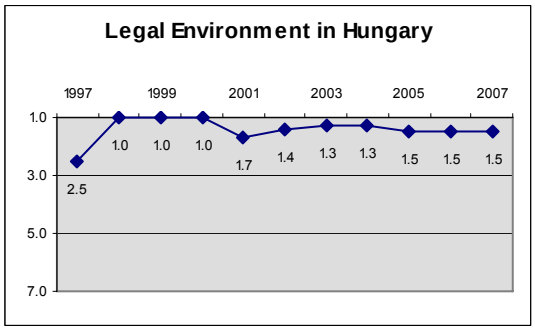
On a more positive note, however, in 2007, NGOs and the government recognized some long-term problems faced by the NGO sector, including conflicts of interests within grantmaking bodies and decisions on state funding for NGOs. NGOs and the government have begun discussing solutions, which will require much effort from both parties to elaborate appropriate policies in the upcoming years. Other positive developments were the increased use of fundraising techniques by NGOs, the revision of the one percent law, and the increased corporate interest in implementing corporate social responsibility (CSR) programs.

LEGAL ENVIRONMENT: 1.5

There were numerous new legal initiatives in 2007, the majority of which are likely to have a positive effect on the NGO sector.

The government passed a decree with tasks and deadlines to implement its civil society strategy, the final version of which, however, incorporates only some elements of the draft strategy

presented to NGOs earlier. According to the decree, all ministries will have to compile a bi-annual civic action plan to develop contacts with the NGO sector. A civic information website will be set up with, among other things, an official database of NGOs and the possibility to conduct official procedures online. The government will examine the possibility of joining the European Convention on the Recognition of the Legal Personality of International Non-Governmental Organizations. For greater transparency, the government will review regulations concerning advisory bodies assisting the government's work. A review will be conducted of the activities of organizations and networks supported by ministries and providing services to NGOs, in order to eliminate redundancy in the system. The Central Statistical Office will continue its annual research on the NGO sector, although it has not yet been decided whether it will be carried out in a comprehensive fashion (which has been immensely helpful in the past) or as a sample-based survey yielding more limited findings. A major shortcoming of the decree is that it does not include the revision of the 1997 Law on Public Benefit Status, even though most of the criteria established in this law are only being met on a formal basis.



The government has drafted a modification of the Act on the National Civil Fund (NCF). This modification aims to improve the efficiency of the support system and contains stricter regulations for conflicts of interest. However, it does not respond to criticism from the State Audit Offices and some NGOs lobbying for a more strategic approach to NGO development.

At the same time, the One Percent Law[1] has been modified. Two minor parties in the parliament questioned the need for a National Civil Fund and submitted proposals to create their own Three Percent Laws; both proposals failed. The Liberals proposed a competition between NGOs and churches for the funds generated from three percent of income taxes, while the Christian Democrats would split the amount equally between the two types of organizations.

The new law involves some practical changes concerning taxpayers' statements about the allocation of the one percent and the reporting procedures NGO receiving such donations must follow. The one percent statement will now be part of the tax declaration form, although, taxpayers will also have the option of remaining anonymous by placing it in a separate envelope. There will be only one deadline for submitting statements, which should help NGOs run cheaper and more focused campaigns. In addition, NGOs will have to make a clear distinction between their program and overhead costs in their one percent related press releases. The new law continues to include state organizations such as libraries as potential recipients. State organizations currently receive an insignificant share of the one percent donations, but there is a potential danger to NGOs if this increases. Due to poor advocacy by NGOs, the list of eligible state organizations is now even longer than before.

Following a financing scandal involving the Socialist party, the Prime Minister published a seven-point action plan to regulate political party financing and conflicts of interest by politicians. Two issues closely concern the NGO sector: the plan states that party-financing regulations apply to the youth organizations of political parties as well, and that NGOs involved

[1] The one percent law has allowed individual taxpayers to allocate one percent of their previous year's personal income tax to an eligible NGO or state organizations since 1997. Another one percent can be allocated for churches.

in party politics will no longer be eligible for any public funding. A newly enacted law based on this seven-point action plan sets forth even stricter criteria: in the case of publicly funded grants, NGOs with representatives involved in the grantmaking procedures, preparatory phases of decision making, or formulating calls for proposals are neither eligible to participate in calls for proposals nor to receive public money. This legislation also initiates the replacement of the complete civic decision making community, including the NCF and experts working at ministries and public foundations. In the long run, the new regulation will decrease corruption. NGOs generally welcome such a change as currently one-third of the NCF's annual grants are awarded to nonprofit organizations associated with civic decision makers. However, by requiring the replacement of about 90 percent of the members of all NCF bodies, NGOs fear that this might threaten the stable functioning of these bodies and increase the possibility of government influence.

Until recently, the issue of conflict of interest has been dealt with laxly at all levels. Now, due to strong political pressure, the government is hastily (and without prior consultation with the nonprofit sector) trying to demonstrate its readiness to fight corruption by disciplining NGOs. These changes were not initiated by NGOs. Best practices widely accepted by NGOs would make more sense than new regulations.

So far, the new Company Code[2] has not clarified the position of public benefit companies founded by the central or local governments. As quasi-NGOs, public benefit companies are widely criticized for their lack of efficiency and accountability. They are being transformed and eradicated at a slow pace, as confirmed by the fact that many are still listed in the 2008 State Budget. Another indicator of this chaotic situation is the fact that new types of nonprofit ventures (nonprofit ltd. and joint-stock companies) were at first to be statistically classified as "business ventures."

As part of the long overdue reform of the Civil Code, there are two new potential organizational forms: the private benefit foundation, which is already well-known and popular in Western Europe, and the joint-stock foundation, which aims to accomplish its public benefit purpose on a for-profit basis. This latter form raises some concerns, as it will supposedly enjoy public benefit status while paying dividends to its members, despite the fact that a public benefit organization is not supposed to distribute its profits, but rather use them to further its public aims.

The draft law on contracting out of state services was taken off of Parliament's agenda, thereby negatively affecting service provision. This law would have introduced a tendering process that creating equal opportunities among service providers from all sectors (similar to the British "best value" model).

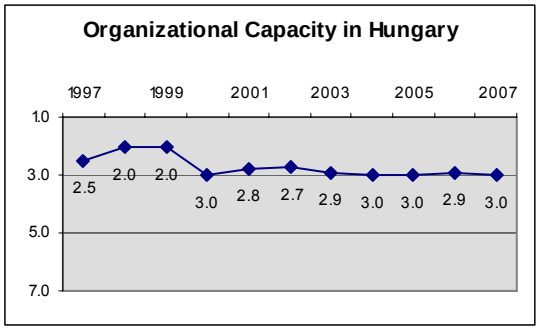
ORGANIZATIONAL CAPACITY: 3.0

The capacity of the Hungarian NGO sector is stagnant, which is a setback for all NGOs. Capacity building funds have decreased, and the NGOs previously supported and developed by western donors are often the hardest hit by the difficulties surrounding EU funding, including the consistent and significant delay of payments.

The NCF has recognized a hidden problem in its operations since 2004. In monitoring some of the key documents submitted by applicants for funding, it found that the majority failed to comply with legal requirements. However, in order to comply completely, these applicants would have to use the majority of their

[2] The Company Code regulates private and public benefits companies. Public benefit companies are nonprofit organizations established to ensure the on-going provision of public services. They essentially operate as businesses but are not allowed to distribute profits.

organizational capacity to this end. Moreover, the existing rules do not encourage greater accountability and transparency. Thus, reforms are needed to reduce the number of regulations while increasing their quality.



One-third of nonprofit employees are employed by classic NGOs, and because of the high tax burden on employers, it is extremely difficult for NGOs to hire more employees. Only 8.5 percent of foundations and 11.3 percent of associations have at least one full-time employee, and a mere one percent (26,000 people) of all employees work for these organizations. A government program that encouraged NGOs to employ former civil servants failed because it was not accompanied by the intensive capacity building it would have taken to enable NGOs to hire a large number of redundant civil servants. Active participation in volunteer work is only about half of the EU average, or 17 percent.

Less than one percent of NGOs have implemented projects with EU Structural Funds, but many of them suffered an organizational crisis due to sudden growth and liquidity problems. Due to the administrative burden of EU projects, for many NGOs, meeting the project indicators takes precedence. Consequently, EU projects do not improve, but rather inhibit, NGOs' capacity for strategic planning. Since the closure of the Trust Program in 2006-2007, there have been no programs for efficient long-term capacity building, even though this is an aim of both the NCF and EU Structural Funds. The NCF mechanism has made even small NGOs obtain funding through grant proposals that were not ready for it. These small NGOs were either lacking the resources to employ administrative staff, or, if they did hire new employees, the efforts needed to secure funding for wages could force them to deviate from their mission.

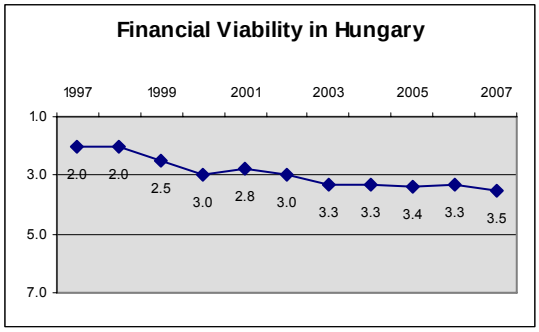
FINANCIAL VIABILITY: 3.5

According to the latest survey by the Central Statistical Office (CSO), the total income of NGOs such as foundations and associations in 2006 was $1.774 billion, while the income of other nonprofit organizations, such as public benefit companies, public organizations and trade unions – with a leading role by state-owned public benefit companies – was $2.501 billion. The survey confirmed that NGOs founded by the state or local governments received the majority of income, while income generated by civic organizations amounts to only 42 percent. Between 2000 and 2005, the real value of the income of NGOs increased by eight percent, that of associations by 18 percent, while that of public benefit companies (mostly founded by the state or local governments) grew by 85 percent. State support is the exclusive source of the growth in the case of foundations. The real value of all other sources (private support, program and economic activities) has dropped. The vast majority of NGOs get their income from one or two dominant sources, with only a few organizations drawing their income from diversified sources. More and more NGOs rely on bridge loans to retain their liquidity, and the government is planning to set up a bank for the nonprofit sector.

The tax benefit for support to NGOs was further reduced: now only taxpayers with annual income of less than $19,500 are eligible. This further narrows the fundraising capacity of NGOs, although in 2006 only 30 percent of support entailed tax reduction.

The foreign support that accounts for eight percent of the total income of NGOs went to only four percent of the organizations. A new analysis showed that between 2004 and 2006, ten percent of the support from EU Structural Funds was allocated to NGOs ($380 million),

28 percent to the business sector, and 58 percent to the state sector. Similar to enterprises (although with significantly smaller capital), NGOs also have to implement their projects on a reimbursement basis; moreover, payments are regularly late. Calls for proposals in the National Development Plan for 2007-2013 for NGOs are also late because the government is concentrating on areas that have a visible short-term effect on the national economy.



The states of the non-EU-member European Economic Area[3], with Norway in the leading role, created a fund to support new member states. This means an annual €27 million of funding for Hungary over a five year period, but the first round included mostly state organizations or local municipalities, and few civic grantees,. The calls for the second and third rounds are currently out, attracting widespread NGO interest.

NGOs are increasingly using fundraising tools more professionally. One reason is that state and EU financing radically dropped between 2006 and 2007. However, current fundraising methods will take a couple of years to yield visible results. As shown by the survey conducted by the Hungarian Donor Forum, an increasing number of companies are developing philanthropy strategies of their own, which means more funding sources for the NGO sector. The 2nd Hungarian Fundraising Conference attracted great attention again, with participants reporting a wide range of sophisticated fundraising techniques.

The amount generated from the one percent of income taxes has increased again, reaching $45.7 million, largely due to the fact that regulations concerning employers have become stricter, widening the circle of potential donors.

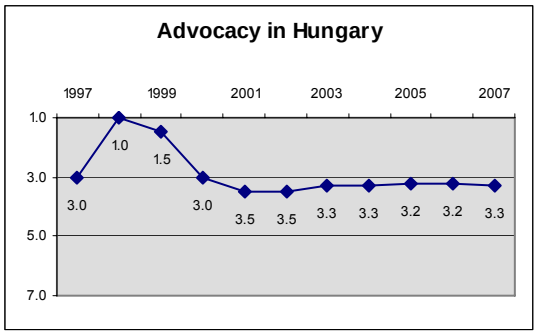
The NCF still has a budget ceiling. Thus, in 2006, 9,200 applicants were given a total of $36 million. The NCF is converting to normative financing – in 2006, 80 percent of those applying for support to finance their overhead costs got funded, strengthening paternalistic attitudes. Because of the limited budget, more organizations get progressively less money. A positive outcome is that widespread frustration concerning the functioning of the NCF might make it possible to rethink its basic principles.

In summary, NGOs faced a funding vacuum in 2007. Foreign funding drastically decreased. The second National Development Plan and the Norwegian Financing Mechanism did not benefit NGOs in 2007 because of delays in preparation and the lack of a strategic approach. In the case of the first National Development Plan, the last significant call for applications that was accessible to NGOs was announced in 2006, with projects ending in 2007. The next round of calls is expected to be initiated in April or May 2008. There will be a separate NGO Fund within the Norwegian Financial Mechanism operating from early 2008. However, these changes have not been able to help the increasing number of NGOs experiencing liquidity crises in 2007.

ADVOCACY: 3.3

Political upheaval has decreased the advocacy potential of the civic sector, which is not very strong in the best of times. Most of the initiatives concerning the NGO sector during the year came from state organizations. The state expects civic advocacy to be at a high level of professionalism. Official advocacy forums, such as media boards or economic and social forums, have become increasingly hollow, and civic actors are unable to bring about their reform.

[3] Iceland, Lichtenstein and Norway



The Law on the Freedom of Electronic Information, which in theory obliges ministries to publish all drafts and process recommendations online, has had little practical effect; as data collected by the Association for Analysis of the Nonprofit Sector (NOSZA) reveals, only 40 percent of all government proposals were subject to consultation. Most of the time, ministries chose expedited procedures that enabled them to avoid the obligation for consultation. However, NGOs still have more possibilities to provide input into the legislative process than before. With the leadership of three major NGOs (Nonprofit Information and Training Center, Hungarian Nature Protection Federation and Reflex Association), a set of recommendations for consultation was published called "Procedural Norms of Social Consultation," or TEEN according to the Hungarian abbreviation.

Another factor that lessens the chances of NGO advocacy is that, in the heated political climate, every issue has political coloring, and advocacy efforts usually get some support from one party or another. As a result, it is impossible to carry on a rational discussion of public policy issues. Besides, civil society is unable to disclaim the organizations of the extreme right that appear at demonstrations. Consequently, governments find it easier to ignore professional arguments.

In accordance with the 2004 amendment of the Law on Regional Development, Civic Coordination Forums may be set up alongside each Regional Development Council; however, these forums are unable to set shared objectives because it takes more time and capacity for a genuine bottom-up development approach. They face a great dilemma in how to legitimately represent their very diverse values on a common platform; moreover, the boundaries of their geographical, economic and social identities often differ from those of the forums created on an administrative basis.

Green organizations are winning more lawsuits because construction permits are frequently issued without regard to certain regulations. It is, however, a disconcerting new phenomenon that investors now often sue the leaders of environmental organizations for libel.

The Civil Society Development Foundation (CSDF) and the European Center for Not-for-Profit Law have created a program entitled "We have a say" to help NGOs develop large-scale advocacy projects in the field of human rights, using new approaches and methods, such as the mobilization of stakeholders, that have hitherto been unknown or little used by Hungarian organizations.

As part of its European AIDWATCH process, the HAND Association analyzed the spending pattern of Hungary's international development funds. In the analysis, HAND criticizes the transparency and efficiency of the expenditure of these funds and the measurement (or, rather, the lack thereof) of the outcomes of the programs. This study received great publicity.

SERVICE PROVISION: 2.4

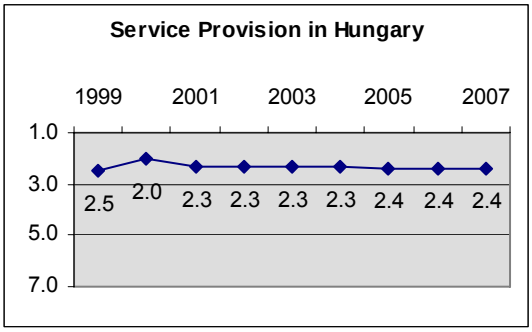
Numerous services have been developed through EU programs, most of them with employment objectives, but their sustainability is highly questionable. This high-value source was available only to an estimated 300 organizations, putting smaller NGOs unable or unwilling to meet EU criteria at a disadvantage. The assessment of applications, contracting, and transfer of funding were all consistently belated, causing grantees to accumulate great debts towards their contractors and putting them in an unacceptable position, especially if contractors

were small enterprises with little capital. The anomalies in funding proved to be a significant hindrance in terms of the quality of services provided. The NGOs in question often tried to overcome the obstacles posed by the bureaucratic requirements, delays, and belated payments by simplifying their methodology, for example, speeding up procedures and homogenizing flexible frameworks originally designed to meet individual needs. This simplified methodology often obligated NGOs to meet administrative requirements rather than provide quality and impact-oriented services. The outcomes of these programs are likely to fall short of expectations. The above delays by state agents in contracting and transferring funds – resulting in a permanent liquidity crisis for NGOs – indicates that authorities do not consider NGOs as equal partners, and tend to apply 'manual control' in administering programs.

The sector is facing an increasing number of copyright issues. Many organizations have developed a pool of marketable know-how that can be used to generate further income, but state funding agencies are making a point of getting ahold of the entire copyright, even if they are only involved in funding a smaller project. Based on an assessment of law forms specialized on copyright issues, the number of such cases is dramatically increasing.

As previously mentioned, Parliament will not be introducing the law that would have equalized opportunities amongst service providers. Consequently, NGO service providers are discriminated against in comparison to state or church-owned service providers. The unclear legal environment is often an obstacle to outsourcing.

A number of quality management systems are now available for NGOs. Apart from the "classical" ISO 9000, CSDF has issued the MINTA (in Hungarian, MINTA means Example) system aimed specifically at NGOs, which is an adaptation of the British PQASSO (Practical Quality Assurance System for Small Organizations); fifteen NGOs are now using MINTA. The nonprofit adaptation of the entry level of EFQM (European Foundation for Quality Management) is now also available, to be extended nationwide next year.

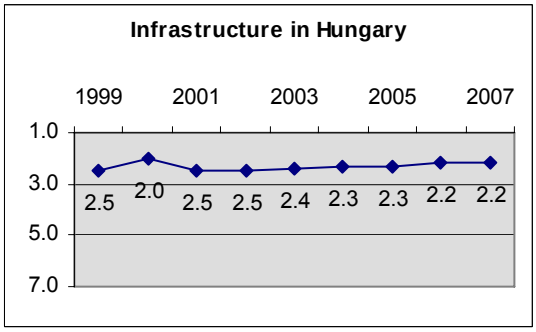


INFRASTRUCTURE: 2.2

As part of the realization of the strategy adopted in 2006, the government decided to set up a civic information website with a list of all calls for proposals for central funds, legislative drafts, funding granted from the state budget, and information on service-providing networks.

The website, which will be accessible from mid-2008, will also contain all relevant information on NGOs. It is, however, questionable if the website will be set up by the rapidly approaching deadline and, if so, how useful it will prove.

There is an increasing number of high quality websites and newsletters providing information to NGOs. However, Internet service providers do not have packages aimed specifically at NGOs, thus they can only subscribe at business rates. Grantmakers are not prepared for online administration, which is, however, often mandatory.



State service providing networks regularly provide free trainings on topics such as social economy. However, the topics of the free trainings would often attract a paying audience as well. Thus, these trainings distort the market, making the situation difficult for organizations that invested in these fields in the hope of future profits.

Some NGO training providers now offer premium service packages for more developed organizations, such as strategic counseling and coaching. These are more expensive but are better suited to the specific needs of these organizations and are often more efficient than average services.

The now accredited European Fundraising Manager Training, organized by the CSDF Foundation, is a major step towards the professionalization of fundraising. The first training course has already been completed. NGOs face a shortage of reliable, high quality potential suppliers, for example, in fundraising. The lack of competition keeps prices high.

Corporate social responsibility remains a popular topic, and it is now more apparent which companies are serious about this issue. More and more companies are getting involved in CSR activities, but this has not generated more income for NGOs. The KPMG Marketplace is a good example – it is a forum for NGOs and business ventures to develop joint activities.

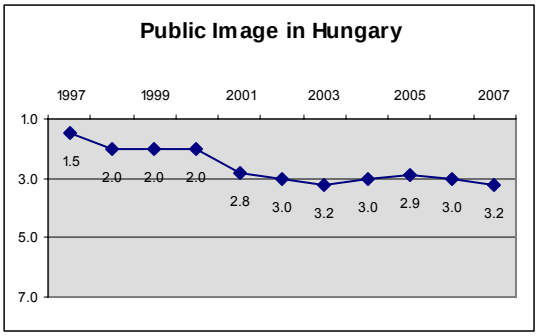
The NCF has finally offered funding for complex organizational development, even if only allocating a small part of its budget for this purpose.

PUBLIC IMAGE: 3.2

A scandal involving illegal party financing through the funding of NGOs, the so-called Zuschlag case, had a negative effect on the public image of the sector, reinforcing the concern already voiced by the media that the civil sector is over politicized. The scandal involved a network of 11 NGOs led by a Socialist politician that spent 50 to 100 million HUF grant money – mainly intended for youth NGOs – on political objectives between 2000 and 2005. Even though the network's activity raised suspicion as early as 2001, it carried on functioning for years, proving how over-politicized the grants system is and how difficult it is to account for public money spent this way. The planned legislative measures suggested in the wake of this scandal include stricter regulations for NGOs than political parties, even though the latter obviously use much more money in much less transparent ways, sending a bad message to the public.

The civil sector is still very much divided into segments leaning to the left or right in the eyes of the public. Unfortunately, this image has been reinforced by the financing scandals. However, this has shed light on the fact that the NGO sector is much worse known by those interested in its activity than had been formerly thought. The positive side is that public service activities carried out by NGOs are getting better known.

The political extreme right has created numerous NGOs of its own, such as the militant Hungarian Guard that uses imagery strongly reminiscent of that of the Hungarian fascists during World War II. They are officially registered as a cultural association, but their claim is now being subjected to investigation by the public prosecutor.

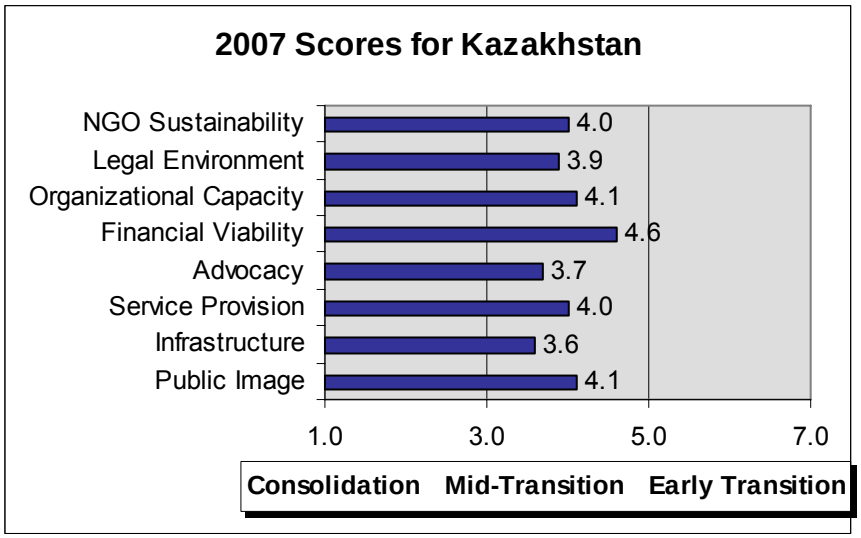


There are no NGO advocacy groups that could appear in the media to counterbalance these negative effects with positive messages concerning the role of NGOs in society.

NGOs make media appearances more and more frequently. Hardly a day goes by without at least one NGO featured in the evening news programs, with special prominence given to green and animal protection organizations. Human rights NGOs are also garnering an increasing amount of publicity, mainly on issues surrounding the current political situation, such as police violence. However, this publicity is not necessarily progressive. For example, in the case of the public debate on the regulation of home birthing, media gave voice only to medical associations that oppose the legalization of this practice.

The alleged multi-billion forint tax fraud case against the Együtt Egy-másért Foundation stigmatized NGOs involved in delivering international aid. The above-mentioned foundation, led by a former national security officer, was assumed to have violated tax and customs rules. The radical Magyar Gárda events did not generate large-scale coordinated reactions from other NGOs. In fact, the NGO sector was unable to respond systematically to any of the challenges appearing after major media and political scandals. The Zuschlag case did not result in a discussion by NGOs to decrease the potential effect of such cases; on the contrary, NGOs heavily resisted the initiative of the Prime Minister's office to increase transparency and specify conflict of interest situations – without accepting the reason for such a radical change. Actually, except for a few well-positioned NGOs on the media market, the sector lacks a common voice on general issues, such as the constitution, the economic situation of the country, issues of competitiveness, accountability gaps (of the state, business, NGO sectors), influence of political decision making, international issues, health care reform, etc.

KAZAKHSTAN



Capital: Astana

Polity:
Republic – Authoritarian Presidential Rule

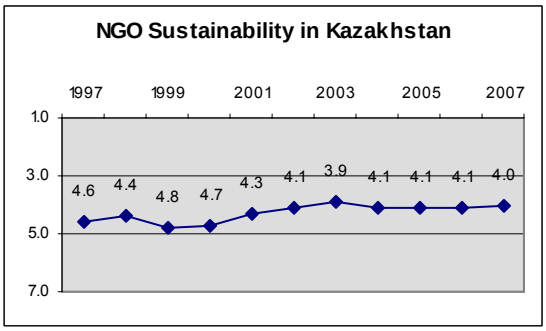
Population:
15,340,533 (July 2008 est.)

GDP per capita (PPP):
$10,400 (2007)

NGO SUSTAINABILITY: 4.0

According to the Ministry of Justice, as of November 2007, there were 28,003 private nonprofit organizations registered in Kazakhstan, including trade unions, religious organizations and political parties. At the Third Annual Civic Forum in October 2007, the Ministry of Culture and Information stated that there were approximately 5,900 registered NGOs[1], 1,700 of which are active. The number of registered NGOs is growing rapidly – 10 percent over the past year, in comparison with three percent growth from 2003-2005. This may be due in part to the reduced registration fees which were enacted in 2006. The most common legal forms of NGOs are public associations and foundations.

Two events had great impact on the NGO sector in Kazakhstan in 2007. First, the lifting of a constitutional ban on financing public associations from the state budget will allow NGOs to receive support directly from national and regional government offices. Second,



Kazakhstan was approved to hold the OSCE chairmanship in 2010. NGOs believe this will increase civil society development in Kazakhstan over the next few years. Civil society development will be further stimulated by positive tendencies in the development of NGO legislation; economic growth that has increased a sense of social responsibility among wealthy people and spurred the development of corporate philanthropy; increased public understanding and awareness of civil society;

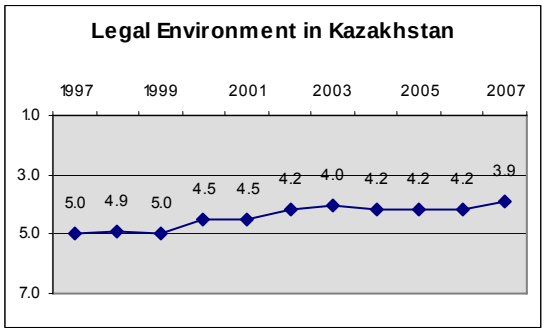
[1] Trade unions, religious organizations and political parties are not considered NGOs, which are defined as organizations created to solve socially important problems and carry out civil initiatives.

and better understanding and more support of civil society among government officials.

Active NGOs grew stronger during 2007, leading to an increase in the overall sustainability score. Nonetheless, Kazakhstani NGOs continue to suffer from a number of lingering weaknesses, including lackluster financial viability and underdeveloped organizational systems in the areas of human resources, performance management, and financial management.

LEGAL ENVIRONMENT: 3.9

NGO academics and practitioners report significant improvements in the legal environment governing NGO activities. Three major legislative changes were adopted during the year. First, tax amendments were passed exempting social contracts implemented by NGOs for the government from VAT and the Corporate Income Tax.[2] Second, tax amendments that went into effect on January 1, 2007 allow NGOs to deduct 100 percent of expenses related to their economic activities. Finally, and most significantly, a Constitutional Amendment adopted on May 21, 2007 revoked the ban on state financing of public associations.



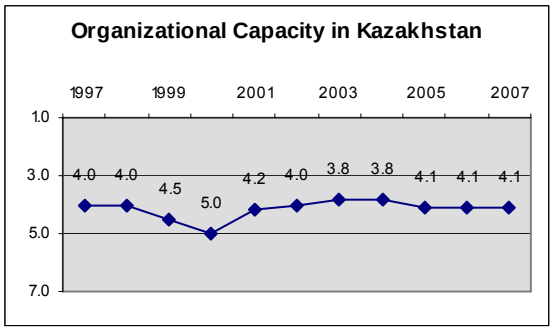
2007 witnessed some negative initiatives by the government as well, although these were all either suspended or postponed due to effective advocacy efforts by NGOs. First, the government attempted to revoke most tax exemptions and preferences for NGOs from the Tax Code, but this scheme was suspended after serious criticism from social ministries and NGOs. The Ministry of Foreign Affairs also explored the possibility of establishing double registration procedures for foreign and international NGOs, which would have required foreign groups to first receive permission or accreditation from the Ministry of Foreign Affairs before applying for registration with the Ministry of Justice. This effort was postponed in deference to political factors such as the pending OSCE chairmanship and the initiative's conflict with the Ministry of Justice's implementation of a "single registration number" system for both legal and natural persons[3]. Finally, the Draft Law on Patronage and Charitable Organizations was dropped in favor of introducing amendments to other laws to promote patronage and sponsorship, thereby shifting the focus away from regulating NGOs to establishing incentives for businesses and individuals to donate to NGOs.

ORGANIZATIONAL CAPACITY: 4.1

NGOs in Kazakhstan are gradually maturing, although there is a considerable gap in organizational capacity between the 50 or so leading NGOs and the thousands of other organizations that make up the Kazakhstani NGO community.

NGOs established in the mid and late 1990s enjoyed tremendous support from international donors, which helped them to consolidate their activities and development. These organizations are leaders in their fields, regularly update their

[2] Only fees received by NGOs in exchange for services are subject to VAT and the Corporate Income Tax.
[3] Currently, both legal and physical persons get a series of registration numbers from various government agencies. Legal entities get numbers from the tax authority, Ministry of Justice and the Statistics Committee. By the end of 2010, every person will have only one registration number



strategic plans, have permanent staff and formal protection of rights, gender issues, and environment.

In contrast, the vast majority of NGOs in Kazakhstan were created within the past five years, and therefore missed the period of intensive donor funding and capacity building. These organizations search primarily for domestic resources. Some of these NGOs, such as business and professional associations, possess sufficient resources of their own, effective boards of directors, and clear internal management structures, but the majority does not possess sufficient organizational capacity. Unfortunately, there is little exchange of information between first and second generation NGOs.

The majority of second generation NGOs has a clear mission and strategic plans; however, these are not always followed. Far too often, NGOs are steered toward areas where funding is available.

Most second generation organizations continue to suffer from weak internal management structures, including the lack of boards of directors. According to research focused on leading NGOs in Almaty and conducted by the Institute for Development and Cooperation, 78 percent of respondents think NGOs need to have a board of directors, but only 31percent have actually established such boards.[4] The percentage of NGOs in the regions having boards of directors is significantly lower. Creation of such governance structures will need to be addressed soon, as they are considered necessary to promote financial and operational transparency and attract domestic funding.

NGOs still face problems with the capacity of staff and volunteers as a result of their financial insecurity. The economic boom in the country has triggered an outflow of specialists from the third sector – particularly from leading NGOs – to commercial and state institutions. That said, NGOs have noticed an increase in the number of financially independent people who view work with NGOs as a way to self-realization, particularly in larger cities such as Almaty, Astana and Atyrau.

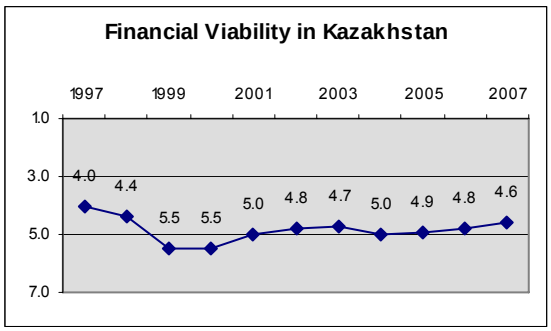
The cost of Internet access noticeably decreased in 2007, while access to broadband Internet increased significantly. Prices for computers and other office equipment went down as well. These factors, combined with growth in the average salary, increased access to information and communication technologies by the NGO community. Businesses have also started to provide public organizations with equipment free-of-charge.

FINANCIAL VIABILITY: 4.6

NGO financial viability improved in 2007 as a result of increased local support and improved tax legislation, which provide greater opportunities for NGOs to earn and retain profits. Domestic financing of Kazakhstani NGOs has steadily increased over the past few years. Large businesses, including banks, state-run companies, and mining and oil companies allot financial resources that are comparable to those from foreign donors to resolve social and ecological problems in the country. This

[4] Scientific and Popular Journal about Development of Not-for-profit Sector in Kazakhstan and Abroad, Issue # 3-4 (24/25), 2006.

financial assistance has diversified from basic charity to support for community, regional and national development projects. A number of specialized corporate funds, such as the Tatishev Foundation and the Seimar Foundation, were recently established; K-cell Foundation is expected to start operating in the near future. These structures all have clearly formulated missions, strategic plans, and qualified personnel with experience working for international donor agencies and NGOs. Philip Morris Kazakhstan signed an agreement with the local authorities of a district in Almaty and the Eurasia Foundation to support youth activity in the region.



Another notable funding source for NGO activity is local, regional and national government agencies. Amendments to Article 5 of the Constitution now allow public associations to receive state financing, including grants. However, state funds can still not be used to cover NGO operational expenses.

Despite this growth in domestic funding sources, most NGOs still tend to receive most of their financial support from a single source and do not possess sufficient resources to sustain their work. NGOs need to improve their internal management structures and transparency to strengthen their financial situations.

NGO financial management systems are still weak, mainly due to a lack of transparency and infrequent use of independent audits. Although their unwillingness to publish financial reports and conduct independent audits is partially related to a lack of funding, many leading NGOs do not provide such information on their websites either.

Many organizations treat project proposals as their primary fundraising technique. NGOs are not accustomed to seeking non-monetary resources. Most NGOs do not charge membership fees[5] and even when fees are collected, they generally make up a miniscule part of NGOs' budgets. Professional associations are a rare exception in this regard.

A majority of NGOs seeks to attract volunteers. Most volunteers, however, are accustomed to arranging events on a one-off basis or doing translations or menial administrative work. Highly qualified specialists quite rarely volunteer.

ADVOCACY: 3.7

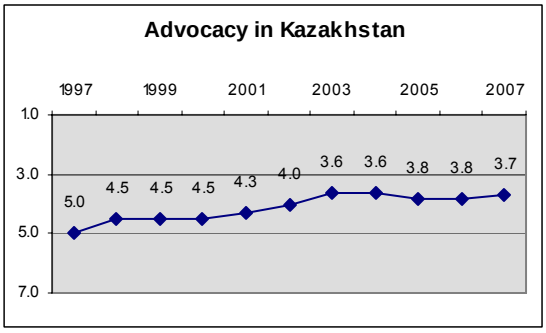
Government policy related to NGOs remains largely unchanged, and continues to develop according to the principles proclaimed at the First Annual Civic Forum, which emphasized the creation of a system of effective collaboration between NGOs and the authorities at both national and regional levels. Memoranda of Understanding and joint action plans have been developed in pursuit of these goals and NGOs have utilized new opportunities for dialogue with governmental authorities to represent their interests more effectively. Independent NGOs organized the Third Annual Civic Forum in October 2007. In contrast to the two previous Civic Forums, the President did not attend this event, converting it into more of a working event during which cooperation between NGOs and government was discussed. It was also the first time that individual ministries publicly reported on their cooperation with NGOs. Certain ministries, including the Ministry of Agriculture, began to allot financing

[5] Membership fees make up 2.9 percent of the income of surveyed organizations, according to Capacity of NGOs and State Cooperation in Kazakhstan, a Report on Social Research conducted by ARGO Association.

for cooperation with the NGO sector during the past year. As a result, NGOs gained new expertise in implementing state-financed projects in various areas. For example, the Ministry of Labor and Social Protection developed 22 documents with the active participation of NGO experts.

The creation of the Monitoring Committee within the Ministry of Justice's Department of Penitentiary System creates new opportunities for NGOs to promote their interests. The Monitoring Committee, made up of representatives of leading human rights organizations, supports people in the penitentiary system in realizing their legal rights and interests related to media services, labor, free time and education. Similarly, the Chamber of Public Experts within Majilis, the lower chamber of Parliament, was transformed into a Public Chamber consisting of a number of distinguished public figures that will provide expertise and recommendations on draft legislation. This is the first time that a civil society representative was included as a member of the renewed Majilis, and provides another opportunity for the third sector to lobby its interests. Finally, Kazakhstan's chairmanship of the OSCE in 2010 obligates the government to increase public participation in its decision making processes. An NGO coalition was established to monitor Kazakhstan's fulfillment of its obligations leading up to the OSCE chairmanship.

As mentioned above, NGO advocacy efforts played an important role in the passage of three major legislative changes related to social contracts, economic activities, and state financing of public associations, while stopping negative initiatives related to tax exemptions, registration of foreign NGOs, and sponsorship. NGOs also actively participated in the selection of issue areas for state social contracts.

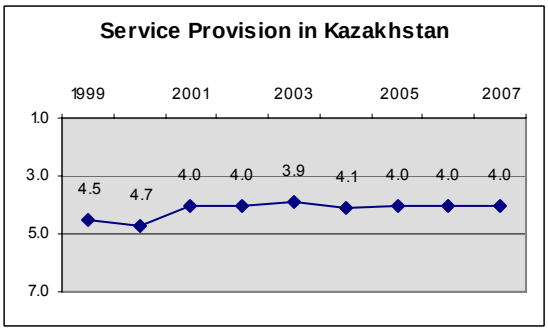


NGO coalitions are becoming more common in Kazakhstan and try to address legislative issues on different levels (national, oblast, and district) in the areas of support to people with disabilities, environment, and the distribution of oil and gas profits.

While NGO advocacy capacity has improved, weaknesses worth noting remain. First, NGO initiatives aimed at protecting citizen interests often get no response from citizens. Additionally, not all NGOs possess a sufficient degree of professionalism to maintain a full-fledged dialogue with government authorities.

SERVICE PROVISION: 4.0

In general, the range and quality of services provided by NGOs improved slightly during the year. The most frequently provided NGO services include consultations, training and education, social services to the disabled, and environmental preservation. A very small number of NGOs produces goods, most of which are intended for people with limited physical abilities (crutches, wheelchairs, enabling devices, etc.). Some NGOs also produce books, brochures and souvenirs. Several grant programs currently provide NGOs with financial support to produce goods and services on a competitive basis.



The overall scope of services offered by NGOs increased this year due to the significant increase in the amount of government-supported NGO

work. Government support has enabled NGOs to become more involved in conducting social surveys on various topics, consulting with vulnerable populations on different issues, organizing public awareness campaigns, and managing different centers for youth and at-risk groups.

Services provided by NGOs in 2007 satisfy public needs to a greater extent than before, but are still not satisfactory. Recipients of such services are not always satisfied with the quality of services. Additionally, the population is often uninformed of the range and scope of services provided by NGOs, indicating a need for NGOs to improve their abilities to research constituent needs and publicize their services.

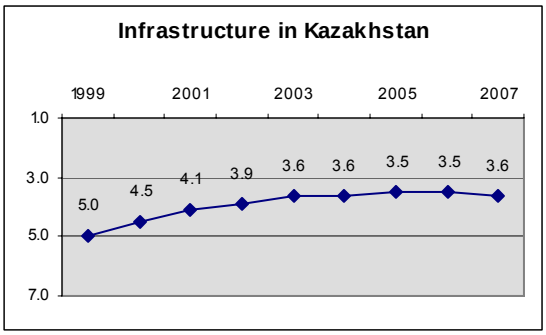
Conventional thinking in Kazakhstan, among both NGOs and their beneficiaries, is that NGOs should provide services for free. Even partial payment by recipients of NGO services remains low.

INFRASTRUCTURE: 3.6

A donor-supported NGO infrastructure has existed in Kazakhstan for several years, consisting of a number of leading NGOs that developed into NGO support centers providing training and grants to smaller NGOs throughout the country. According to some experts, support centers are experiencing problems related to financing, as donor funding has significantly decreased over the past few years. As a result, NGO support centers can no longer provide the same level of support to their target NGOs and communities; the number and quality of trainings and other services, particularly to nascent NGOs, are decreasing. At the same time, the Government is financing education and information services to help develop the NGO sector.

Local grantmaking organizations are developing. As mentioned above, a number of corporate funds, some of which have NGO support programs, have been established. Additionally, the World Bank took preparatory steps in 2007 to open the Bota Foundation, which is expected to support poor Kazakh families and at-risk children by financing community-based activities and scholarships through local support organizations.

The activity of umbrella organizations increased this year and the establishment and functioning of NGO coalitions intensified. Information exchange within the NGO community is quite high and the increasing availability of Internet access has spurred the development of electronic mailing lists and other informal information networks. While there are differing opinions about the creation of a unified national NGO committee, there is growing coordination of activities within different groups and NGO coalitions, especially when the interests of the sector as a whole are concerned. Examples include the Annual Civic Forum, the AIDS Service NGO Forum, and various environmental and human rights coalitions.

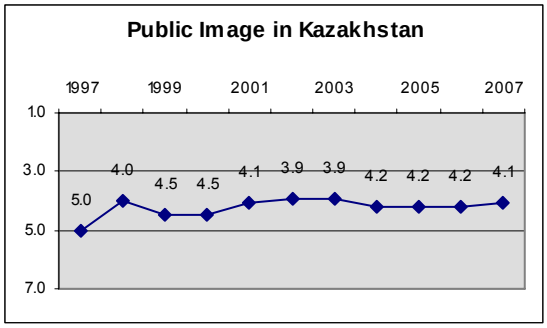


As a result of the efforts of USAID and Counterpart International, there is a large group of domestic trainers able to provide training in a large swath of NGO management areas. However, training courses are not always available because of a shortage of funding, which particularly affects newly established NGOs in rural areas and decreases the overall organizational capacity of NGOs.

Inter-sectoral cooperation is a growing trend. The business sector increasingly understands corporate social responsibility in general and the UNDP Global Compact specifically, and NGOs have a great appreciation of such work. Civil Society Development Association ARGO is an example of partnership between the business

community, government and the media. ARGO's mission is to promote the development of civil society in Kazakhstan by integrating the efforts and mobilizing the resources of non-governmental, state, business, and international organizations. ARGO was invited by the Ministry of Information and Culture to prepare the First National Report on NGO Development.

PUBLIC IMAGE: 4.1



NGOs are gradually developing a positive public image. In the course of preparing for the Third Annual Civic Forum – the most visible NGO event on the national level in 2007 – the state media organized a massive information campaign to raise awareness of and facilitate community participation in the forum. Since the end of 2006, the number of reports covering NGO activity in a positive light has grown, which has improved public perception of NGOs. However, it is still common for people to benefit from NGO services, yet not recognize the provider as part of the larger civic sector. NGOs need a constant presence in leading media outlets to further improve their public image and overcome such misconceptions.

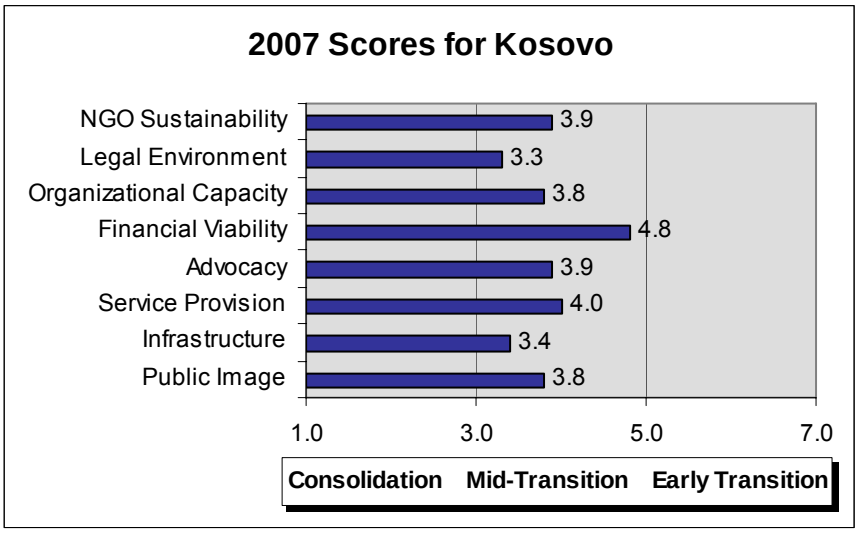
In general, the media understands that social advertising is different from that of a commercial nature. At the same time, media rarely provides advertising or broadcasting opportunities to NGOs either for free or on preferential terms as their primary interest is in increasing their revenues.

NGOs are making efforts to improve their public image. A number of organizations have established strong relationships with media representatives, especially on the local level. At the same time, not all NGOs have a specific employee responsible for public relations.

The government and business community generally have a positive impression of NGOs, and actively use information provided by NGOs, especially related to the environment and rights of disabled people. The government uses NGO information when preparing reports and investigating the procurement of NGO services, while businesses use NGO information in their market research and when planning corporate philanthropy activities.

Lack of transparency among NGOs remains a significant weakness. However, NGOs have an increasing understanding that their ability to attract constituents and local resources is directly related to their degree of openness and transparency. Experts expect that once leading NGOs start publishing annual programmatic and financial reports, the entire NGO community will follow their example.

KOSOVO



Capital: Pristina

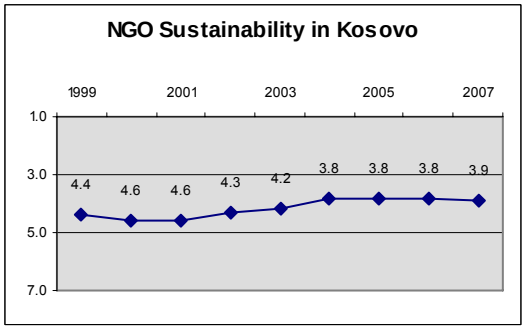
Polity:
Republic

Population:
2,126,708 (2007 est.)

GDP per capita (PPP):
$1,800 (2007 est.)

NGO SUSTAINABILITY: 3.9

Kosovo was paralyzed throughout 2007 by the ongoing stalemate in negotiations regarding its final status, with the process absorbing all the energy of both political and non-political actors[1]. In the meantime, there was a de facto public consensus to cease all activities not related to the status issue.



Tensions between ethnic groups increased as the negotiations process approached its conclusion. The "Self-Determination" movement ("Vetevendoja" in Albanian), which opposes the United Nations administration of Kosovo and campaigns for independence and self-determination for Kosovo Albanians, was very active during 2007. In addition, two radical movements emerged. The Serb Movement "Tzar Lazar's Guard" – an organization proclaimed illegal by UNMIK – and the National Albanian Army both threatened armed conflict if the negotiations' results were not favorable for their respective communities. All these events contributed to increased tension and a more passive civil society.

National and local elections, held on November 17, also remained a focus throughout 2007. These elections marked the first time that Kosovars elected their parliamentary representatives through open list voting and the first time that mayoral, municipal, and parliamentary elections took place on the same day. Municipal elections were also conducted through open lists for the first time since 2000. The economic challenges changed little over the past year. Unemployment and energy continue to be very problematic, and privatization is still underway with a handful of socially-owned enterprises awaiting their turn in the process.

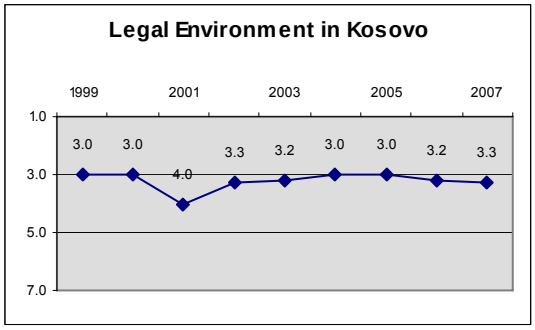
[1] Kosovo declared independence on February 17, 2008, after the period covered by this report.

The number of NGOs registered in Kosovo remains approximately 3,800. Of these, only around 150 are well-established and active. In a positive development, Serb NGOs operating in enclaves in northern Kosovo are increasingly able to register with Kosovo authorities, although the procedure remains long and difficult.

An increasing number of NGOs are now more or less sustainable, with stable organizational structures. However, overall development remains hindered by the status issue, as NGOs feel that needed adjustments to strategic plans can not be finalized without a clear definition of Kosovo's status. Cooperation and networking between NGOs from different ethnic backgrounds and regions still remains rare.

The new NGO law, passed by the Kosovo Assembly in 2006, has still not been signed by the head of UNMIK and enacted. In addition to the direct impact it could have on NGO operations, the pending law has increased uncertainty within the entire sector, hindering long-term strategic planning and preventing improvements in the sector's overall sustainability.

LEGAL ENVIRONMENT: 3.3



The legal environment for nonprofit organizations in Kosovo deteriorated over the past year. While UNMIK Regulations continue in principle to ensure quick and easy registration, the process is more complicated in practice. Although the law anticipates registration being completed in several days, the process sometimes takes several months. These delays are caused more by problems with the registration office's efficiency than the legal infrastructure. The problem is even bigger for Serb NGOs operating in enclaves in northern Kosovo. Serb NGOs seeking to register encounter a significant degree of difficulty due to the perceived threat to their free movement. In order to encourage registration of Serb NGOs, the Kosovo authorities should consider opening a satellite or branch office in northern Kosovo.

The new NGO law still has not been ratified by the Special Representative of the Secretary General (SRSG) and was sent back to the Kosovo Assembly for amendments. If signed, the law will complicate NGO operations by making registration obligatory and requiring re-registration every two years. Micro-finance institutions are still required to register as for-profit businesses, but a new law is being drafted for such organizations. Amendments to the VAT regulation require that all NGOs, even those with public benefit status, pay VAT on imports, including donated goods. These amendments have had a negative effect on humanitarian assistance organizations, which have reduced their activity significantly.

Although not as favorable as desired, the current law prevents state and government officials from dissolving NGOs for political reasons. Government officials and tax authorities do not harass NGOs, even though visits from tax inspectors have become more frequent. Such inspections are not seen as an effort to obstruct NGO activities, but instead to improve tax collection and maintain appropriate fiscal oversight.

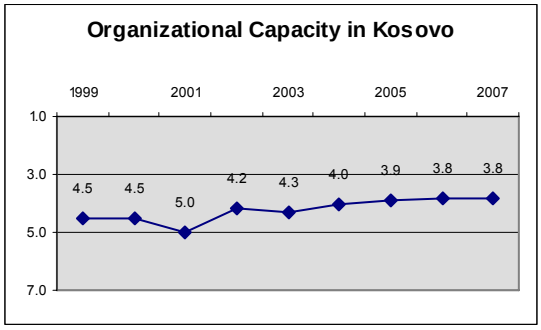
During the year, the Kosovo Police Service and UNMIK Police dispersed protests of the "Vetevendosja" movement with tear gas and rubber bullets, resulting in the death of two Kosovo citizens.

There has been no change in the availability of legal advice for NGOs. There are lawyers who provide NGOs with legal advice if necessary, although not for free. Since NGOs encounter

few legal problems that they cannot resolve on their own and few NGOs can afford to pay for such services, the demand for legal services remains low.

ORGANIZATIONAL CAPACITY: 3.8

The number of well-developed NGOs continued to grow during 2007. More active NGOs have begun to engage in strategic planning and institutional reforms. However, NGOs feel the need to frequently adapt and change their strategic goals to accommodate pending changes in Kosovo's political status, and donors are hesitant to disburse funds prior to the resolution of the status issue. Other NGOs have ceased to exist as they failed to develop constituencies and organizational capacity.



Organizations outside of Pristina have significantly less organizational capacity than those in the capital. NGOs from predominantly Serbian northern Kosovo in particular face organizational problems. Compared to last year, the level of development of these organizations has remained the same or has slightly deteriorated.

In Pristina, many active NGOs are well-developed and have clear structures, procedures and policies. Most active NGOs have functional boards and efficient advisors' networks. Moreover, NGOs are increasingly forming issue-based networks and partnerships, and the number of coalitions, while small, has increased modestly in the past year. The anti-corruption coalition and the networks against trafficking and promoting female involvement in politics are among the most successful.

Most NGOs, both in Pristina and in the periphery, have access to basic office equipment, including computers, fax machines, and printers, as well as Internet access. NGOs in the north face problems with transportation, which is usually arranged privately.

Quite a few NGO activists have been working for almost a decade now and have undergone numerous trainings and exchanges of experiences with their counterparts from other countries. NGOs continue to have permanent full-time staff and hire part-time personnel as needed.

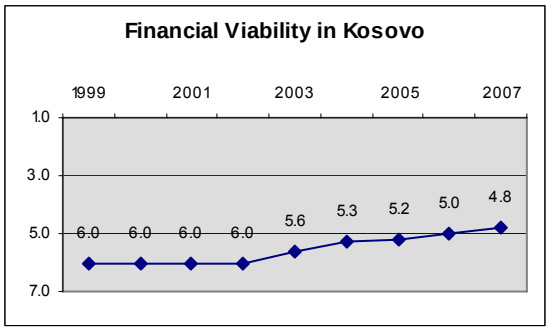
NGOs need to improve their practices for recruiting volunteers – very few NGOs have successfully engaged the communities in which they operate, and more outreach activities on the part of NGOs would be desirable.

FINANCIAL VIABILITY: 4.8

The financial viability of NGOs improved in 2007. NGOs have more diversified sources of funding: they no longer depend on one donor, but instead receive funding from several sources. A few organizations based in Pristina have earned income by providing services to the government.

Despite a significant decrease in foreign support, most funding for NGOs continues to come from international donors. Local philanthropy remains underdeveloped, in part because most NGOs have not successfully developed constituencies. NGOs with strong constituencies that provide services or are membership organizations are exceptions; funding for organizations such as Mother Theresa or Vetevendosja, for example, comes from the Diaspora or the private sector.

Other local sources of funding have begun to develop. NGOs now receive government grants and contracts in varying amounts at both the central and local levels that include both social service provision and consulting. Think tanks,



for example, continue to depend on international donors, but also have won government contracts and grants for advisory services. Kosovo now has six domestic grantmaking foundations,[2] although they disbursed fewer funds than in 2006.

A growing number of organizations have developed proposal writing skills as a result of increased competition for scarce funds. NGOs are now aware of the importance of improving their fundraising skills.

Donors have become more demanding with regards to reporting and financial reviews. At the same time, tax inspections have intensified. As a result of these two phenomena, NGOs have improved their bookkeeping practices and increasingly have financial audits. Unfortunately, without these two incentives, NGOs in northern Kosovo continue to lack competent bookkeeping.

ADVOCACY: 3.9

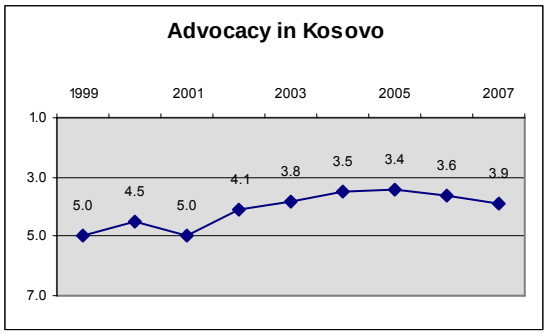
NGO advocacy has deteriorated significantly over the past year, in large part because it has been difficult to generate support for any issue other than Kosovo's status. The process of resolving Kosovo's final status consumed most of the energy of both the governmental and non-governmental sectors, and it appeared that civil society tacitly agreed to 'self-censorship' until the process is finalized. Despite a few examples of issue-based coalitions, civil society for the most part failed to initiate advocacy efforts during 2007. In many cases, even NGOs dealing with non-political issues were passive towards advocacy in support of "greater unity of society and channeling of energy in one direction."

Lobbying for legal reforms was difficult during 2007 since the central government was largely inaccessible to NGOs on non-status matters. In some instances, the status excuse was used by government officials to avoid action even on completely unrelated matters. After lobbying efforts, NGOs obtained a verbal agreement from political party parliamentary groups to exempt public benefit organizations from VAT, a rare example of lobbying success on a non-status issue during the year. Lobbying and advocacy at the local level was more successful and local organizations frequently and successfully raised concerns and issues with the relevant government body.

Despite these difficulties, some NGOs had moderate success in building issue-based coalitions. The most successful NGO advocacy campaign in 2007 was in support of open-list elections. The initiative "Civil Society for a Clean Parliament" successfully researched and publicized reports on the background of candidates for the parliamentary elections. A campaign by the Association of Dairy Processors supported increased customs taxes for imported dairy products.

The NGO Coalition "Democracy in Action - Election 2007" monitored the November Kosovo Assembly and municipal elections. Over 2,000 activists were mobilized to monitor the election campaigns, election process, and media coverage of campaigns. Most notably, the coalition conducted a parallel vote tabulation (PVT) through which volunteers text-messaged

[2] The six grantmaking institutions are: Community Development Fund, Kosovo Foundation for Open Society, Kosovo Civil Society Foundation, Kosovo women Initiative, Foundation for Democratic Initiatives and Advocacy Training and Resource Center.



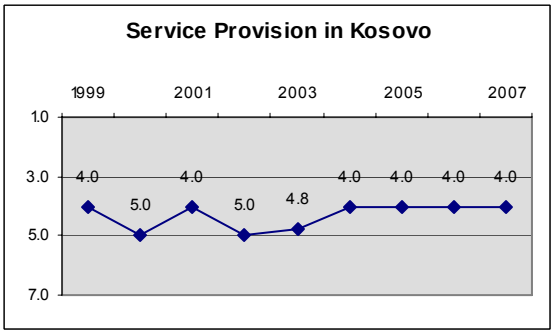
vote counts from over 23,000 polling stations across Kosovo to a televised Media Center. This was the first election in which results were transmitted live to a Kosovo-wide audience and in the hours following the elections, citizens and political parties were able to watch constant TV coverage or check the website for election results. According to various sources, this helped avoid unwanted actions by political parties and reduce tension levels.

SERVICE PROVISION: 4.0

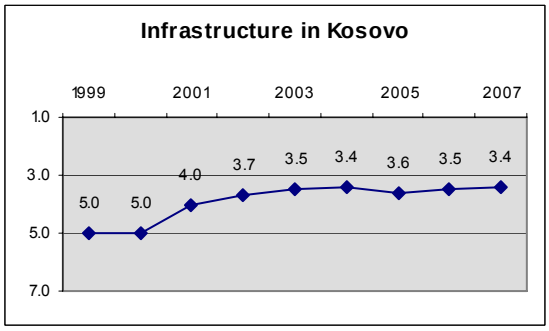
Overall, service provision by NGOs has remained largely unchanged since 2006. Some aspects improved while others deteriorated.

Generally, NGOs provide a wide range of services, and more NGOs are involved in areas such as economic development, environmental protection, and governance. The number of organizations receiving grants and contracts to provide services to communities remained the same, or slightly decreased, in comparison to last year. Youth organizations, women's organizations, and some other NGOs with strong local constituencies received the largest share of these grants and contracts both at the local and national levels. Some think tanks were invited to offer advisory services to the government on issues in which they have expertise. Other organizations, such as KIPRED, were awarded grants to educate voters in the lead up to the November elections.

Some of the more successful NGOs charge for their services and are generally able to recover the associated costs. For example, Riinvest University – a nonprofit educational institution established during 2007 – charges its students tuition.



INFRASTRUCTURE: 3.4



An additional NGO resource center – Center for Civil Society Development (CCSD) – was established in northern Kosovo with the purpose of providing support to the NGOs operating in Serb enclaves in this part of Kosovo. As this is the first year of operation, it is too soon to judge the impact of this resource center. However, CCSD is already experiencing a lack of training materials in the local language.

The Pristina-based Advocacy Training and Resource Center (ATRC) continues to operate, providing capacity building and trainings for NGOs. There are also several private companies that offer professional training services. NGO leaders and activists attend these trainings quite frequently.

During the past year, ATRC began to manage a small grants program for USAID, making it the sixth local grantmaking foundation to re-distribute foreign funding to local organizations. Only one of the grantmaking foundations is

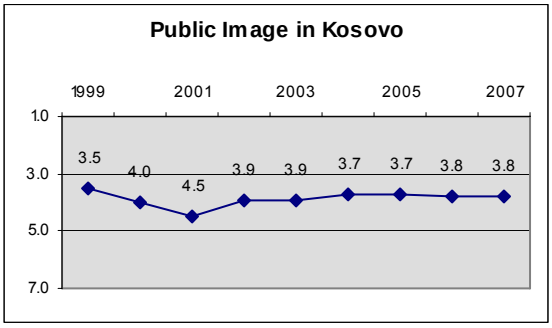
based outside of Pristina. Grantmaking organizations strategically decide funding priorities and objectives in cooperation with their donors, and are therefore able to address the needs of society as well as those of local NGOs. However, while the number of foundations distributing donor funds has increased, the overall amount of funds distributed has decreased.

NGOs have tried unsuccessfully to create a coordination body representing the interests of the entire sector. Meanwhile, the Office for Good Governance within the Prime Minister's office has successfully coordinated initiatives, improved the dialogue between the government and civil society, and nurtured cooperation, and should be continued.

PUBLIC IMAGE: 3.8

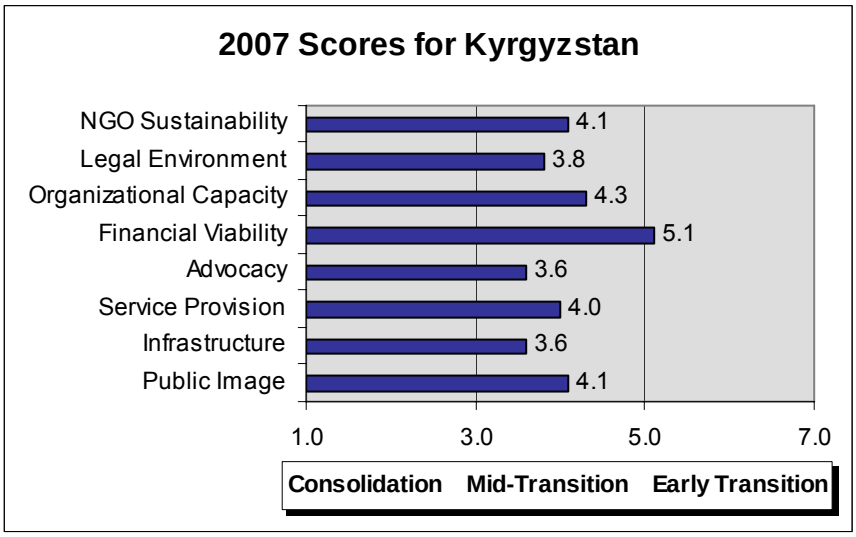
Overall, the public has a positive perception of NGOs and greater understanding of their activities. Northern Kosovo is an exception: NGOs there that receive funding from outside are considered to be furthering foreign interests.

NGO activities and events generally receive good media coverage at the local level, although investigative reporting capacity, reporting on advocacy issues, civic journalism, and the level of professionalism of the media all remain unsatisfactory. In the north, by contrast, NGO attempts to communicate with the local media have had limited success. At the national level, it has been difficult for NGOs to get air time for non-status activities throughout the year.



NGOs improved their communication and PR efforts over the year. An increasing number of NGOs distribute and publish their news, reports and events, educating journalists about their work in the process.

KYRGYZSTAN



Capital: Bishkek

Polity:
Republic

Population:
5,356,869 (July 2008 est.)

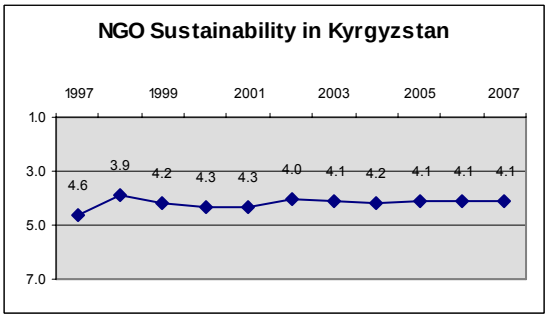
GDP per capita (PPP):
$2,000 (2007 est.)

NGO SUSTAINABILITY: 4.1

2007 was a year of continued political debates and public actions in Kyrgyzstan, providing NGOs with an opportunity to expand their sphere of influence, voice their concerns, and participate actively in the political process.

Constitutional reform continued to be a major issue during the year. Two different constitutions were adopted in November and December 2006, both of which were ruled illegal by the Constitutional Court in September 2007. While more centrist organizations participated in the Prime Minister's working group to develop a new draft of the Constitution, many other NGO leaders actively supported the competing drafting efforts of political parties or opposition groups. While citizens waited for the Prime Minister's new draft Constitution, three opposition MPs and the President announced their own drafts of both the Constitution and Election Code. After a short period of "discussion," these two documents were adopted through a referendum.

NGOs representing all sectors of activity played an active role throughout this process. NGOs organized public awareness campaigns, facilitated and participated in discussions of the proposed Constitution and Election Code, and submitted comments and recommendations on the documents. Several noteworthy political parties sought the support of NGOs during the elections and many prominent civic activists were included on party lists. Several NGO representatives were elected into the new parliament, including many women. NGOs also monitored the referendum and Parliamentary elections.



Such civic activism was not welcomed by the government, which initiated several measures to control NGOs and limit their influence on public opinion. In December 2007, the Bishkek City Council adopted a decree limiting the right to assemble. The new draft Tax Code practically equalizes taxation of for-profit and nonprofit organizations, limits income tax privileges for nonprofits, and imposes financial limitations for

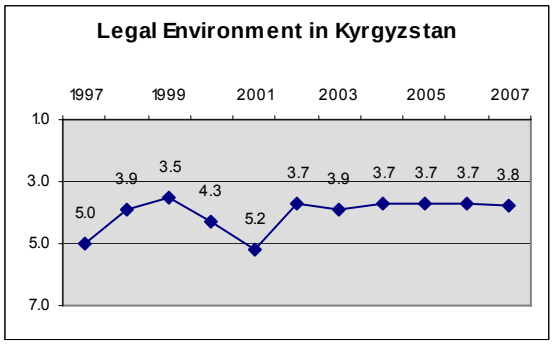
NGOs "pursuing political objectives." Finally, the new Election Code does not allow public associations to nominate candidates for Precinct Election Commissions, reserving this right for political parties and work collectives. The NGO sector overcame most of this governmental pressure through advocacy efforts and by raising public awareness on legal issues.

At the same time, NGOs built new and constructive relationships with each other, as well as the public and private sectors. Five NGOs organized the first National NGO Forum in Kyrgyzstan in July 2007, in an attempt to unify the NGO sector from within and plan its role in developing civil society. A total of 141 NGOs participated in the Forum, where they discussed the sector's problems and needs and developed a platform and action plan. The platform was then presented to the government and donor community.

Hundreds of NGOs continued to attract donor resources, local co-funding, and volunteers to implement various projects aimed at improving social well-being, including activities aimed at women, children, the elderly and other marginalized groups, the environment and public infrastructure. NGOs successfully collaborated with local stakeholders, including local governments, businesses, and citizens while implementing these activities. Although these projects are positively accepted in local communities, they are not widely promoted by the NGOs implementing them. As a result, the general public does not recognize the impact of this work.

The most recent data obtained from the Ministry of Justice indicated that there were approximately 8,000 registered public associations, public foundations and associations of legal entities in Kyrgyzstan as of April 2006. Research conducted by the Association of Civil Society Support Centers (ACSSC) and its partners in mid-2006 found that only approximately 500 of these 8,000 registered organizations were active.

LEGAL ENVIRONMENT: 3.8



There were no changes to the legislation governing NGOs in 2007. The legal framework remains fairly favorable, especially in comparison to the other countries of Central Asia. NGOs can create associations and coalitions, establish public-private partnerships, liaise with international organizations and agencies, and engage in income generating activities.

Nevertheless, efforts to control NGO activities that had previously been limited to the Ministry of Justice and Office of the Ombudsman extended to other government institutions and became more systematic. The Bishkek City Council adopted a decree limiting the right to assemble in December 2007, after which several participants in actions organized by the *I Don't Believe* movement were arrested. A similar decree was adopted in Karakol, the administrative center of the Issyk Kul region, and other cities began to develop similar decrees in 2008. While the decrees were passed by local self-governments, the state is providing "unofficial" support to these efforts, and the courts and Public Prosecutor rejected appeals submitted by human rights defenders appealing their sentences. While these are signs that government control of the sector is becoming more systematized, the trend has not yet been formalized at the legislative level.

At the same time, many NGOs violate existing laws and rules – either intentionally or because of poor knowledge – when planning their activities, especially protests and

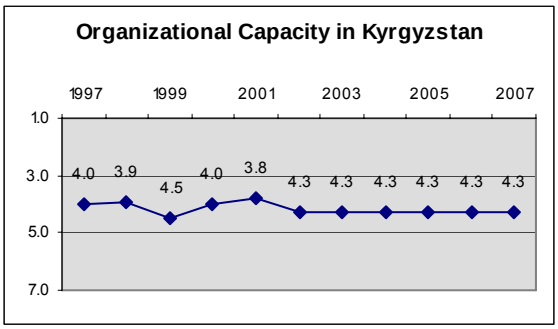
demonstrations. This leads to conflicts with the government, as happened with the *I Don't Believe* movement.

While NGOs are legally allowed to participate in the design and implementation of state projects and programs, no concrete mechanisms and procedures are in place to support this activity.

ORGANIZATIONAL CAPACITY: 4.3

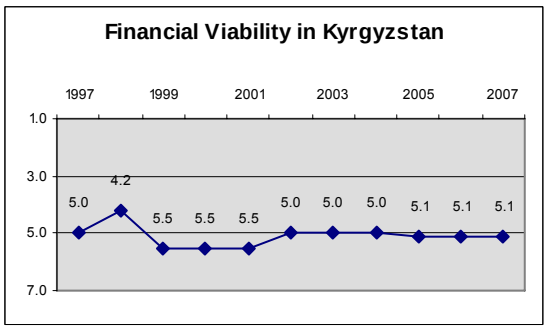
Many weaknesses in NGO capacity remain from previous years, including poor organizational structure, ineffective management, and absence of mission statements and strategic planning. These factors, combined with substantial dependence on donor support and a lack of permanent professional staff, have led to structural changes in the sector: weak organizations have been closed, and new ones established.

More developed NGOs have strengthened and consolidated efforts to network and create partnerships, allowing NGOs to join their skills, knowledge, and resources in order to be more successful in public awareness campaigns, advocacy, and election monitoring. As networks consist of NGOs with different levels of capacity, they offer less-developed organizations a chance to grow and receive advice and coaching from their more experienced counterparts. For example, ACSSC created networks during the process of reforming the Constitution and Election Code which provided marginalized and regional organizations with the opportunity to discuss these important documents openly and submit their recommendations to the working groups. Improvements in networking and partnerships have not necessarily improved NGOs' public relations or social mobilization.



NGOs improved their analytical capacities during the year, which has increased their ability to influence the decision making process. NGOs are utilizing high-quality surveys and other research to offer well-founded alternative solutions and recommendations rather than unconstructive criticism to decision makers.

FINANCIAL VIABILITY: 5.1



In response to the overall decline in donor support for the sector, NGOs have started searching actively for other financial resources and are focusing on developing projects that are not solely dependent on donor funding. Organizations are paying more attention to developing memberships, local philanthropy, and fee-for-service activities, including the lease of office space and equipment and providing paid training and capacity building. Many NGOs also have improved their fundraising capacities. Simultaneously, NGOs are cultivating intangible assets such as volunteers and partnerships. Many service-providing NGOs are developing their marketing, pricing and service delivery skills and becoming more business-like in their operations. As a result of these efforts, many NGOs no longer exist completely hand-to-mouth, although they continue to cope with some periods of limited funding.

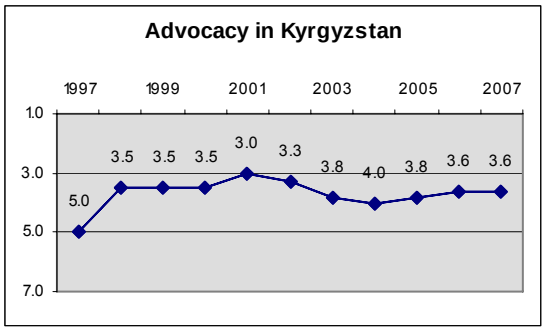
The state currently does not have legislation or a mechanism in place to support NGOs

financially, although a social contracting law is being considered. Legislation regarding philanthropy is not very favorable either; therefore, few businesses currently donate money or support NGO projects.

In general, NGOs' financial management skills remain weak. While many NGOs can adequately account and report to donors and tax authorities, there is a need to improve operational and strategic financial management, both in terms of attracting and using resources. Many organizations are still unaware of the importance of diversifying their resources, establishing indirect cost rates, and developing unrestricted funds within the organization.

ADVOCACY: 3.6

NGOs form coalitions to increase the effectiveness of their advocacy activities, although to be truly effective they must pay more attention to their strategies and methods for influencing public opinion. In addition to local partnerships, NGOs are strengthening their relationships with the international community to make their voice more meaningful.



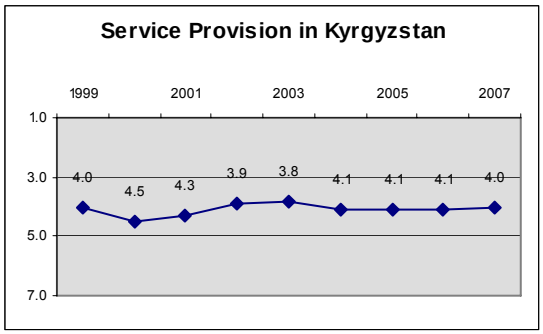
As mentioned above, NGOs played an active role in the political processes taking place during the year. Many NGOs represented their constituencies in roundtables and public hearings focused on the reform process, as well as other issues, such as budget transparency, education and health. Other NGOs organized countrywide informational campaigns to inform citizens about the changes proposed in the new versions of the Constitution and Election Code and prepare them for voting. Many organizations also monitored the referendum and Parliamentary elections.

NGOs have also achieved significant results in advocating on other important topics. Efforts to promote public television that began in 2005 were finally concluded in April 2007 with the adoption of the law *On National TV/Radio Broadcasting Corporation*. With this law, an Advisory Board will be established, with civil society members comprising one-third of its members. Poor implementation of the Access to Information law led to several civil suits that received wide coverage by the mass media. As a result, government entities are now more disciplined in responding to such requests.

At the same time, there is still a complicated context for advocacy in the country. Less experienced NGOs do not pay sufficient attention to the approaches they employ in advocating for their causes, which reduces the effectiveness of advocacy campaigns. For example, many local NGOs participate in budget hearings where they express comments and recommendations, but few directly lobby members of the village council. Similarly, while many NGOs working in the social, health and education spheres liaise and partner with policy implementers, they rarely target policy makers directly.

SERVICE PROVISION: 4.0

NGOs remain largely dependent on donors in order to provide services, but are increasingly capable of offering valuable services without constant outside management. NGOs have little opportunity to expand their clientele as a result of decreasing donor support and an undeveloped local culture of philanthropy. Instead, 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 make them more focused on client needs. At the same time, they are reducing costs by decreasing or even eliminating overhead expenses by arranging direct contracts between clients and consultants.

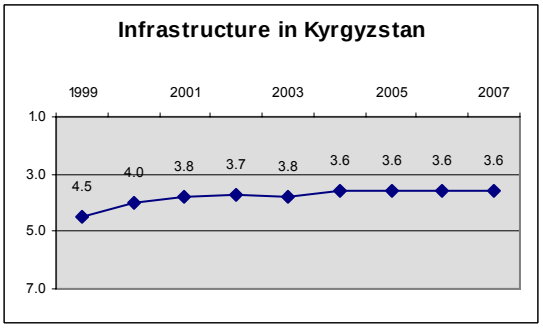


Many NGOs have become more professional in research and analytical services through partnership and contracting with business, government and international agencies. Many NGOs use their technical infrastructure to provide services on a paid basis, including Internet access and lease of equipment and office space.

The government invited NGOs to participate in the development of social contracting legislation, which passed the first reading and soon will be considered by Parliament. Additionally, NGOs are working with the government to design and implement a monitoring and evaluation system for the Country Development Strategy. Such examples of collaboration demonstrate the growing state recognition of NGOs' expertise.

INFRASTRUCTURE: 3.6

Programs implemented by international organizations in the past have had a tremendous impact on the development of resource and support centers and networks. Local nonprofits and other NGOs have access to various resources and facilities provided by ten Civil Society Support Centers, six Mass Media Resource Centers and many NDI Informational Centers located in regional and district centers. Despite decreased foreign support, these centers continue to provide a wide range of valuable services to their constituencies, including access to information, communication services, consultations, trainings and meetings. While most of these centers have remained open and provide similar services as before, many have started to charge for services that were previously free in order to compensate partially for the decline in foreign funding. It is often difficult for new or less developed NGOs to pay for services. While it has been a difficult time for many of these centers, the fact that they remain open and working after a drastic decline in donor funding is a good sign that they will be sustainable in the future.

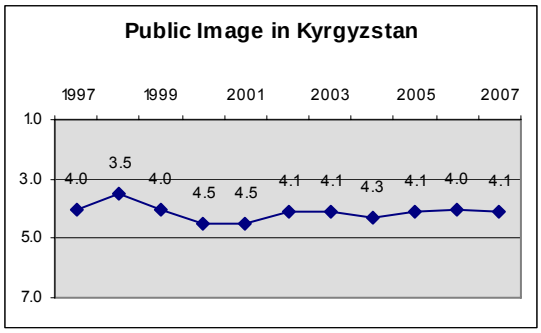


Responding to decreased financial resources, NGOs are increasingly replacing traditional printed materials and phone calls with ICT tools. Websites promote and inform NGOs' constituencies about activities, while forums and electronic mailing lists provide an opportunity to share and discuss information. Many organizations develop and widely disseminate electronic bulletins not only to regional centers, but also to rural areas with Internet access.

PUBLIC IMAGE: 4.1

NGOs that were aligned with political actions or parties during the year greatly influenced public opinion of the sector. In some cases, this involvement tarnished the image of the sector and lowered the level of trust in NGOs.

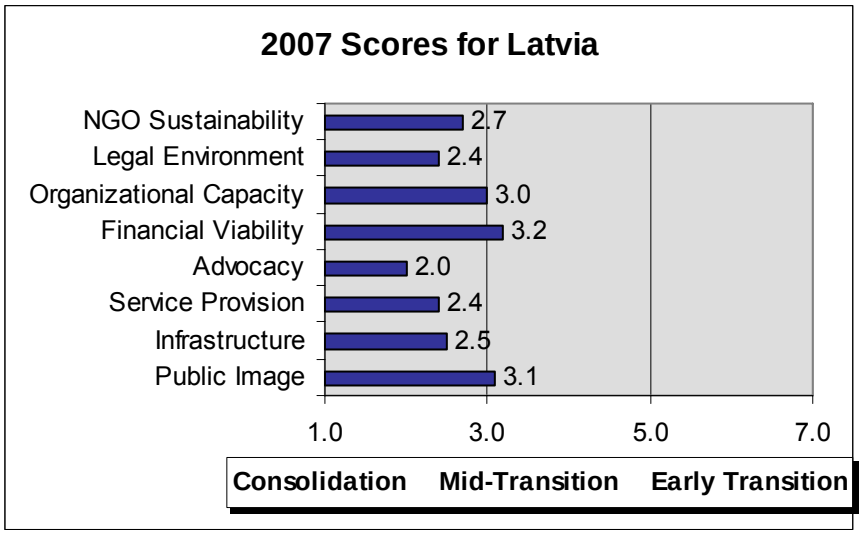
The National NGO Forum and other actions and events organized by leading organizations tried to increase public awareness and approval of the sector. However, the lack of independent media and media's general lack of interest in NGO activities prevented this from happening. Most



national coverage features GONGOs or focuses on civic activists and their views, rather than NGOs and their activities. The publications that do cover NGOs simply report on NGO activities without emphasizing the public benefit or long-term impact of this work, and therefore do little to increase public approval of NGOs. However, regional NGOs have begun to receive more media coverage. In general, rural development NGOs working in the regions tend to have a more favorable public image and receive more support from local governments because they are not involved in politics and rural citizens see direct benefit from their work.

NGOs still lack knowledge and skills in public relations, including how to establish and maintain good relationships with mass media. The websites, weblogs and electronic newsletters that NGOs employ mainly cater to people employed in the sector, and are not widely accessed by constituencies due to lack of Internet access or technical knowledge. The use of electronic communications technologies is also ineffective because of the culture of communication in the country; people are more accustomed to using newspapers and meetings to exchange information and opinions than modern technologies.

LATVIA



Capital: Riga

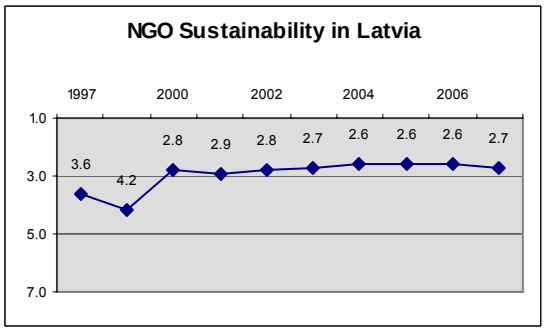
Polity:
Parliamentary Democracy

Population:
2,245,423 (July 2008 est.)

GDP per capita (PPP):
$17,700 (2007 est.)

NGO SUSTAINABILITY: 2.7

The year 2007 was characterized by high inflation and scarce sources of funding for advocacy groups, along with considerable citizen activism and harsh public criticism and debate on the role of NGOs. Although the 2006 parliamentary elections did not bring about major changes in the governing coalition, coalition parties began to exert influence in a way that undermined Parliament. The new government began to take action without consulting civil society. In order to address the growing power imbalance, civil society organized several large demonstrations and proposed a number of new referenda, one of which included giving citizens the right to recall Parliament.



The average annual inflation rate for 2007 was 10.1 percent, with a 14.1 percent rate in December suggesting a rising trend. Consequently, many NGOs are trying to respond to the additional socio-economic problems faced by vulnerable groups, although there are no resources in place to address these needs. While there are funding sources for service provision, many NGOs who provide such assistance cannot reach the standards that are required for funding.

The largest donors supporting civil society development have left Latvia. Although there are government funds available, resources are very limited for advocacy organizations, especially for those which work on human rights protection, anti-corruption, civil society and community development, development assistance, gender equality, and consumer rights protection. Private donors – both enterprises and citizens – concentrate their support on organizations that work in the fields of sports, children, and culture. Therefore, many organizations, especially those working in advocacy, have run into financial difficulties and other problems.

LEGAL ENVIRONMENT: 2.4

2007 brought no major changes to the legal environment for NGOs. The registration procedure is simple and relatively inexpensive. Still, NGOs would like to introduce a mechanism to register either electronically or by mail. Currently, all organizations must go to Riga to register, which can be difficult and costly for small groups located far from the capital city.

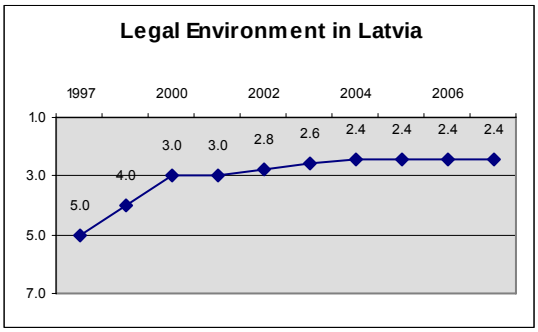
The government attempted to introduce an amendment to the Law on Associations and Foundations that would make it possible to force the closure of organizations not acting in accordance with their bylaws. However, Latvian NGOs advocated successfully against the amendment and defeated it.

As previously mentioned, civil society proposed several referenda to address the growing power imbalance. The first referendum, which proposed changes in security laws, gained little support. Despite this, the governing coalition, perhaps influenced by the citizen initiative, made legal changes in line with the referenda proposed by civil society. The second referendum, which will give citizens the right to recall the Parliament, is still in process. The third referendum, which will guarantee the amount of pensions, will take place in 2008.

The misuse of public benefit status by some organizations has led the government to propose amendments to the Law of Public Benefit Organizations. The draft amendment envisages the introduction of more complicated reporting requirements to ensure more transparency in the use of donated resources, where the sums of money in question are high.

Some organizations argue that financial reporting requirements are too complicated. Changes in the required format of accounting reports were not explained. Therefore, many organizations were harassed by the State Revenue Service and the Ministry of Finance for submitting reports using old forms. The Ministry of Finance threatened to eliminate the tax benefit status of those public benefit organizations which used the old forms. These organizations were forced to redo their accounts, which caused many problems. For example, some organizations did not receive approval for their tax benefits in time.

NGOs can express their opinions freely. Although some conservative politicians react harshly toward the expression of some organizations' liberal values, the government ensures security during events that reflect both ends of the political spectrum. For example, police ensured safety during the day of commemoration of World War II, as well as during Gay Pride celebrations.



Local legal capacity is still low. Consultations are available from law firms at commercial prices. However, the government does subsidize a certain number of consultations, which are free for NGOs. The 2004-2006 program of NGO Law reform, which prompted organizations to apply for status as public benefit organizations, associations, or foundations, has ended, and most organizations have already gone through the necessary legal hurdles to claim their status. Furthermore, the Enterprise Register offers all the information and supplementary materials necessary to register an association or foundation. Thus, NGO demand for legal services has declined.

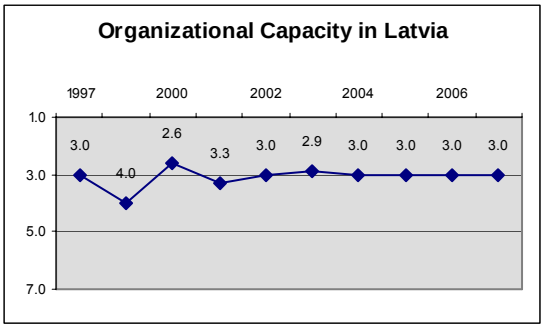
NGO income is tax-exempt. Associations and foundations that qualify for public benefit status enjoy generous tax exemptions for donations from business entities. Individuals who donate to public benefit organizations also get some tax deductions. However, there is a heavy tax

burden on employees of NGOs. For example, some authorities even attempt – in accordance with the Labor Law – to tax voluntary work, which is a new concept in Latvia.

ORGANIZATIONAL CAPACITY: 3.0

The 2006 report mentioned the significant difference in capacity between strong, large organizations and smaller, weaker organizations. In 2007, evidence has demonstrated that, while this dichotomy still exists, larger organizations are not as strong as imagined. In fact, they suffer from the same structural problems as smaller organizations – a weak membership base, staffing problems, and difficulties coping with the bureaucratic conditions of EU funds.

Although there are some large, countrywide organizations, such as the Federation of Pensioners and Red Cross, most organizations tend to be small, with staffs of 15 people or less. This can be explained by the legal requirement laid out in the Law on Associations and Foundations that obliges organizations to host annual meetings of all members, which are difficult and expensive to organize. Therefore, organizations choose to attract supporters in other ways – as sponsors, honorary members, and clients. Latvians are not very active in public life. Only 10 to 20 percent are involved in social groups or activities, such as religious organizations, sports and culture, and only one percent are involved in political parties. The percentage of those who actively participate in or support organizations concerned with civil society and democracy issues is around five percent. In practice, policies are made by very narrow circles of people or organizations that do not represent society. There are very good mechanisms for participation in Latvia, but few organizations – around 150 – have the capacity to use them. Professional associations are the best equipped to protect their interests.



Handbooks on strategic planning and good governance are available at NGO resource centers. There are also trainers and moderators available at market price. Some larger, professionalized organizations use these methods to organize their work. However, most NGOs have not taken these practices into account, as their priority is to cope with everyday survival.

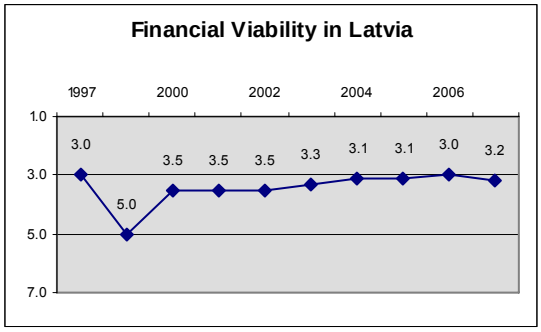
The NGO sector is not very competitive with other sectors. Organizations rely on a few professionals, a support staff with high turnover, and a small group of volunteers. The structure of available funding requires a high level of bureaucracy; therefore, even small organizations need at least a part-time bookkeeper and a project manager. A system of business consultations for the NGO sector has started to develop – companies devote their human resources to teach financial management, marketing, public relations, and other skills.

FINANCIAL VIABILITY: 3.2

Scarce foreign resources and the high Latvian inflation rate are the primary stumbling blocks to the financial viability of NGOs, especially those concerned with civil society and democratic development. There have been cases of advocacy organizations dissolving or narrowing their activities due to a lack of resources. Despite some progress in this realm, local resources are still not sufficient to solve the financial needs of the sector.

The Norwegian/EEA funds – approximately $2.8 million – provide much of the funding for civil society; however, this funding was still insufficient to meet demand, which meant that a large number of qualified projects were unable to receive support from these funds.

Government funding for NGOs is scarce and is mostly directed towards service provision. A study conducted by the Civic Alliance of Latvia



reveals the lack of a clear system or criteria for allocating government funds. After a presentation of the results of the study at the State Chancellery, the Ministry of Finance established a working group to establish eligibility criteria for the award of government funding. Nonetheless, criteria and procedures are insufficient without the political commitment to ensure the delivery of funds. That debate still continues. Some ministries also provide direct funding, usually in the form of small grants directed toward civic engagement activities, youth groups, children's issues, etc.

Local government support has increased but does not cover the excess costs created by Latvia's high inflation. Several local governments (e.g., Jekabpils, Jelgava, Liepaja, Aluksne) have developed systems to co-finance NGO projects. For example, sometimes local governments help to cover some administrative costs, such as transport and office space.

Local enterprises, banks and corporate foundations support various activities, primarily in the fields of sports, culture, and charity. Individuals also actively donate to organizations working with children, people with special needs, and talented children who lack financial resources to pursue their studies. In addition, there has been a slight increase in funding from private sources, which has generally been allocated through indigenous foundations.

Most donors require very precise accounting; therefore, NGOs must develop sound financial management systems. Sometimes the requirements are too burdensome, causing organizations to give up and not apply for funding. Ensuring cash flow in projects funded by government institutions and the EU is difficult because these institutions process expenditure reports very slowly. Consequently, some organizations periodically come close to bankruptcy due to poor liquidity.

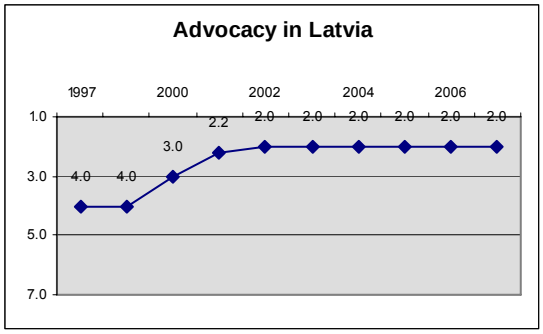
Economic activities are allowed by law and NGOs try to develop such services – renting premises, offering translation services, opening shops and coffee places. However, officials and the public lack a genuine understanding that earned income is a legitimate source of income for NGOs. A one-year support program developed by the U.S.-Baltic Partnership Program and AB.LV, a private Latvian bank-founded charity, has created new opportunities to apply for co-funding to establish endowments. Still, it is too early to say that there is enough local funding to meet NGO needs, particularly those of advocacy organizations, which suffer from weak membership bases and traditionally receive few if any individual donations. Moreover, EU Structural Funds and Latvian government support mostly assist service providing organizations.

ADVOCACY: 2.0

During 2007, several strong advocacy NGOs that were previously funded by foreign donors, such as the Patients Rights Protection Centre, failed to secure enough local funding to continue their operations. Two crisis centers benefiting children in Riga and families in Talsi dissolved because the government authorities that had previously procured their services refused to buy the services at the true cost, which was $5 higher per person than the government was willing to pay. Despite these setbacks and problems, the sector as a whole successfully participates with the government in addressing societal problems.

There are several very advanced communication systems with ministries and the central

government, which contribute to positive advocacy results. Since 2001, NGOs have been



monitoring all projects developed by ministries. An NGO representative, nominated by the NGO community, participates in all State Secretary meetings, which convene the highest administrative civil servants of all ministries. The representative then ensures that around 200 NGOs receive information about new projects on a weekly basis. This system also gives NGOs the opportunity to comment on drafts of interest and advocate their interests at ministerial meetings and with the Cabinet of Ministers. The Civic Alliance of Latvia offers consultations and support to those NGOs that are interested in using the mechanism.

Since 2005, there has been a consultative body seated next to the Prime Minister's Office – the Committee of Memorandum – that consists of both NGO and ministry representatives. NGOs raise issues of concern at the meetings of the Committee. The State Chancellery, an institution that ensures the work of the Cabinet of Ministers, decides how to solve the issues and assigns tasks to ministries for further consideration and subsequent reporting. Ministries have also introduced NGO liaisons who gather information about NGOs interested in cooperating, offer them information, and consult with them regarding the work of each ministry.

In May 2007, the first Parliament-NGO Forum was organized, and the Parliament Declaration on Cooperation with NGOs states that the Forum will be an annual event. Nevertheless, the Forum has not brought about results thus far because most politicians are still two-fold in their attitudes toward NGOs. Although there is good cooperation between particular Parliament Committees and NGOs, this cooperation is not institutionalized. Politicians tend to use the involvement of NGOs as a public relations tool, but are not genuinely interested in substantive cooperation.

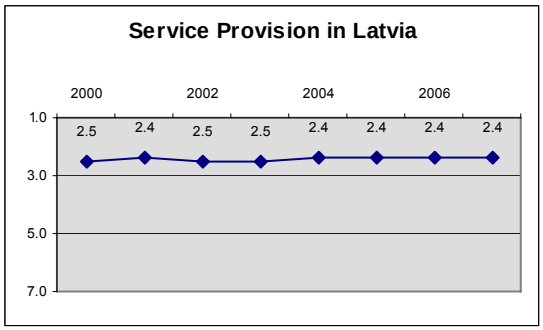
Although there are very good communication and cooperation channels, only around ten percent of NGOs use them because of a lack of advocacy resources – knowledge, expertise, time, and financing. Furthermore, since advocacy organizations suffer from poor funding and high inflation, other organizations may prove resistant to funneling their resources into advocacy issues.

SERVICE PROVISION: 2.4

EU Structural Funds and Latvian government funding are both directed towards service provision and have led to a slight improvement in NGO service provision in 2007. NGOs are introducing service fees for their constituencies, in addition to developing services for businesses and wealthy clients.

Although NGOs can freely compete with businesses for service provision contracts, they are in a poor position to recruit workers to deliver those services compared to institutions formed by the national and local governments. For example, only those social workers who work in government institutions can be reimbursed for continuing education credits. Local governments set prices for the services, not calculating the administrative costs of bidding organizations. They also think NGOs should offer less expensive services because they have traditionally had access to foreign funding, donations and volunteer work.

NGOs that offer social assistance are in an ambiguous situation. On the one hand, they are invited to register as service providers, a requirement for receiving local government funding. On the other hand, most social assistance NGOs cannot reach the high standards, such as specialized education



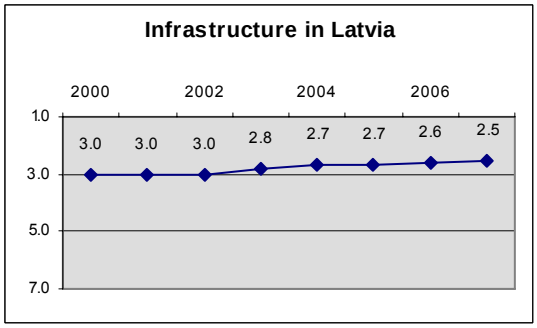
requirements, that the Register requires, and the government does not offer funds to help NGOs reach these standards. NGOs can be fined if they provide social services without suitable registration.

NGOs can usually recover their costs if they provide services to wealthy clients or businesses. Socially vulnerable groups, however, are unable to cover the full cost of services themselves; therefore, NGOs must attract funding from state and local governments, individuals and foreign sources to help cover their expenses.

The central and local governments do not understand that they should not develop services that are already offered by NGOs, which occasionally results in an overlap of services. For example, a ministry established a crisis hotline for children instead of supporting the already existing hotline of an NGO, thereby causing the subsequent closure of said NGO.

INFRASTRUCTURE: 2.5

Latvia has a network of NGO resource centers, as well as a network of community foundations. These networks cooperate to introduce new practices in the country. In addition, the Civic Alliance of Latvia offers free, weekly newsletters on current events and a weekly digest on draft regulations developed by ministries to over 600 subscribers. It also offers a monthly newsletter on funding opportunities. The Latvian Youth Council issues a newsletter for youth organizations. The Secretariat of the Ministry of Special Affairs in Integration also publishes a monthly online newspaper, *Civil Society e-news*.



Microsoft Latvia and Unilever Baltic donated $40,000 to the Community Initiative Foundation (formerly the Oranje Fund) 2007 program for strengthening community centers and promoting civic engagement. Community foundations in Latvia are in the process of professionalization, with emphasis on organizational development and local fundraising to finance different grantmaking activities and increase public visibility. Community foundations generally support local initiatives, such as playgrounds. They are successful in promoting inter-sectoral partnerships and involving business communities in solving local problems. A new foundation called Partners for Ideas started coordinating business support for NGOs, mostly in the form of consultations. Furthermore, several foundations have created endowments.

Coalitions are an everyday practice in Latvia. There are large, strong coalitions working successfully and systematically on issues of disability, gender equality, and children, at both the national and European levels. There are also formal and informal email and SMS communication networks that allow for ad hoc coalitions targeting specific needs or emergencies. For example, in just half a day, the Latvian chapter of Transparency International Delna gathered about 5,000 people to protest an unfair decree of the Prime Minister to fire the Director of the Bureau of Fight against Corruption.

Some NGOs successfully organize campaigns involving NGOs, businesses and, artists. For example, the Latvian chapter of the World Wide Fund for Nature, in cooperation with businesses, artists and government institutions, currently runs a campaign to protect salmon.

In general, EU funds are rarely used to strengthen NGO infrastructure directly. Nonetheless, EU funds directed towards improvement of public infrastructure, for example, roads, Internet, and public libraries, have an indirect, yet positive, effect on the NGO support infrastructure.

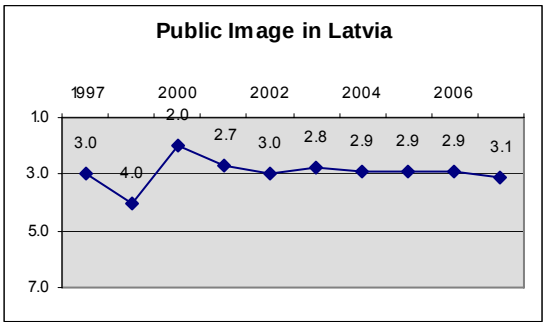
PUBLIC IMAGE: 3.1

The public image of NGOs is not uniformly positive. The unbalanced attitude and actions of the new coalition government has negatively affected NGO public image, particularly with the conservative media. For example, despite events such as the Parliament-NGO Forum and invitations from the Prime Minister for NGOs to discuss their issues with government ministers, the Speaker of Parliament undermined NGOs by requesting them to refrain from criticizing Parliamentary decisions, while the Prime Minister publicly denounced NGOs as trouble-makers. The conservative media focused on these negative instances, and were also very critical of NGOs that promoted liberal values; they have created and promoted the image of NGOs as foreign agents who implement the secret plans of their donors against traditional Latvian values and the nation state. These stereotypes are promoted also by conservative politicians. Therefore, part of society is suspicious of NGOs.

At the same time, the liberal media report positively on issues brought to the national policy agenda by NGOs. NGO experts are quoted on the news. Nevertheless, liberal media usually concentrate on particular events, debates, and personalities, such as experts, without always highlighting links to the NGOs involved.

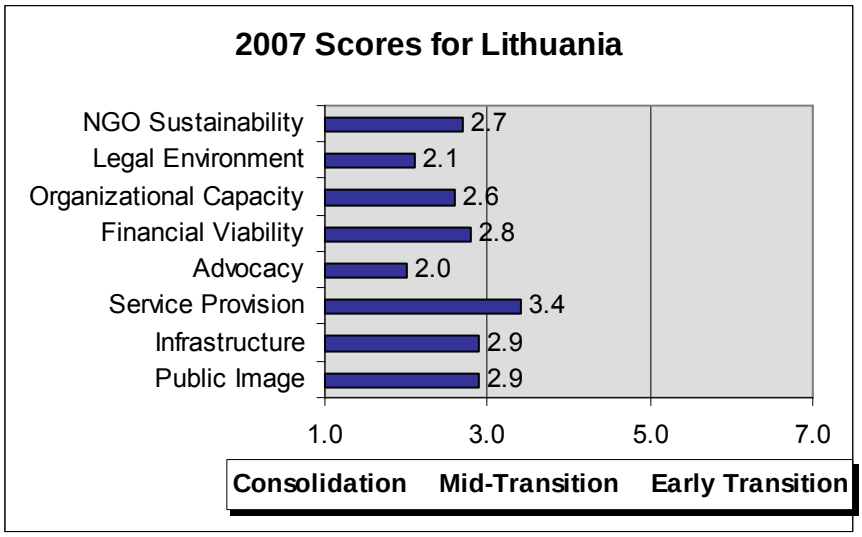
Regional and local media traditionally write about NGO activities in a positive or neutral way. Media coverage depends on the public relations skills of an organization.

Mutual understanding among sectors is still poor. Both the government and those NGOs which have no experience in cooperation have misguided perceptions of each other. The same is true of business–NGO relations.



The Latvian NGO sector is looking forward to developments in 2008, especially following the change in government in December 2007. The Prime Minister resigned under societal pressure that criticized the unjust and non-transparent manner of decision making at the political level.

LITHUANIA



Capital: Vilnius

Polity:
Parliamentary Democracy

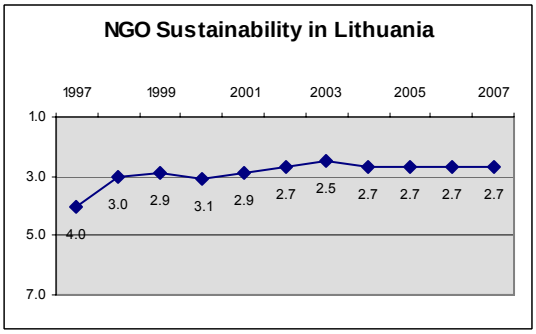
Population:
3,565,205 (July 2008 est.)

GDP per capita (PPP):
$16,700 (2007 est.)

NGO SUSTAINABILITY: 2.7

There were several landmark changes in the development of the Lithuanian NGO sector this year. The Baltic-American Partnership Fund financed a study that led to the *Conception of the Development of Lithuanian Non-governmental Organizations*, a policy document that clarifies the definitions and roles of NGOs and covers other relevant NGO issues. Additional funds from the European Union spurred economic growth and the development of regional NGOs: existing regional NGOs were strengthened and new regional NGOs were established during the year. This economic growth has also led to the expansion of NGO services.

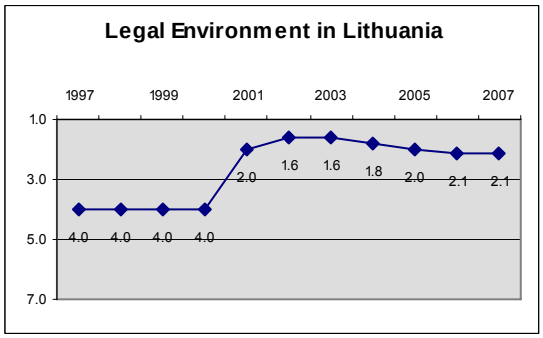
Experts on civil society feel that developments in 2007, while positive, were not as distinct and profound as the overall social and economic development in the country. Compared to the private and public sectors, experts feel that the sector is floundering and needs new incentives to revitalize itself. An acute staffing problem hampers the sector's functioning and continuity in pursuing its aims. Furthermore, the sector is becoming increasingly commercialized. NGOs can now earn income more easily as standards for providing services have become more uniform. Consequently, some NGOs are drifting from their essential independent, nonprofit nature and becoming more like budgetary institutions or business enterprises.



Available statistics on the number of functioning NGOs are not reliable. Of the approximately 15,000 registered NGOs, only about 4,500 are active. The failure rate of NGOs is high, and NGO fragmentation is frequent, increasing the number of organizations, but not the number of people they involve.

LEGAL ENVIRONMENT: 2.1

Although the legal environment affecting NGOs has not changed significantly, the introduction of an important document lays the foundation for future improvements. A law institute prepared the aforementioned *Conception of the Development of Lithuanian Non-governmental Organizations* and submitted it to the government, which has now opened the paper to public debate. The *Conception* is a policy document which sets out potential guidelines for the development of NGOs and principles for cooperation between public authorities and civic organizations. Among other things, it assesses limitations of the legal system. For example, the regulation on public institutions does not distinguish between NGOs, quasi-NGOs, and publicly-funded institutions with regard to eligibility for receiving charitable support. As a result, NGOs compete for scarce tax benefits and EU grant resources with organizations such as schools and hospitals that may already be publicly funded. The document also addresses the pitfalls of the two percent income tax provision, which as currently written allows tax payers to allocate a portion of their tax liability to political parties as well as NGOs. The document is currently undergoing review for approval and may become official policy.



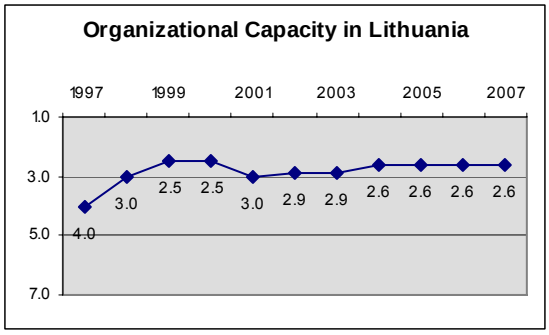
Another important document under preparation is the *Conception of Endowments*. Previously, NGOs were only allowed to receive funding through charitable donations and were unable to earn income through investments or service provision. In 2007, NGOs earned the ability to generate income through service provision; however, the question of income via endowments and investments remains a gray area. The *Conception* analyzes the current legal situation governing the tax treatment of charitable donations and suggests a framework for incorporating the *Conception of Endowments* into law, since endowments currently have no legal status in Lithuania. Favorable tax treatment for endowments could promote the development of locally-funded foundations, which would provide a much-needed new grantmaking resource. NGOs have welcomed the *Conception of Endowments* because it offers guidelines for managing these funds and investments.

While NGOs were excited about the aforementioned *Conception* papers, the repeal of a law that had previously legalized volunteerism caused much anxiety and fear that voluntary work would again become illegal. After consultations with lawmakers and legal experts, however, NGOs came to understand that the government decided that it should not regulate volunteerism, making the law outdated and unnecessary. NGOs were also assured that voluntary work would not be forbidden or restricted, and they would face no risk of harassment from the tax, labor or other government inspectorates regarding volunteer labor.

Over time, NGOs have achieved greater access to legal services. The Institute of NGO Law provides legal advice to NGOs on a paid basis, and the Ministry of Justice has prepared a legal education program focused on NGOs. Interested organizations and municipalities can submit requests to participate in the program. NGOs with expertise in legal matters willingly share their knowledge with colleagues, especially online, thanks to the NGO Conference Network.

ORGANIZATIONAL CAPACITY: 2.6

National NGOs, typically based in the capital, and smaller, local NGOs face different challenges in the area of organizational development. Local, community NGOs have significantly increased the size of their constituencies, but have not yet integrated strategic planning into their management processes. Through focus groups, Transparency International found that small organizations emphasize survival as the most important issue, while bigger NGOs are more concerned with staffing issues and volunteer recruitment.



The rising cost of living has caused a massive turnover of NGO staff. NGOs are only able to pay minimal salaries or hire people under so-called "author contracts" for specific work, which do not entitle an employee to social security or health benefits. Also, NGOs can rarely provide guarantee employment for more than six months. As more qualified and experienced workers leave the sector, NGO staffs are becoming younger. In a labor market where finding paid employment without prior work experience is difficult, young people increasingly see nonprofits as a good place to start their careers, only to leave once they acquire sufficient experience. As a result, NGOs must continuously invest time and resources in training new employees.

On a more positive note, NGOs' boards of directors are becoming more visible and active, as larger NGOs, such as the Human Rights Institute, the Institute for Civic Initiatives, and Transparency International, include more well-known people on their boards. Acting as spokespersons, these individuals are more readily able to draw public attention to issues of importance to their NGO.

Finally, the expansion of electronic services by the government has made the daily operation of NGOs simpler. NGOs do their banking and file tax reports online and can access all the documents they need online. Also, office equipment, mobile phones, and cars have become less expensive and are now commonly owned by both large and small NGOs around the country.

FINANCIAL VIABILITY: 2.8

Funds available to NGOs have increased, mainly due to the availability of EU Structural Funds, increased Lithuanian government funding in support of less-developed countries (e.g., Lithuanian NGOs are contracted to implement projects in countries such as Georgia or Belarus), and fees charged for services and products offered by NGOs.

On the other hand, inflation has had a negative effect on project implementation. The prices of goods and services are rising, making it impossible to implement long-term projects as initially planned. Inflation has also affected the supply of volunteers. People are increasingly forced to work several jobs, which leaves less time for voluntary service.

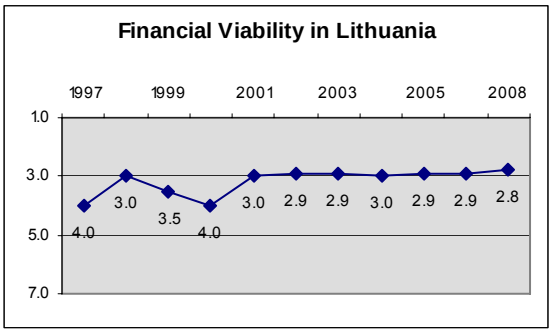
The culture of fundraising is not yet fully developed, and mechanisms intended to generate revenue, such as the collection of membership fees, are largely ineffective. Although membership dues are minimal, NGOs, for unknown reasons, do not manage to collect them. NGOs do raise some funds from local communities and constituencies, but they have not learned to exploit such funding sources to their full potential. The recent establishment of a for-profit venture called "Fundraising", which is part of an international network of professional fundraising organizations, will soon start

directing solicitation campaigns for several big NGOs.

Contracting of NGOs by local government has grown. Municipalities receive more funds than they are able to use providing public services through their own structures. Frequently, municipalities put out bids only when they realize that they are about to lose funding because of their inability to spend allocations in a timely manner. This practice puts NGO service providers under stress, as the staff has little time to prepare applications or implement project activities, but it has not deterred many from increasing their income in this manner.

Some types of NGOs, such as those representing the disabled or providing social and cultural services, still rely heavily on contracts and grants from municipal and central governments. However, government support for these service providers is being more closely scrutinized. Funding practices may change after government auditors found a major organization representing the disabled to be inefficient and spending unjustifiable amounts on administration.

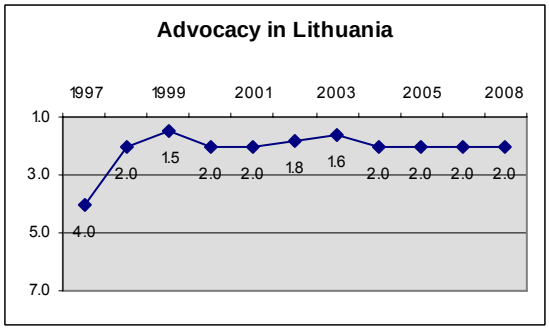
Overall, sound financial management systems are in place within the sector, although some



small NGOs try to survive via the unethical practice of charging several donors for the same activity. Sometimes these NGOs get audited or go through an inspection, in which case they are punished; however, such audits and inspections do not always occur. Small NGOs often do not have an in-house bookkeeper or accountant and must engage outside bookkeeping and accounting services.

EU funding has created several special issues. First and foremost, EU funding requires NGOs to use their own money up front for project implementation. Reimbursement occurs only after activities are implemented and may take months to be processed. No mechanisms exist to assist NGOs in bridging either this funding gap or gaps between projects.

ADVOCACY: 2.0



The government now regularly consults NGOs for their views and expertise by inviting them to participate in parliamentary committee meetings or asking them to be members of commissions. However, when the participating NGOs are opposed to a government proposal, they often do not express their opinions before the issues are decided; rather, they protest only after the government has made the decisions. Many economic projects, such as the construction of a new dump for the capital, have incurred losses or been suspended because NGOs and local community groups start blocking activities after a project was underway.

Well-known NGOs complain that they get far too many requests for comment to be able to respond appropriately and effectively. The government often swamps them with piles of documents to be studied overnight before an important decision is to be made or a piece of legislation is to be voted upon. Only very few organizations, like the Lithuanian Confederation of Industrialists, can afford a staff member who is focused on participating in policymaking and the legislative process.

Municipal governments usually have regular NGO consultants whom they know well; new

actors are not always welcome in these already-established circles. Nevertheless, 2007 was a good year for nonprofits in terms of lobbying municipal governments: municipal politicians themselves contacted NGOs to gain their favor in election campaigns.

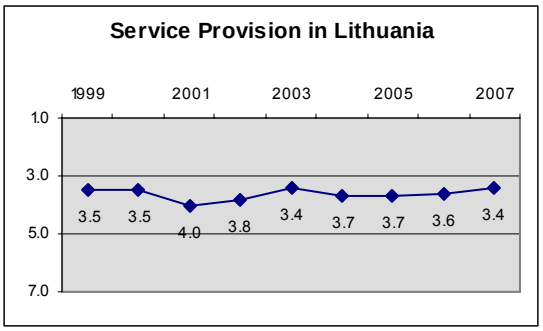
NGO coalitions ran several successful advocacy campaigns this year. NGOs actively expressed their opinions regarding educational reform, including proposals to charge tuition for higher education programs, and family policy, including a very powerful and broad-based campaign against advertising alcohol. The Gay League initiated a public debate regarding homosexual rights and tolerance for homosexuals that resonated widely. They also took the city of Vilnius to court for not issuing a permit for a parade it organized. Finally, a campaign for the prevention of human trafficking united many NGOs and engaged the Lithuanian diaspora.

SERVICE PROVISION: 3.4

A survey of NGO revenues conducted by the NGO Information and Support Center found that income from selling services has grown noticeably. Rather than working on a project basis, NGOs increasingly bid for contracts to provide standardized services. New regulations governing social service provision makes it possible for NGOs to initiate new services and be paid for them. For example, last year, the municipality of Vilnius launched four large new programs that require the services of NGOs, thereby creating a new market for social service providers and a stable funding source for some NGOs.

The European Union encourages NGO participation as partners and implementing organizations in utilizing EU funds. Municipalities and businesses look for NGO partners to access EU funds; however, sometimes they establish new NGOs solely for this purpose. In some cases, this prevents NGOs from making use of EU funds. However, access to these funds is so complicated that in many cases NGOs do not attempt to take advantage of them. Some believe that municipalities and businesses should work to strengthen NGOs to be better equipped to access these funds, although this has not happened, as it is much easier for municipalities and businesses to create their own organizations.

The EU and Lithuania have standardized all aspects of service provision, meaning that their requests are very precise and include specific restrictions and prices, making NGOs competitive with other participants in the market. While NGOs are expected to provide innovative cost-effective services, in practice they are not encouraged to do so as competition for strictly defined service contracts limits space for innovation. Practically, NGOs do bring versatility and introduce new methods into social services, but they have difficulty monitoring, evaluating, and measuring their achievements and demonstrating tangible results, especially in the so-called "soft activities", such as preventive work. This prevents them from recognizing their good work and promoting their achievements to the general public, which, in turn, affects their ability to attract new donors. Finally, it inhibits their ability to compete for contracts.



Available funding sometimes tempts NGOs to make up social problems and "overproduce". One service of which this is true is capacity-building training. The large number of training programs offered makes it increasingly difficult to attract participants. Broader outreach is also a problem – the same people repeatedly participate. Bringing training closer to participants would be helpful, but stimulating demand is also necessary, as community

members do not realize how they could benefit from training.

In order to bridge the gap between elites and the general population, several NGOs have engaged in civic education. They travel to provinces, organize clubs, and hold debates on issues such as poverty, democracy, and civic participation. Other examples of new services include project proposal writing by community foundations and coaching of young entrepreneurs by youth business centers. Six Lithuanian municipalities buy such services.

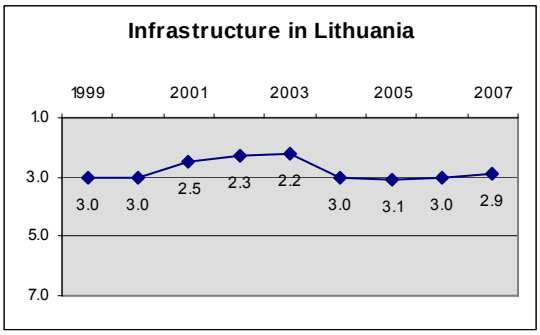
INFRASTRUCTURE: 2.9

In 2007, some community groups grew stronger, while others weakened. EU programs have brought together community organizations that service groups such as women, youth and farmers, and encouraged them to develop strategies addressing the social and economic needs of their regions. Associations of regional community organizations, however, have become less active, and many became adjuncts of political parties. Local action groups have sprung up around the country. These groups participate in regional policymaking, and work with NGOs and local governments to develop regions in the hopes of making regions more equal. There are now 30 local action groups that successfully compete for EU funding. The capacity of these groups has increased, but they sometimes run into conflict with municipal administrations that do not want to share their power and authority and, therefore, try to stop group initiatives.

NGO Information and Support Centers are continuing to weaken as more organizations have their own office space and technology and can access information via the Internet. Work is increasingly limited, and their main activities now are helping municipal administrations disseminate information and raising public awareness on specific issues, such as poverty.

Since NGO Information and Support Centers are doing little to represent the sector as a whole or to defend its interests, coalitions have been established to address these issues. For example, the NGO Platform brings together NGOs implementing development work in less-developed countries to serve as an advisory body to the Ministry of Foreign Affairs. The Coalition for Reproductive Health unites women's organizations. Some coalitions, such as the Coalition for Efficient Use of European Funds, represent the interests of the whole sector.

A new type of intermediary support organization has emerged: consulting firms. These firms help NGOs, businesses and municipalities prepare and manage projects. As such, they are in a good position to promote cooperation among sectors, although they are driven by profit and bottom-line issues. As the private sector offers a variety of services for NGOs, NGO Information and Support Centers and other umbrella and intermediary organizations need to identify their niches and develop services of equal or better quality as those provided by businesses.



Information exchange within the sector has moved from printed publications to the Internet. The NGO Conference, a free online network for sharing information, is very active. NGOs and local communities frequently visit specialized web pages like www.bendruomenes.lt, which acts as an exchange network for NGOs by providing information on funding opportunities and programs and a forum to debate NGO issues. Specialized training materials are also abundant on the Internet. The Council of Europe has prepared training kits for NGOs on volunteer management, international activities, project management, and other topics which have been translated into Lithuanian and can be found

online. The tax inspectorate has issued consulting materials and created a reference CD with laws and legal acts pertinent to NGOs.

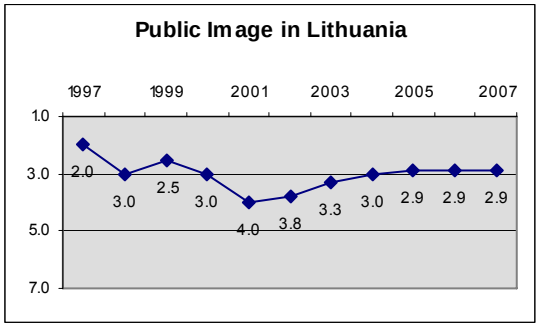
Relevant training materials are also available in bookstores.

PUBLIC IMAGE: 2.9

NGOs do not put considerable effort into media relations and generally lack an understanding of how the media operates. For example, NGOs often earmark project funds for publicity, but then lose these earmarks because all the broadcast time is bought in advance by public relations companies.

Nevertheless, NGOs continue to enjoy positive media coverage at the local level and benefit from a discount of up to 75 percent from major media companies on social advertising. NGO social advertising in Lithuania is abundant and varied. Interestingly, commercial television and radio and outdoor advertising companies are more willing to offer discounts to NGOs than the public broadcaster, Lithuanian National TV and Radio.

NGOs have not traditionally engaged in direct marketing, which inhibits their ability to gain visibility and trust. In fact, NGOs occasionally suffers from negative media stories on scandals within the sector. Much of the population still thinks NGOs exist to launder money. People who have had contact with NGOs, however, have a positive image of NGOs. As people tire of impersonal advertising, NGOs could benefit from following the example of some political parties by conducting door-to-door campaigns.



Surveys show that people who have had contact with NGOs are more positive about the sector. A public opinion survey on corruption conducted by Transparency International demonstrates that many respondents know nothing about NGOs, while those who are familiar with the sector rate NGOs among the least corrupt institutions. Among NGOs, small local community organizations are probably least trusted. Local communities often think grant monies are used for personal enrichment, even when local organizations bend over backwards to operate transparently, organize community meetings, publish annual reports, and recruit respectable boards of directors.

The Seimas (Parliament) has only fragmentary knowledge of the sector, mainly being aware of NGOs supporting youth and the elderly and some highly visible human rights and anti-corruption groups. Local governments, on the other hand, have a tradition of cooperating with nonprofits and their knowledge of the sector is quite good.

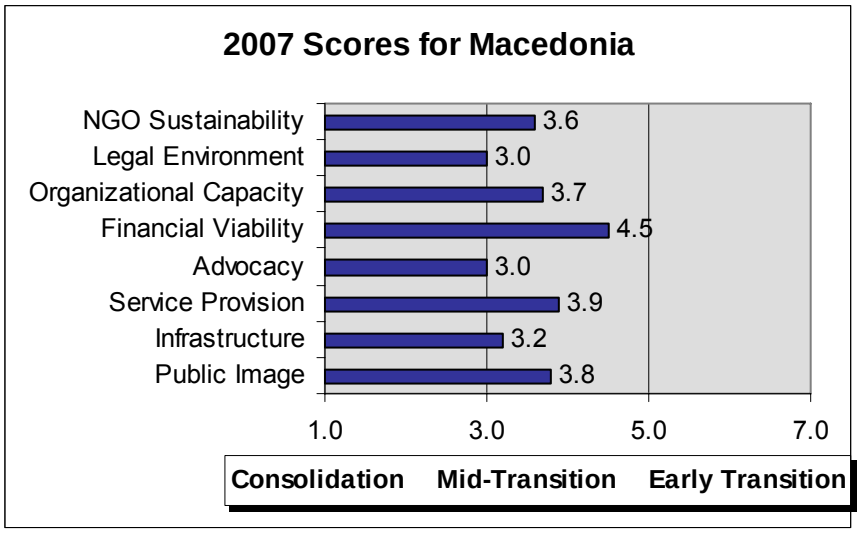
Business perception of NGOs is positive, despite the fact that NGOs still have little to offer businesses. Businesses, in general, seem to romanticize NGOs because they hear of groups that do humanitarian work, such as caring for children. Businesses often fund projects that match their public relations or business strategies. However, NGOs do not manage to exploit their positive reputation with businesses as they either do not come up with ideas that fit businesses' strategies or do not put forth enough effort to design projects that are attractive to businesses.

The initiative to promulgate an NGO Code of Ethics that was launched a few years ago has not been pursued, as no organization is willing to take the lead. Last year some NGOs, led by Transparency International, exposed corruption in the media. The media retaliated with a negative media campaign that made unjust accusations against some NGOs and their donors. This interaction caused great public debate and led Transparency International Lithuania (TILS) to undertake an NGO

Transparency Survey, the first study of its kind in Europe. The study, funded by the

Baltic–American Partnership Program, solicited the opinions of NGO staff and was therefore not neutral. Six hundred NGOs responded to the TILS-prepared questionnaire on employees' opinions and knowledge regarding their own organizations and the sector as a whole. The results indicate that 68 percent of surveyed NGO representatives find Lithuanian nonprofits to be transparent. Lithuanian NGOs hope to use the results of the survey to influence public opinion and improve the public image of the sector.

MACEDONIA



Capital: Skopje

Polity:
Parliamentary Democracy

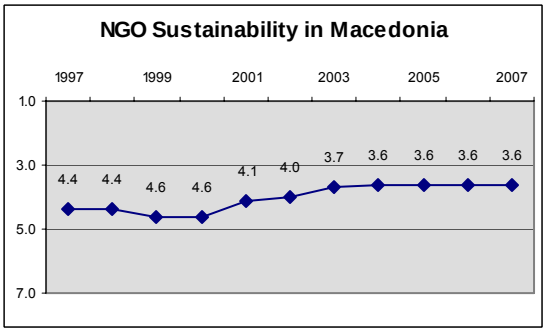
Population:
2,061,315 (July 2008 est.)

GDP per capita (PPP):
$8,400 (2007 est.)

NGO SUSTAINABILITY: 3.6

The most significant developments affecting the NGO sector in Macedonia during 2007 were related to the legal environment. Implementation of the Law on Donations and Sponsorships and amendments to the Law on Citizens Associations and Foundations, and the passage of a new Law on Volunteerism, created a more supportive enabling environment for NGOs. Other positive developments during the year included an increase in the frequency and number of NGOs participating in policy initiatives, and progress made in attracting more local support from businesses and individuals.

Major challenges still face the sector. Lack of improvement in public image is particularly damaging as it impacts the ability of NGOs to advocate effectively, create partnerships and raise local funds. According to an annual survey commissioned by USAID, public confidence in NGOs and their work remains low.



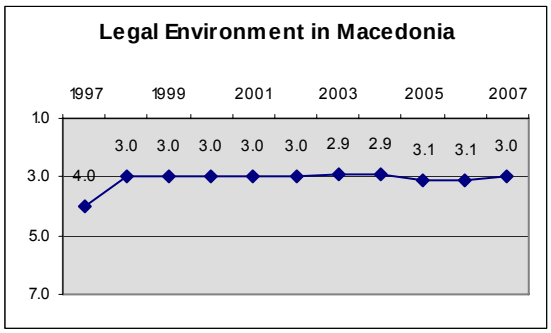
The number of registered NGOs remains at approximately 6,000; however, fewer NGOs – less than five percent – were considered active this year.

LEGAL ENVIRONMENT: 3.0

The slight improvement in the legal environment in 2007 is due to the implementation of various changes in laws that were adopted in 2006, and the passage of the Law on Volunteerism, which has clarified issues surrounding NGOs' use of volunteers.

The amendments passed last year to the Law on Citizens Associations and Foundations included transferring NGO registration from the courts to the Central Register, and shortening the registration period to five days. This has made NGO registration much easier, faster, and less vulnerable to the influence of local judges.

However there are concerns that the short period in which the Register must respond to applications does not allow enough time to properly review the statutes submitted by NGO applicants, leaving the system open to abuse. Also, the transfer of registration files from the courts to the Central Register has not been completed yet. Another provision included in the amendments passed last year allows the Public Prosecutor or any other interested individual to initiate a court procedure to dissolve an NGO unable to fulfill its statutory provisions. NGOs consider this provision to be a potential threat to their autonomy; however, the provision was not used by any party this year.



The Law on Donations and Sponsorships, which went into effect on January 1, 2007, provides both companies and individuals with tax deductions for charitable donations to NGOs classified as public benefit organizations. NGOs, companies and individuals have been enthusiastic about this new law, and it has sparked new communication and partnerships between the sectors. While this is a positive development, the full impact of the law is yet to be seen. The Ministries of Finance and Justice have developed implementing regulations, and the Public Revenue Office created forms for claiming tax deductions that are complex and confusing. Furthermore, public benefit status is not defined in the Law on Citizens Associations and Foundations, so it is unclear if donors will actually be able to deduct donations. The real test will come at the end of fiscal year, when the government processes the tax returns.

In January 2007, the Ministry of Labor and Social Policy began developing a Law on Volunteerism to define "volunteer" and outline the rights and responsibilities of host organizations and volunteers. Two NGOs participated in the working group that drafted the law, and the Ministry was very open to including NGOs in the entire legislative drafting process. A listserv was established to inform NGOs on the results of the working group meetings and to provide them with an opportunity to comment. In the spring, NGOs organized six public discussions about the draft law attended by officials from the Ministry. An informal coalition of NGOs advocated for adoption of the law by participating in parliamentary hearings, contacting members of parliament directly, and working with the media. The law as adopted provides clear guidance to NGOs using volunteer labor, including rules allowing volunteers to be reimbursed for expenses such as transport and per diem without being taxed.

Despite these improvements, major legal framework issues remain to be addressed. Examples include the definition of public benefit status, the right of legal entities and foreigners to establish organizations, and the ability of NGOs to earn income and operate outside of Macedonia. The new government that came into power in 2006 promised to prepare a new Law on Citizens Associations and Foundations by July 2007 that would address these issues. A working group that includes NGO representatives formed in April 2007, but a first draft of the law has yet to be produced. The government expects that the law will be adopted in 2008 as part of a package intended to harmonize Macedonian legislation with the laws of the EU.

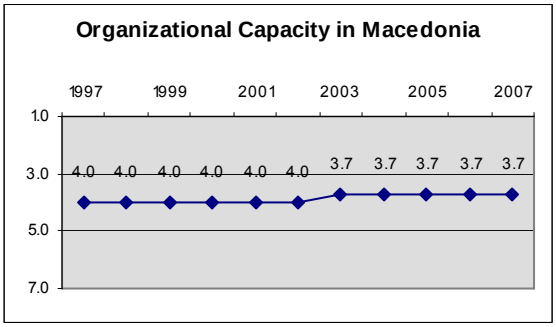
Legal services available to the NGO sector have not expanded or improved this year, despite the fact that NGOs have greater need for legal assistance to take full advantage of the new laws. Legal services available to NGOs outside Skopje are still insufficient.

ORGANIZATIONAL CAPACITY: 3.7

Organizational capacity remains unchanged. Many NGOs still do not recognize the need for ongoing organizational strengthening and do not plan their annual activities and budgets accordingly. With fewer donor-supported capacity building programs and limited funds for local training organizations, NGOs that want to improve their organizational systems and structures have limited options.

As foreign donors continue to withdraw from Macedonia, NGOs are becoming aware of the need to engage their constituents to raise understanding of and support for their work. As a result, this year has seen more NGOs – particularly those working outside of the capital in social services or environmental issues – reach out to stakeholders and community members to increase their involvement in the activities of their organizations.

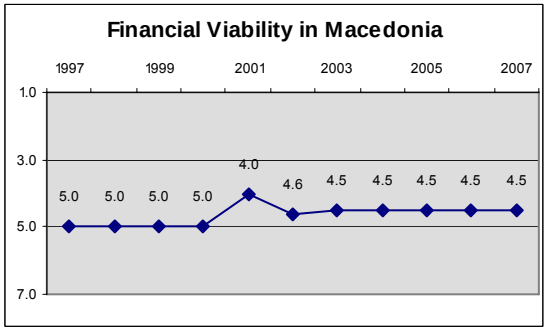
Many NGOs either do not have strategic plans or have strategic plans that are outdated, and pursue projects outside their missions due to funding pressures. A recent survey of OSCE-supported NGOs revealed that less than 10 percent had strategic plans that were being followed. Only a small group of around 30 NGOs update their strategic plans regularly and make concentrated efforts to implement them.



Internal management remains a challenge, and NGOs rarely distinguish clearly between executive and governance functions. With the support of USAID's Civil Society Strengthening Project (CSSP), a few NGOs have taken steps to define these responsibilities, restructure their organizations, and recruit external board members. A small minority of NGOs have permanent professional staff, while most rely on one or two key employees and a host of sporadic volunteers or staff hired for project-specific activities when funding is available. Those organizations with permanent staff still lack a strategic approach to human resources management, including clear policies, contracts with employees, and performance appraisals.

Most NGOs have basic office equipment, but the lack of resources means IT systems and computers are not maintained or replaced as needed.

FINANCIAL VIABILITY: 4.5



While NGOs have made more efforts this year to increase local support, they are faced with a

poor economy and lack of citizens' awareness, so more than 90 percent of NGOs' budgets still come from foreign donors. Information collected by the Macedonian Center for International Cooperation (MCIC) from Civic Platform members and other larger NGOs indicates that organizational budgets have decreased by 20 percent over the past few years.

EU funding has not materialized yet for Macedonian civil society. EU pre-accession funds were not transferred to the Government of Macedonia in 2007 as the necessary administrative and oversight bodies and policies to manage the funds had not yet been established. While CARDS 2006 funding is still being used to support civil society, the pre-accession funds expected in 2008 will include

very little for NGOs as civil society was not listed as a priority by the Government.

Many NGOs reached out to citizens and businesses this year to garner local support. The Law on Donations and Sponsorships has sparked interest among businesses and wealthy individuals in providing support to NGOs. The First Children's Embassy in the World "Megjashi" received the first donation to a public benefit organization from Genel, the distributor for Canon products in Macedonia. For each Canon product sold, Megjashi will receive one Euro for its activities. The Center for Institutional Development (CIRa) helped the Macedonian company INet prepare the necessary documents for tax deductions for its contributions, and presented the advantages of the law to members of the UN Global Compact in Macedonia.

A few NGOs including Planetum and MOST have a core group of volunteers. The development of the Law on Volunteerism has encouraged the Federation of Farmers of the Republic of Macedonia and the Macedonian Civic Education Center, among other NGOs, to recruit long-term professional volunteers.

Many NGOs now understand the importance of diversifying their funding sources and are willing to work towards greater diversification. Nonetheless, the economic situation, public attitudes, and lack of mechanisms limit their options. Many NGOs include overhead or indirect costs as part of the fees they charge when their staff are contracted to perform various services. Perhaps more controversially, NGOs also have a practice of reserving a portion of contract fees and/or project salaries to ensure liquidity when funding runs low, usually without transparency to donors and the public.

Government funding for NGOs from both local and central governments remains low and is available only for limited types of projects. Reforms to the Law on Games of Chance and Entertainment provide for two percent of lottery proceeds to be distributed to NGOs to combat domestic violence; however, there are no policies yet on how these funds will be distributed.

CIRa is promoting local philanthropy by educating and motivating both potential donors and NGOs. Challenge grants awarded by CIRa to NGOs are encouraging new fundraising techniques, but these are not yet widespread, and local resource mobilization has not reached critical mass.

It is still not possible for NGOs to earn income legally under the current Law on Citizens Associations and Foundations. Nevertheless, many NGOs engage in income generation on a small scale. More NGOs are requiring membership fees of their members. Both the central and local governments are interested in contracting NGOs for services but lack funds and transparent mechanisms to do so.

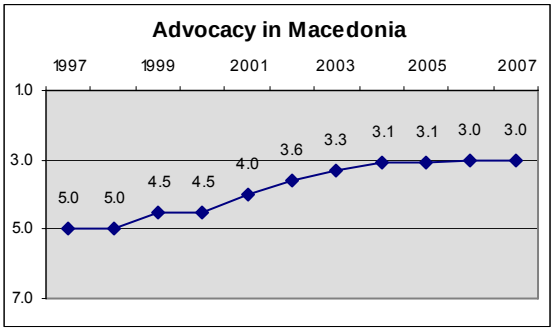
Most NGOs have basic financial management systems and rely on external accountants, but room remains for improvement. The CSSP helped a small group of more developed organizations to prepare organizational budgets and accounting systems to track multiple funding sources. Only a handful of NGOs have systems to calculate and charge indirect costs. While most NGOs have basic annual audits, few publish annual financial reports unless they have donor funding for this. Seven NGO members of the Civic Platform published their annual reports in the main daily newspapers in Macedonian and Albanian languages with their own funding as part of the activity "Together for Transparency."

ADVOCACY: 3.0

A number of successful advocacy campaigns in 2007 resulted in the adoption of new laws and strategies at both the central and local levels, including the new Law on Volunteerism, reforms to the Law on Consumer Protection, the National Strategy for Cooperation between Government and Civil Society, and the Strategy of the City of Skopje for Cooperation with the

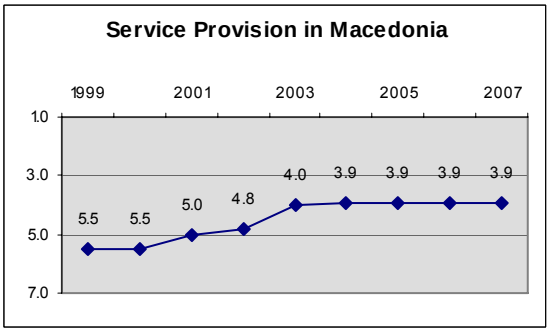
NGO Sector. NGOs have been involved in many of these efforts, but with only a slight increase in influence over the processes or results. NGOs feel that their presence is sought merely to fulfill EU requirements to include citizens rather than in recognition of NGO expertise. While still relatively small, the number and range of NGOs invited by the government to participate in these processes increased slightly this year.

The National Strategy for Cooperation between Government and Civil Society outlines mechanisms and guidelines for government cooperation with NGOs in policy making, but these are often not followed. Poor implementation of the Law on Free Access to Information hinders the ability of NGOs to gather data needed to form policy recommendations. Nevertheless, NGOs have cooperated more often and more substantially with both central and local governments this year. NGOs have taken greater advantage of the Office for Contact between NGOs and the Parliament run by MOST, using the office to lobby MPs for adoption or revisions of draft laws. The Office helped civil society representatives attend parliamentary committee sessions related to the Law on Volunteerism and deviant student behavior, as well as to lobby MPs regarding amendments to the Law on Citizens Associations and Foundations at the beginning of 2007.



The five-year national strategies for HIV/AIDS and Prevention of Drug Abuse adopted by the Government were prepared primarily by NGOs from these fields. An informal coalition successfully helped draft and advocate for the Law on Volunteerism. The same NGOs have now been invited by the Ministry of Labor and Social Policy to help write the national Volunteerism Strategy. Think tanks increased their credibility this year and many of their recommendations on policy reforms, such as the Law on Higher Education proposed by the Center for Research and Policy Making, were accepted by the government.

SERVICE PROVISION: 3.9



NGOs continue to provide a range of services to citizens, including SOS lines, counseling and shelters for victims of violence, and health services in the areas of HIV/AIDS prevention and treatment, harm reduction programs, and prevention of cancer. Still, some services are not based on the needs of citizens. No significant new services were developed this year, with the exception of think tanks offering broader research and analytical services to the private sector and government.

The Ministry of Labor and Social Policy awarded contracts to two Roma NGO networks to run Roma Support Centers in eight locations around the country. In other cases, the government recognizes the value of, and would like to contract for, NGO services, but lacks the funding to do so. Examples include legal aid centers for victims of domestic violence run by ESE and the SOS line and shelter for victims of human trafficking currently supported by foreign donors.

NGOs typically provide services free-of-charge using support from foreign donors. However, NGOs are increasingly experimenting with charging fees for services. Examples include a monthly magazine published by the Federation

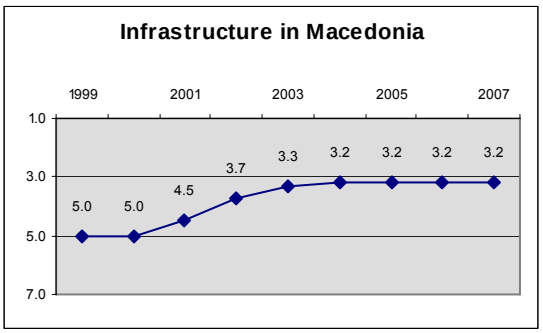
of Farmers of the Republic of Macedonia offered on newsstands, and the Youth Cultural Center-Bitola renting sound and audio equipment. NGOs still lack the capacity to develop business plans, analyze market opportunities and set price structures, and the Law on Citizens Associations and Foundations still does not legally allow NGOs to earn income.

INFRASTRUCTURE: 3.2

The network of ISOs and resources centers in Macedonia continues to provide adequate services to NGOs despite decreases in the foreign funding on which most depend. The twelve NGO resource centers previously supported by the European Agency for Reconstruction (EAR), the Swiss Development Agency (SDC) and the Foundation Open Society Institute Macedonia (FOSIM) successfully transitioned into local independent entities this year. All continue to provide at least minimal services to NGOs in their regions, and only a few charge fees. FOSIM, MCIC, and CIRa all provide training, technical assistance and re-granting services.

Local grantmaking, while still weak, has been strengthened this year with four NGOs under USAID's CSSP offering small grants and training to local organizations in regions around the country. The Local Community Development Foundation in Stip is in the process of developing into a community foundation and has recruited a new governing board; it has yet to redistribute any funds in the community.

While the overall number of active NGOs is decreasing, NGO information sharing and coalition building is increasing. New NGO coalitions have formed and other coalitions such as "All for Fair Trials" have restructured to become more effective. An informal NGO coalition was formed around the Law on Volunteerism. In July 2007, nine organizations established the Think Tank Network-Macedonia to provide domestic expertise to the government, business sector, foreign organizations, and donors, as well as create public policies and raise public awareness on certain issues. The Civic Platform of Macedonia has a program to strengthen the role of civil society and its 36 members in particular.



A well-established network of NGO management trainers provides basic training. More advanced training is available in strategic planning, public relations and fundraising, but the quality is inconsistent and the availability of such services depends primarily on foreign support. MCIC is developing a new advanced training course on NGO governance and board development to be offered later this year. CIRa is developing a volunteer management training that will also be available later this year. Training and materials are available in local languages.

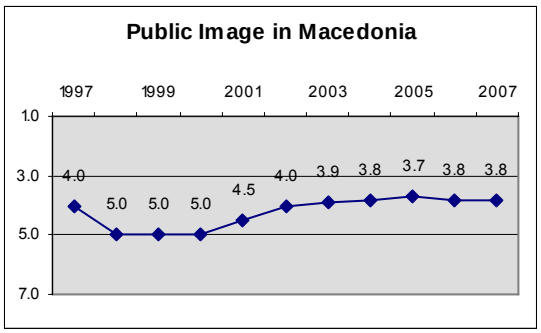
Awareness regarding the benefits of inter-sectoral partnerships has increased this year. Partnerships between NGOs and businesses have increased due in part to the Law on Donations and Sponsorships. Central and local governments have also shown an increased interest in partnerships with NGOs as illustrated by ESE's work with the Ministry of Labor and Social Policy on the National Program for Combating Domestic Violence; the Consumers Organization's work with eight local governments to establish Councils for Consumer Protection; and the Community Forums program implemented by CIRa and FOSIM, which supports NGO-municipal partnerships to address community priorities and needs.

PUBLIC IMAGE: 3.8

The public image of the sector remained largely unchanged in 2007. Although some media outlets continued to look for and report on sensational and scandalous stories about NGOs, the overall media coverage of the sector was positive. NGOs provided expert commentary in both national broadcast and print media, and research by think tanks was regularly covered.

Media accurately and thoroughly covered a number of NGO advocacy initiatives. The coverage was a factor in the passage of new laws for Volunteerism and Prevention of Drug Abuse. Under USAID's CSSP, the Macedonian Institute for Media (MIM) produced 24 bi-weekly radio and television shows called "Our Circle" covering civil society issues and topics; these had the second highest rating for its time slots. MIM also organized the first annual Civil Society Media Award to recognize the media outlet with the best coverage of civil society – A1 Television won. This non-monetary award seemed to motivate more positive NGO coverage among all media outlets. According to media monitoring conducted by CSSP, SMMRI and NGO Info Center, while the total number of media pieces on civil society remained the same in 2007, there was a shift from coverage in print media to television, and from subjective scandalous coverage to objective fact-based reporting that presented NGOs as experts or contributing to the community.

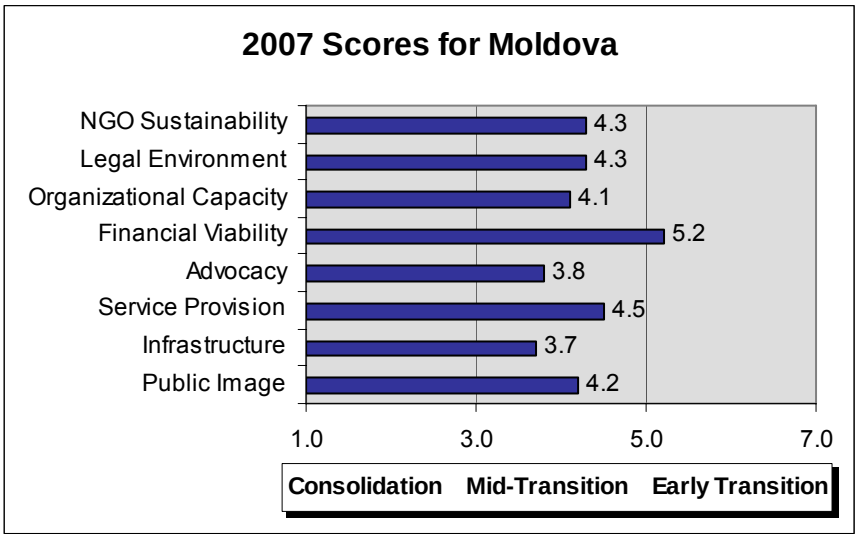
As a result of public relations training conducted by MIM, a number of NGOs appointed specific staff to develop ongoing professional relationships with the media. The results can be seen in the more savvy press conferences organized by NGOs this year. The NGO Info Center also continues to support NGOs by providing free space for press conferences, public relations training and consulting. However, the majority of NGOs still do not take a proactive approach to working with the media and improving their public images.



As a result of these efforts, there is a feeling among NGOs that business and government officials have slowly started to change their perceptions of NGOs. However, research shows that public perception of NGOs remains poor. The annual survey commissioned by USAID in 2007 showed that 42.7 percent of the population trusts NGOs, down 2.6 percent since 2006; similarly, 41.3 percent are of the opinion that NGOs are effective in solving the country's problems, down 0.6 percent since 2006. While these decreases are relatively minor, NGOs feel that the public's opinion of them has worsened.

The Annual Plan of the Civic Platform of Macedonia for this year included development of the first Code of Ethics for its 36 NGO members; however, the Code still has not been developed. There was an increase this year in the number of NGOs publishing their annual reports, which includes all of the Civic Platform members supported by EAR.

MOLDOVA



Capital: Chisinau

Polity:
Parliamentary Democracy

Population:
4,324,450 (July 2008 est.)

GDP per capita (PPP):
$2,200 (2007 est.)

NGO SUSTAINABILITY: 4.3*

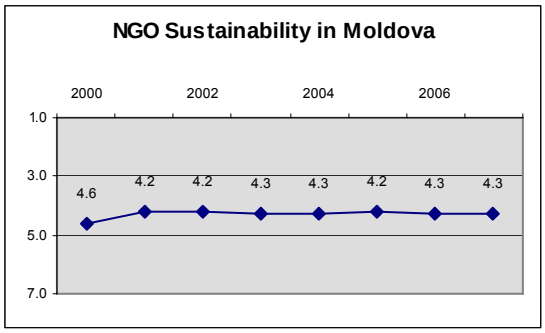
In 2007, civil society in Moldova played an active role and became more visible and vibrant overall, yet a number of constraints continue to hamper NGO sustainability. Civil society in the Transnistrian region remains weak and restricted to certain areas of activity.

A number of positive factors have strengthened the role of civil society organizations and supported their sustainability. External factors, including the completion of the EU-Moldova Action Plan, the launch of the Millennium Challenge Corporation (MCC) Threshold Program, and the Moldova-NATO Individual Plan, have promoted greater involvement of civil society and greater accountability and openness from the government. Internally, local elections and the participatory drafting of the National Development Plan have somewhat improved the climate for cooperation. At the same time, limited government capacity and leadership have prevented NGOs from fully exploiting these opportunities.

According to a recent UNDP-Moldova "Study on the Development of Non-governmental Organizations in the Republic of Moldova," the number of registered NGOs has increased to almost 7,000, approximately 3,000 of which operate at the national level. Civil society remains fragmented into three groups: around two dozen elite, professional, mostly Chisinau-based NGOs; local and regional service providers; and Transnistrian NGOs, which operate in an extremely hostile environment. The elite organizations are capable, and strong and viable counterparts to the central authorities, and generally focus on consulting or advocacy/policy-oriented work. Unfortunately, such organizations separate themselves from other NGOs, and fail to exercise leadership, promote good practices, or represent the interests of the sector overall.

The second group of NGOs provides social services with various degree of professionalism,

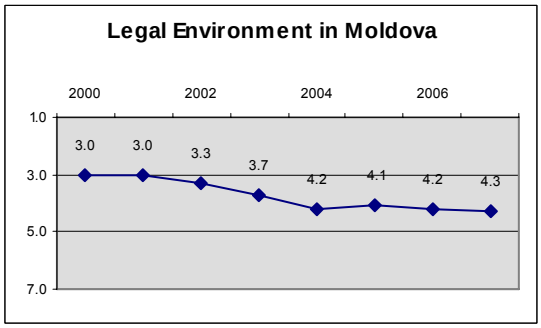
* In recommending the scores for this report, the Panel did not consider the conditions in the Transnistrian region of the Republic of Moldova.



and generally works closely with the local authorities, making it extremely vulnerable to government abuse. The low organizational capacity of these NGOs results from the lack of government financing instruments, insufficient donor support, and an unfavorable regulatory framework. Financial viability is weakest at the local level, and grants still remain the main funding source. Efforts are required to increase corporate and individual giving, as well as the use of public tenders. Unfortunately, communication and exchange of information and ideas between the elite and social service NGOs is weak and worsening, and the current crop of elite organizations is unlikely to address these issues.

LEGAL ENVIRONMENT: 4.3

The legal framework for NGOs did not change significantly over the past year, although registration became more difficult, resulting in a lower legal environment score. In 2007, the Ministry of Justice proposed several controversial amendments to the Law on Civic Associations related to registration requirements and membership, allegedly to bring the Law into compliance with the Civil Code. As a result of NGO pressure, the Parliament adopted much less restrictive amendments than originally proposed. While the final version of the law increases registration fees and imposes new restrictions on membership and the use of state symbols by NGOs, it included some improvements to the existing law as well, including a decrease in the minimum and a requirement that the State Register be placed on the Ministry of Justice's website, an important step towards transparency.



UNDP and Soros Moldova projects have drafted two new laws – On Nonprofit Organizations and On Public Benefit Organizations – which the NGO community has discussed extensively. At the time of writing, the drafts were pending before Parliament. Experts claim that the draft laws introduce more systematic norms for regulating NGO activities, but NGOs see little benefit from the laws, and have therefore expressed lukewarm support for the drafts.

Overall, NGO legislation is permissive, yet vague, which allows for arbitrary implementation by government officials. On paper, the NGO registration process seems clear; however, this year the Ministry of Justice continued to make registration more difficult. The process is lengthy and even minor changes, such as a change of legal address, require a huge quantity of documents. Additionally, the registration staff suffers from high turnover and insufficient capacity. Censorship of NGOs' by-laws, imposition of internal organizational structure, and requests for proof of minor details by the Ministry of Justice are just a few of the causes of delays and rejection of registration applications.

NGOs are not provided any legal guarantees against repetitive checks from the tax and fiscal authorities – protections that private firms enjoy. In addition to tax inspections, both NGOs and mass-media representatives were publicly harassed this year. Hyde Park representatives and reporters from Pro-TV, an independent TV

company, were arrested many times and even assaulted by police.

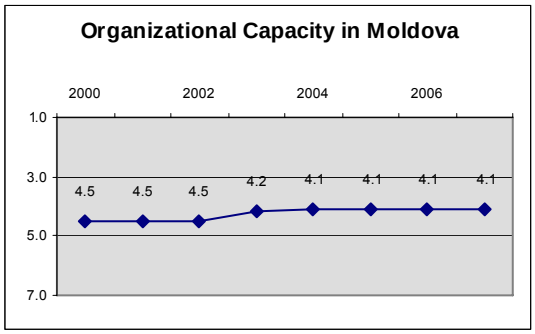
NGOs' knowledge of relevant legislation has not improved, and estimates are that there are fewer than a dozen lawyers specialized in NGO law. A UNDP project supported the Ministry of Justice's development of a hot-line offering free consulting on issues related to the registration and operation of NGOs.

The law permits NGOs to engage in economic activities if they are mission-related and expressly stated in the by-laws. The services of an NGO with a Public Benefit Certificate (PBC) are VAT exempt; however, the PBC does not allow recovery of VAT paid on purchased goods or services. Few organizations engage in the provision of fee-based services, and income-generating activities rarely reach 15-20 percent of an organization's budget.

The Tax Code allows private firms and individuals to deduct up to 10 percent of their taxable income for eligible donations; however, firms have no incentive to use this provision as the procedure is cumbersome and difficult. As a result, to date just a few foreign investment firms have taken advantage of this possibility. Grants and donations are exempt from taxes. This year, UNDP supported drafting of a percentage law to allow individual and corporate donors to direct one to two percent of the taxes they have already paid to public benefit NGOs.

ORGANIZATIONAL CAPACITY: 4.1

The organizational capacity of NGOs has not changed significantly in the past year. Several dozen well-established NGOs, mostly based in the capital, have well-developed management structures, strategic plans, human capital, and financial resources. Local and regional NGOs are several steps behind in terms of institutional development, although there are some strong organizations as well. Transparency and accountability remain the exception rather than the rule, including within the better developed capital-based NGOs. Some donor-supported initiatives aim to develop the organizational capacity of local and regional NGOs, as do services by local training and consulting organizations offered on the market on a fee basis.



Developed NGOs have strategic plans which are regularly updated, while NGOs in rural regions have at most mission statements and strategic objectives that are not necessarily followed. NGOs consider community needs, yet in most cases missions are more influenced by donor priorities and strategies. As a result, NGOs frequently change their mission statements in accordance with existing financial opportunities.

Governance practices within the NGO sector remain largely unchanged. Even though many organizations have boards of directors, their members are rarely active and the executive substantially overlaps with the board in both function and composition. Although several initiatives and discussions are underway, NGOs have not yet developed self-regulating principles, such as a Code of Ethics or Conduct, to encourage a separation of roles and responsibilities.

Chisinau-based NGOs have trained and professional employees, while staff members of rural NGOs generally have higher education yet much less professional experience. Local and regional NGOs are involved primarily in the provision of social services, and some NGOs have become very specialized and professional.

Volunteerism exists, primarily in youth-related NGOs. Seventy percent of NGOs claim to have volunteers, yet state that their quality is

unsatisfactory. A study recently released by CReDO states that voluntary activities in Moldova involve around 17,000 people and account for 0.7 - 0.15 percent of GDP, which is one-tenth the level of volunteerism in countries of CEE. The legal framework does not encourage the use of volunteers or recognize their value to society. A coalition of NGOs is promoting a law on voluntary activity, which was drafted in cooperation with the Ministry of Education and will soon be considered in Parliament, and will organize the annual Volunteer Festival in Chisinau.

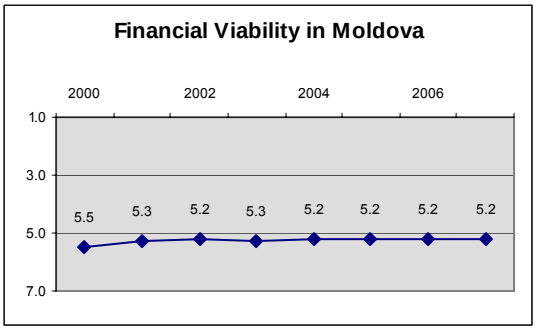
Large NGOs are well-equipped, with permanent Internet access and modern software. Smaller NGOs do not all have sufficient and modern equipment or regular Internet access. Internet access is improving, however, and many NGOs have gotten connected or upgraded their connections from dial-up to DSL. On the other hand, a law requiring the use of only licensed software has caused problems for NGOs, especially smaller ones, which can be fined at any moment.

FINANCIAL VIABILITY: 5.2

Overall, while NGOs have made modest progress in diversifying their resources, this development has not yet impacted the overall financial viability of the sector. Most NGOs continue to view financial viability only in terms of grant opportunities from international donors, and therefore cease to operate as soon as donor funding ends. The environment for grassroots fundraising is weak because of the lack of incentives for donations and the incipient culture of philanthropy. NGOs have not engaged in any significant activities during 2007 to cultivate loyal financial supporters.

Nevertheless, there were some positive changes regarding corporate philanthropy this year. Promotion of the Global Compact Network in Moldova and other initiatives inspired big companies like Orange, Moldcell, Coca-Cola, and Xerox to demonstrate their social responsibility through a range of donations and sponsorships. A conference on Corporate Social Responsibility was organized in November 2007 by AmCham Moldova, Eurasia Foundation and UNDP, with support by local companies such as Bioprotect and EuroCreditBank.

NGOs have started to recognize fee-based services as a means of resource diversification, primarily small NGOs from rural regions providing mostly short-term services to municipal governments. Other NGOs have received contracts from the Ministry of Social Protection, Family and Children, yet this is an exception due to the absence of contracting arrangements and the general approach of the central authorities.



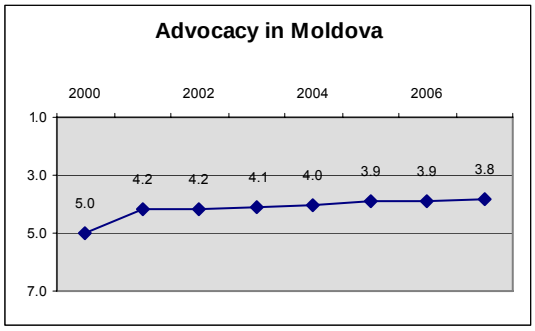
In recent years, the funding for NGOs has modestly diversified and increased as a number of US-based private foundations have started to operate in Moldova. In addition, the Millennium Challenge Corporation has provided grants to NGOs to monitor corruption in Moldova. A number of private or public European foundations support development of social services and provide technical assistance. EU grants are difficult to access, as Moldovan NGOs have to compete at the regional level because no small- or medium-sized grant programs operate in Moldova yet.

Many factors contribute to the low financial viability of NGOs, including weak capacity, a lack of transparency and visibility, limited understanding of legislation, and lack of sound financial management systems. Very few NGOs publish annual reports with financial statements,

although this practice is slowly developing. Only a few NGOs can afford an audit, and local auditors still need to learn about the specifics of NGO financial accountability and transparency.

ADVOCACY: 3.8

In the course of the year, the level and quality of cooperation between civil society and the government increased, possibly indicating the beginning of a trend. Central authorities became more open, at least in terms of procedure and participation. At the same time, a limited number of leading NGOs became more skilled in advocacy and policy-making, and donor-led programs provided the means to advance such work. The constraints to even greater involvement of NGOs in lobbying and advocacy include the over-centralization of the policy-making process, the lack of opportunities for substantive contributions and transparency in the decision making process, and NGOs' lack of technical advocacy skills.



Following on last year's Parliament-Civil Society cooperation memorandum, the Cabinet of Ministers initiated a legal mechanism outlining cooperation with civil society that is due to be approved later this year. A number of Ministries (including Health, Social Protection, and Justice) and other central authorities created mechanisms to cooperate with and engage NGOs in policy-drafting discussions. Unfortunately, NGOs do not always have the capacity to meet the demand for advice and input. At the same time, the quality of cooperation is often low and only aimed at meeting formal requirements and therefore less substantive.

A number of major advocacy initiatives attracted public attention and had positive impact during 2007. For example, Coalition 2007 for the Monitoring of Local Elections helped to create a better framework for local elections and an antismoking campaign influenced Parliament's decision to ratify the Tobacco Control Convention. Such broad-based advocacy coalitions were complemented by concrete and technical lobbying actions with specific legal proposals and negotiations. For example, Amnesty International-Moldova, CReDO and Promolex successfully organized media campaigns and lobbied two parliamentary commissions to create a better national torture prevention mechanism. The somewhat positive trend in advocacy is also due to the international obligations Moldova must fulfill as part of its cooperation with the EU, NATO and others.

Several active NGOs, including Eco-Tiras, CReDO, Amnesty International-Moldova and Adept, effectively lobbied against the restrictive amendments proposed by the Ministry of Justice to the current Law on Civic Associations. In addition to press conferences and media outreach, these NGOs worked with a parliamentary commission to organize two public hearings, allowing NGOs to share their reactions to the proposed amendments. As mentioned above, the final draft of the amendments were less restrictive as a result of this NGO pressure.

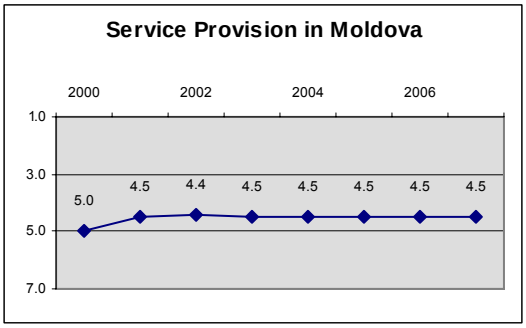
Advocacy activities at the local level have largely remained unchanged. One trend that has emerged is the migration of a number of former NGO activists into local elected positions in either regional or municipal councils.

SERVICE PROVISION: 4.5

The recent study of civil society by CBS-AXA commissioned by UNDP shows that NGOs provide services in a variety of fields, but mainly in such areas as social services (24.7), education (27 percent), information (15 percent), consulting (seven percent) and legal services (five percent). Areas including culture, science, health, sport, housing, energy, water and others are cited less frequently. While the range of services is significant, quality is still low as a result of weak human capital, especially in the rural areas. However, local and regional NGOs and leading consulting NGOs have increased the quality of their services.

The financial dependence of NGOs on foreign grants influences the line of NGO services and products. The service portfolio of NGOs only partially meets real needs due to insufficient capacity and the high cost of developing and maintaining quality services. The low buying power of clients and beneficiaries, the lack of contracting mechanisms, and absence of accredited service providers also hamper the development of NGO service provision.

NGOs are starting to initiate more fee-based services. Several membership-based professional organizations and NGOs have implemented membership fees, while other NGOs provide NGO support activities on the basis of full or partial cost-recovery. Leading NGOs have started to market their policy research, expert analysis and advice to international organizations.



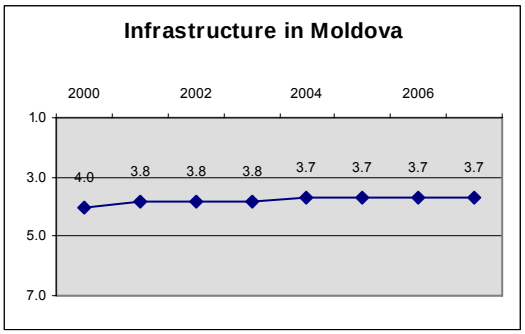
At the local level, authorities are beginning to recognize the value of social services provided by NGOs and provide some support. While NGOs regularly seek contracts from the local and regional authorities for the provision of social and educational services, the success of such efforts is constrained by the limited financial capacity of local governments and the absence of needed financial and regulatory mechanisms.

INFRASTRUCTURE: 3.7

Resource centers at the national and local levels, coalitions, associations and alliances are the main support institutions for NGOs. Most resource centers are still located in the capital and major cities, but there were a few successful initiatives to provide organizational support to previously uncovered regions, including Promo-Lex which created the Resource and Development Center for Transnistriain Cosnita. In 2007, a UNDP and Soros Foundation project established five grantmaking community foundations in regional cities.

NGOs' demand for information, training and consulting generated an increased supply of fee-based services. CICO, in partnership with international universities and partners, offers a diverse portfolio of internationally-accredited management and leadership services for NGOs, including short-term and comprehensive one-year programs. Contact Center provides managerial and community development support to local and rural organizations.

CReDO provides capacity building in advocacy and policy development through internationally-accredited programs offered in partnership with centers and programs from the US and the Netherlands. CICO and CReDO also provide on-line distance learning, and the Association of Professional Accountants (ACAP) provides training in accounting.

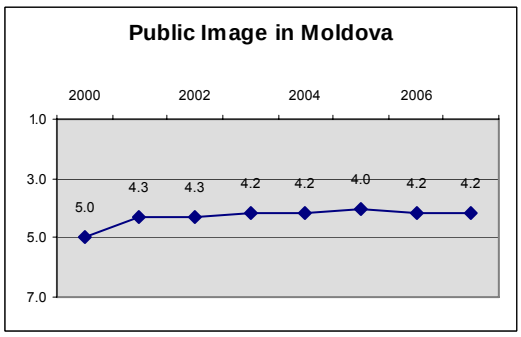


The network of trainers is large and quite diverse. There is no professional association of trainers or shared ethical or quality standards within the trainers' community. Networks and coalitions, such as ACASA, the Social Network and others, have developed unique fundraising strategies, specialized trainings, and capacity-building services for their members.

Inter-sectoral partnerships continue to be at an incipient level, established mostly at NGOs' initiatives and on short-term, sponsorship basis. Newly-elected local authorities may present new possibilities for partnerships.

PUBLIC IMAGE: 4.2

The recent Barometer of Public Opinion published by the Institute for Public Policy shows that NGOs continue to have one of the lowest levels of public trust. In part, civil society is characterized by low credibility and visibility because of the uneven level of activity of most NGOs, which reinforces the perception of NGOs as "grant consumers." Abuse of NGO status to promote one's personal interest also hurts the sector's public image. Increased collaboration with civil society and contracts with NGOs for consulting and specialized services suggest that local and national government authorities are developing a more positive opinion of NGOs.



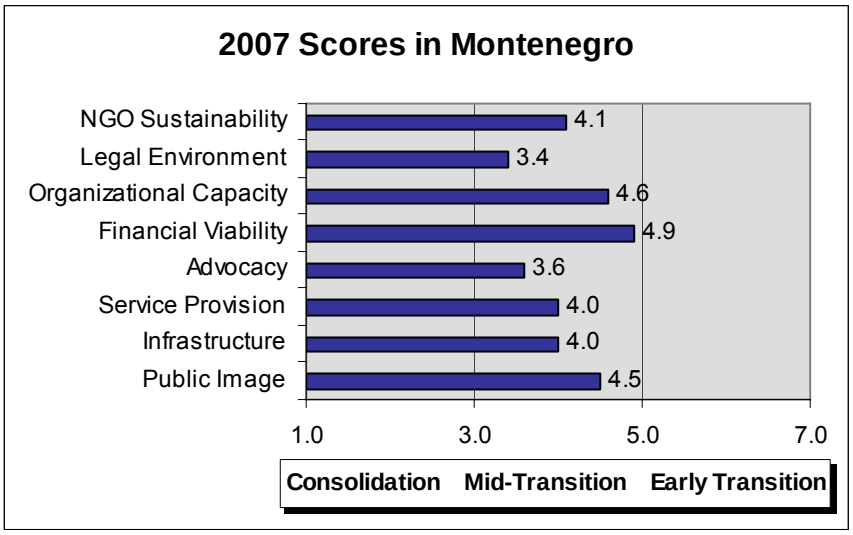
There is a significant lack of transparency and accountability within civil society. Only the leading NGOs make their budgets and other financial information available to the public.

NGOs have faced difficulty in developing productive relationships with the media. Media does not perceive civil society as a valuable source of information, and NGOs lack a creative and attractive approach in promoting their work. Still, this year media expressed a greater interest in NGO experts' opinions, especially during the local elections. Media coverage consists mostly of NGO press-conferences and paid publication of announcements. Several media outlets, primarily electronic and Internet-based media, actively cover the activities of NGOs, and the Euro-TV station relies extensively on NGO expertise in its analytical and talk-show programs. Large advocacy coalitions, such as the Anticorruption Alliance and Coalition for Monitoring of Local Elections, are the most visible, while think tanks and other established opinion-making organizations are also regularly covered and referred to by the popular media.

Civil society communicates internally through e-platforms, forums and mail-groups. In April 2007, a new nonprofit news portal, Civic Monitor (www.civic.md), was created with the aim of improving the visibility and image of the NGO sector. The National Forum of Moldovan NGOs and The National Council of NGOs have been inactive since November 2003.

Civil society has not developed a Code of Ethics yet, although there is an increasing interest in this issue both from civil society and the donor community. CReDO initiated a national effort to disseminate the Code of Ethics elaborated and adopted by the World Association of Non-governmental Organizations (WANGO), and several organizations bound themselves to its principles.

MONTENEGRO



Capital: Podgorica

Polity:
Parliamentary Democracy

Population:
678,177 (July 2008 est.)

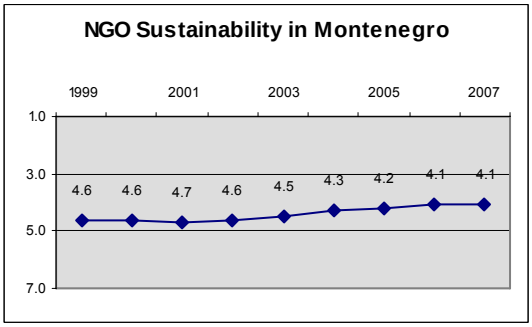
GDP per capita (PPP):
$3,800 (2005 est.)

NGO SUSTAINABILITY: 4.1

In 2007, the NGO community in Montenegro experienced successes and setbacks in almost equal measure. On the one hand, the NGO community rallied around the first ever National Strategy for NGO Sustainability, adopted in early 2007, which addressed self-regulation, reform of the government grants system, and cooperation between NGOs and the Government. Over 145 NGOs signed a national code of NGO conduct and elected a seven-member self-regulatory body to enforce and monitor the implementation of the code – the first major step made by the NGO community to regulate its own behavior, standards, and transparency.

The Ministry of Finance is working with NGOs to revise and strengthen procedures for granting public funds to NGOs, in order to reduce public funding of non-existent NGOs or "political favorites." The Coalition "Together towards the Goal" drafted an amendment to the Lottery Law that would provide local NGOs with access to 60 percent of all lottery funds; the draft has been sent to Parliament and is awaiting consideration.

The Government established the first ever Office for NGO Cooperation in 2007, and appointed a National NGO Coordinator. Although the office is under-funded and lacks a strong mandate, it is working with NGOs to finalize the action plans, areas of responsibility, and deadlines in the Strategy for NGO-Government Cooperation.



The Parliament finally adopted a long-awaited amendment to the Law on NGOs. The amendment closes a loophole that has allowed hundreds of small businesses to register and operate as NGOs to take advantage of tax exemptions, and will likely result in a large reduction in the number of registered NGOs. NGOs also successfully influenced the drafting of the new Constitution, ensuring the inclusion of provisions on consumer protection and free access to information.

Public perception of NGOs also improved somewhat in 2007. A public opinion survey

showed distinct improvements in public attitudes towards, and public understanding of, NGOs in comparison to previous years.

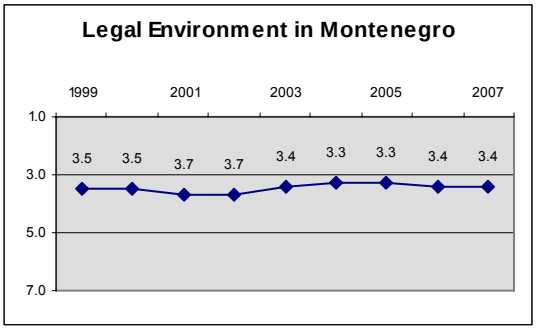
However, there were also some serious setbacks in 2007. The new Constitution removed the basic right of NGOs to propose legislation directly to Parliament through the collection of 6,000 signatures, thereby limiting NGOs' access to the legislative process and tying NGO advocacy initiatives to the political patronage of individual MPs. There were also several incidents of harassment towards NGOs this year. As of the end of 2007, the Government of Montenegro had not released any grant funding to local NGOs through the Parliament Grants Commission for two years running, representing a potential loss of close to $1 million to the NGO community.

The sector experienced a noticeable brain drain in 2007, as several experienced NGO leaders and managers left for the private sector or universities. Adding to the problem, few NGO leaders train and mentor their staff to take over eventually as future leaders. NGOs perceive the media to be less interested in their activities over the past year. Financial sustainability of the sector remains low, and all NGOs are concerned about their financial prospects once donor funding recedes.

LEGAL ENVIRONMENT: 3.4

The 1999 Montenegrin NGO Law continues to provide simple registration procedures and, on paper, allows NGOs to operate free of state control and threat of dissolution for political or arbitrary reasons. However, State harassment of NGOs was evident in several incidents in 2007, including the refusal of Parliament to confirm the candidacy of a democratically-chosen NGO leader to the Council of the Public Service Broadcaster despite concerns expressed by international stakeholders, the slandering of an NGO leader who questioned the human rights record of leading politicians, and the alleged police surveillance of another NGO leader. These events have worsened the score for this category, reversing a positive trend of the past several years.

At the same time, there were some tentative successes in improving the legal framework for NGOs in 2007. The amendment to the Law on NGOs proposed by the NGO community was finally adopted in early November and is expected to stem the widespread abuse by businesses of NGO status to avoid taxes on income from economic activities. The Government established an Office for Cooperation with NGOs, which is now working closely with NGOs to finalize and adopt the Strategy for NGO-Government Cooperation. However, progress has been slowed by the under-funding and under-staffing of this office, as well as its weak mandate to make important decisions on behalf of the Government. A group of NGOs have also proposed a Law on Transparency of Public Policy-Making, which envisions a greater role for NGOs in public policy.



On paper, NGOs enjoy a range of tax exemptions. Membership dues, donations and contributions 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 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 services of "public interest," including educational, cultural, sporting and religious services, provided that the exemption is not used to distort

market competition. However, few NGOs are knowledgeable enough about tax legislation to apply for and pursue exemptions; tax legislation remains over-complicated and confusing, and NGOs are not given any official guidance on how to comply. NGOs believe that the tax framework needs to be amended to encourage growth in Montenegro's sluggish philanthropic market. Specifically, NGOs suggest that the current definition of "financing public interest activities" should be expanded to include areas such as democratization, human rights, rule of law and local governance.

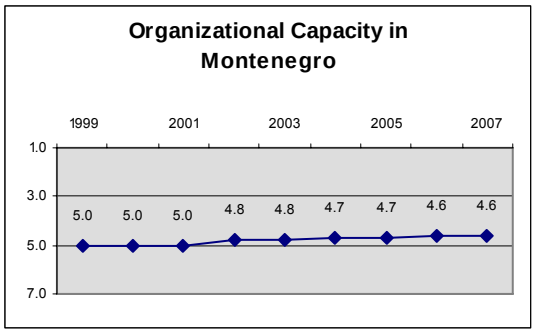
NGOs can earn income from the provision of goods and services, and receive tax exemptions on grants and income worth less than €4,000.

The new amendment to the Law on NGOs specifies that the limits apply to total income and not just profit; if properly enforced, hundreds of businesses registered as NGOs will be forced to re-register as commercial organizations. However, this will require assiduous oversight by the financial police and the Ministry of Justice. The Procurement Law allows for any legal entity, including an NGO, to compete for government contracts and procurements at both local and central levels.

Few lawyers specialize in NGO law and are capable of offering legal advice, as there is simply no financial incentive to specialize in this field. Several ISOs and resource centers have tried to compensate for this deficit by engaging staff with law degrees to offer legal advice to NGOs.

ORGANIZATIONAL CAPACITY: 4.6

The capacity gap between the small number of large, professional NGOs and the large number of small, institutionally-weak NGOs widened in 2007. Many qualified and experienced personnel are leaving the NGO sector for the private sector or universities. In a country that is rapidly developing, the NGO sector is not seen as an attractive or financially competitive sector for new university graduates. As a result, when experienced NGO leaders "retire," there are few staff qualified to assume their roles. Also, declining donor interest in financing training is leaving this new generation of NGO leaders without the educational advantages of their predecessors.



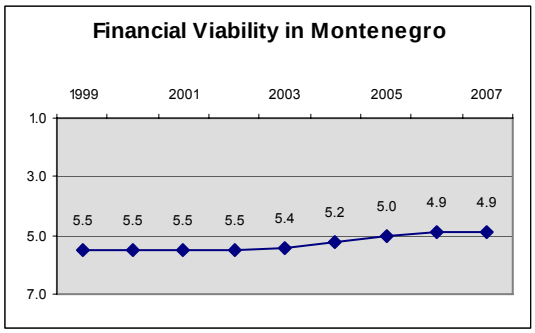
NGOs in Montenegro are still predominantly donor-driven. While a few well-developed NGOs seek to build local support, most still adhere to the donor community's priorities rather than constituent needs. It is still not common for NGOs to have defined missions, visions, goals, and objectives, and those that put strategic plans in place do so as a means of accessing donor funding. That said, NGOs that have engaged in strategic planning see its value.

Only a small number of NGOs have a permanent paid staff. Smaller NGOs depend on staff who work after finishing jobs in the state or private sector. Volunteerism is extremely weak due to both cultural factors and the lack of an encouraging legal framework, and neither the State nor the NGO sector draws on existing volunteer resources. The Labor Law provides an additional constraint, referring only to "volunteer apprentices," or 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 for are taxed as they are for paid employees, thereby discouraging NGOs from recruiting volunteers. In 2007, an NGO led an effort to draft a new Law on Volunteerism to address these issues.

NGOs with access to donor funding have access to modernized basic office equipment, such as relatively new computers and software, functional fax machines, and Internet access. However, even the smallest and most under-developed NGOs tend to have telephones and fax machines, if not a computer. Internet access has not yet penetrated to all areas of northern Montenegro.

FINANCIAL VIABILITY: 4.9

NGOs continue to draw the majority of their financial support from international donors, but are making steps towards diversifying their funding. A small number of large, professional organizations charge fees for goods and services, including translations, training seminars, calendars, books, design and architectural services, etc, but such efforts are largely limited by the weak capacity of the market to pay.



NGOs are also receiving grants from domestic donors such as republic and local governments. However, the State and local governments tend to mishandle the allocation of public grant funding to NGOs. As of the date of writing, the Government of Montenegro had not released any funding to local NGOs through the Parliament Grants Commission for two years as a result of the political upheaval of the 2006 referendum and elections and their delay in electing a new Commission. Consistent public criticism by NGOs has had no effect on this stalemate. Other public financing flows to unworthy NGO activities and very little accountability is demanded of grant recipients. Upon the urging of the 200+ member-strong NGO Coalition "Together towards the Goal," the Ministry of Finance formed a working group to revise policies and procedures for the granting of public funds to NGOs. If successful, the amount of public funds going to non-existent or so-called NGO "political favorites" will be reduced and the considerable public funds for NGOs will be invested more effectively to boost the long-term financial sustainability of the genuine NGO sector. The Parliament Grants Commission, however, has rejected all reform proposals and refuses to work with NGOs to improve the system.

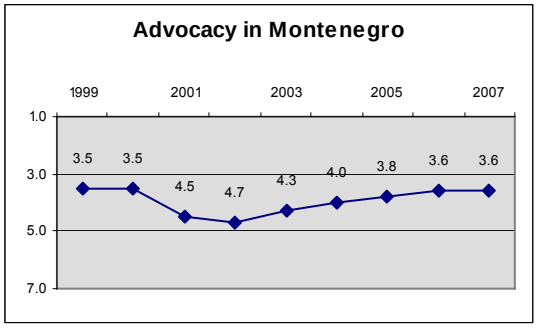
"Together towards the Goal" also submitted an amendment to the Lottery Law to the Ministry of Finance, which endorsed it and forwarded it to Parliament. If adopted, this amendment would provide local NGOs with defined access to 60 percent of all lottery funds collected, thereby representing a huge step forward in the efforts of the NGO community to achieve long-term financial sustainability. The current law dedicates a percentage of proceeds to NGOs *and* public institutions, thus giving the government power to endow most of the proceeds to public institutions.

Philanthropy is extremely weak in Montenegro. Few take advantage of the three percent tax deduction allowable for corporate philanthropy or the 10 percent deduction for individual giving. NGOs believe that the tax framework needs to be amended to better stimulate growth in Montenegro's sluggish philanthropic market. Specifically, NGOs suggest that the Personal Income Tax Law and Profit Tax Law be amended to allow deductions for donations to organizations that engage in areas such as democratization, human rights, rule of law and local governance.

Active, experienced NGOs with a steady stream of multiple-source donor funding tend to have the most developed financial reporting and control systems. However, the majority of NGOs in Montenegro is small and has 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. However, one positive step forward in 2007 was the signing of an NGO code of conduct that requires all signatories to make their financial reports available to any individual or body that requests them, including the State.

ADVOCACY: 3.6



NGOs generally enjoy a high degree of access to policy-makers in Montenegro, and often work with the government on common initiatives. In 2007, the NGO sector reached out to the Government with a draft Strategy for NGO-Government Cooperation, aimed at formalizing these channels of communication and mutual work on policy initiatives. This was welcomed by the Government, which tasked its newly-established national Office for Cooperation with NGOs to work with the NGOs on finalizing the details of the strategy, which is to be formally adopted by the Government sometime in 2008.

Many NGOs in Montenegro have been able to form effective, broad-based coalitions to lead high-level advocacy campaigns. Whereas previously this took place mostly at the national level, this year saw effective advocacy campaigns at the local and regional levels, as well. One local NGO network on the southern coast of Montenegro, for example, successfully used the Labor Law to force several hotel complexes to reimburse employees retroactively for unpaid overtime and untaken holiday leave. On a national level, NGOs such as MANS, CRNVO and the Association of Paraplegics work through broad-based networks to advocate for their interests. Watchdog NGOs such as MANS and AYJ have ensured that the Free Access to Information Act is fully implemented; by flooding the public administration with thousands of FAI requests, the average response rate of government agencies has increased to approximately 60 percent, a drastic improvement on the 20-30 percent response range seen in the first few months of the law's implementation in early 2006.

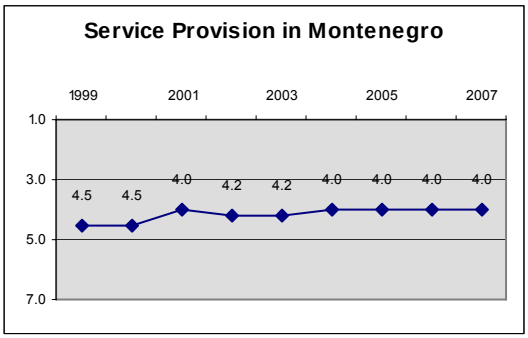
NGOs are comfortable with lobbying, and there are many cases of NGOs influencing and even proposing legislation at both the national and local levels. However, NGOs can no longer propose legislation directly to Parliament without first going through a member of Parliament willing to propose the bill on the NGOs' behalf, thus limiting their access to the law-making process. NGOs can still influence the political process indirectly through watchdog activities and the media, prompting politicians to respond.

SERVICE PROVISION: 4.0

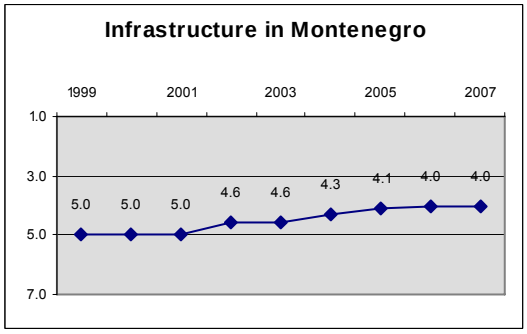
The product line of the sector is quite well diversified, with NGOs at both the local and national levels providing services in health, education, environmental protection, and governance. Small NGOs do not have sustained access to financing and therefore, service provision tends to be irregular at best. 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. Very often, NGOs who want to provide services are unable to plan further ahead than a year, limiting the long-term value of their services. NGOs need to 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.



INFRASTRUCTURE: 4.0



The infrastructure for NGOs improved during 2007. As mentioned above, the Government established the first ever Office for NGO Cooperation and appointed a National NGO Coordinator. Additionally, a draft Strategy for NGO-Government Cooperation is in the process of being finalized.

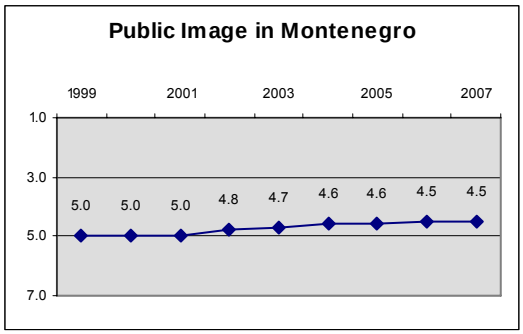
There are several ISOs and NGO resource centers in Montenegro that provide NGOs with training, learning and networking resources, legal assistance, project writing assistance, as well as access to technical services like the Internet and fax. However, realistically speaking, only NGOs in three municipalities, 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 inside knowledge as their counterparts in the capital. NGOs in outlying regions and difficult-to-reach municipalities also suffer from low access to information, donor resources, and 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. Recently, the activities of "Together towards the Goal" have shown that genuine networking and partnership is not only possible but also beneficial to the entire sector; however, this level of partnership is only sustainable in the long-term with continued donor financing.

While the range and quantity of training opportunities, as well as trainers, is largely seen as good, NGO interest in trainings is still quite low. Inter-sectoral 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: 4.5

In 2007, there was some improvement to the public image of NGOs, as a result of the highly publicized efforts of "Together towards the Goal" to promote self-regulation and the reduction of non-genuine NGOs within the sector. A public opinion survey commissioned by USAID/ORT in 2007 showed distinct improvements in public attitudes to and public



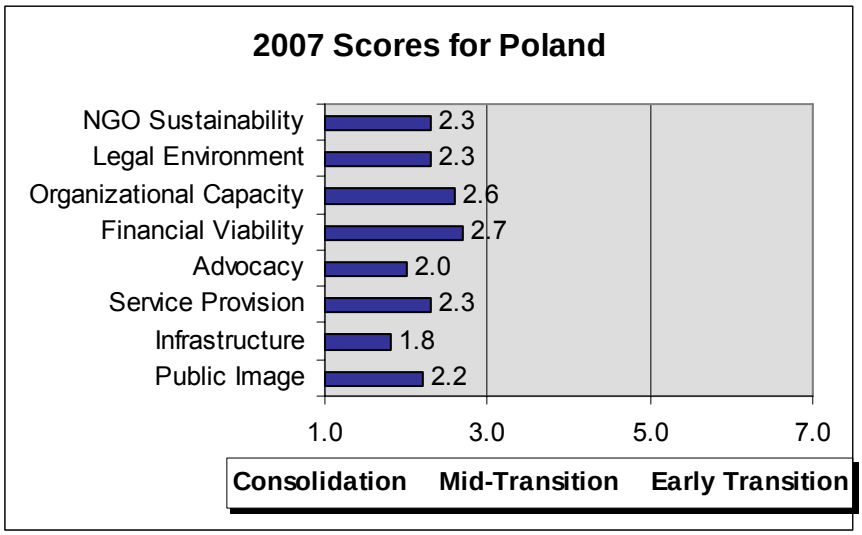
understanding of NGOs in comparison to previous years. For example, more than a quarter (25.5 percent) of the population now claims to be very well informed about NGOs, compared to 19.1 percent in 2006. Public trust in NGOs has also grown: 8.1 percent of the population has a high level of trust in NGOs and 34.1 percent have a fair level of trust, compared to 3.6 percent and 32.8 percent, respectively, in 2006. There is also a slight shift upwards in the number of people who believe that NGOs are, for the most part, non-political and non-partisan. 40.8 percent of respondents believe that NGOs are not politically-oriented (36.2 percent in 2006) and 59.6 percent believe that NGOs represent a good vehicle for people to self-organize and resolve important social issues.

One third of the population (33.3 percent) believes that NGOs serve the needs of Montenegrin citizens and the greater public good, compared to 26 percent in 2006. Also this year, an NGO leader came out on top of a poll conducted to find the most popular and influential figure in Montenegro, outranking even the Prime Minister and various high-profile political figures. This shows how far the NGO sector has penetrated the public consciousness. However, by including an NGO leader on a list that otherwise only included political party leaders, some fear that the poll may have inadvertently sent the message that there is little distinction between NGOs and political parties, thereby harming the overall non-partisan reputation of the sector.

The amount of media time and quality of media coverage on NGOs and their initiatives suffered a slight downturn in 2007, resulting in the impression among NGOs that the media is less interested in NGO activities than in previous years.

Following 18 months of drafting and consultations with NGOs around the country, over 145 NGOs signed a national code of NGO conduct in fall 2007 – the first major step by the NGO community to regulate its own behavior, standards and transparency. The NGO sector also elected a seven-member self-regulatory body to enforce and monitor the implementation of the code.

POLAND



Capital: Warsaw

Polity:
Republic

Population:
38,500,696 (July 2008 est.)

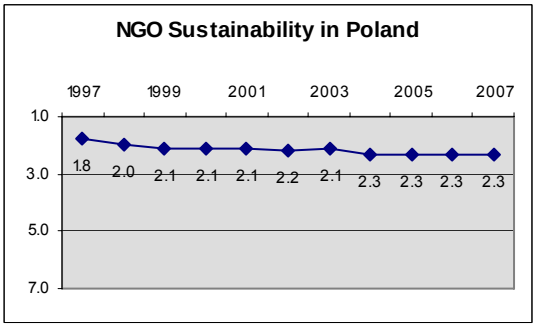
GDP per capita (PPP):
$16,200 (2007 est.)

NGO SUSTAINABILITY: 2.3

The overall condition of Polish NGOs did not change significantly in 2007: while there were slight negative and positive changes, they tended to cancel each other out.

There are currently about 63,000 registered organizations in Poland, of which 55,000 are associations and 8,200 are foundations. This represents significant growth since 2004, when there were 52,000 registered organizations, including 45,000 associations and 7,000 foundations. However, this data is imprecise because the national registry does not track organizations that have ceased to exist. The Polish NGO KLON JAWOR conducts research on the Polish NGO sector every two years. In 2005, KLON JAWOR's research revealed a large percentage of young organizations in the Polish NGO sector, with the average NGO 11 years old, and half of organizations no more than six or seven years old. These numbers suggest the difficulties faced by newly-established social initiatives; in fact, many new organizations collapse within the first two or three years.

NGOs tend to be concentrated in urban areas, with 70 percent of NGOs located in towns and only 20 percent in rural areas. Furthermore, 40 percent of organizations are located in the 16 main cities in Poland.



The Polish NGO sector is dominated by organizations operating in the fields of sports, tourism, and recreation and hobbies (39 percent of organizations point to these as the most important fields of their activities). Other significant fields of activity include: culture and art (12 percent), education (10 percent), social services and social assistance (10 percent), and health care (eight percent). This distribution of areas has remained unchanged for years.

2007 marked the fourth year of the Act on Public Benefit Activity and Volunteer Work, which made some forms of cooperation between

local governments and NGOs mandatory. Cooperation has continued to grow, although this has mostly consisted of the government contracting public tasks out to NGOs. Both NGOs and local governments are now familiar with the mechanics of this type of contracting relationship, but they are far from creating real partnerships. On the one hand, the government's focus on fighting corruption created an atmosphere of general mistrust towards all institutions and organizations, including NGOs. Giving more power to NGOs appeared to be an obstacle to creating a stronger state. On the other hand, over the past several years, NGOs seem to have become accustomed to complaining about the negative relations between the sectors, which has only reinforced such attitudes.

The availability of EU funding increased significantly. The number of support centers and trainings available to NGOs, often free-of-charge, has also increased, providing many Polish NGOs with the opportunity to become more professionalized. At the same time, however, only the most professional NGOs have been able to access EU funding, which has increased stratification within the sector. The sector is presently divided into two extremes. On one end of the spectrum are the comparatively few professional organizations that implement large and profitable projects funded by the EU and are increasingly engaged in for-profit activities. On the other end lie the vast majority of organizations that are scarcely able to sustain their existences. Consequently, the level of solidarity within the NGO sector is relatively low, and the gap between large, professional, often Warsaw-based organizations and small, community-based organizations in small towns is growing. Since the representatives of the NGO sector come only from the former group, advocacy efforts mostly benefit organizations of their kind. Small organizations continue to be marginalized. Thus, the Polish nonprofit sector does not have any clear, common interests and therefore lacks a common identity.

Advocacy remains the strongest dimension for the NGO sector in Poland, yet the importance of NGOs' advocacy decreased in 2007. The sector has intermediary, representative bodies and groups that represent its opinions before government agencies; however, fewer organizations are utilizing or participating in these groups. Making use of personal connections often proves to be a more successful way to affect policies and legislation and selection of grantees than participation in formal forums. NGOs also appear to focus more on seeking funds and delivering services according to the priorities of donors rather than needs expressed by constituencies. NGOs are becoming more and more detached from their constituencies.

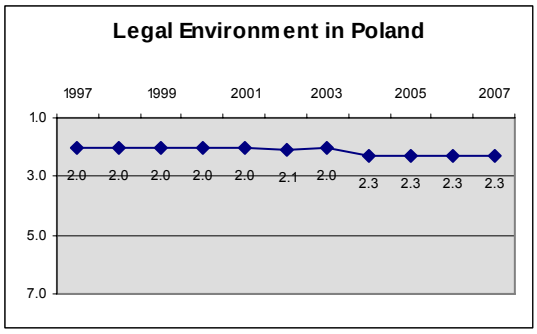
LEGAL ENVIRONMENT: 2.3

The legal environment governing the NGO sector has not changed significantly. The laws that regulate the functioning of the nonprofit sector are still quite ambiguous and open to various interpretations and arbitrary decisions by court officials.

Registration is the only area in which there has been a slight improvement. Both organizations and registry courts are becoming more familiar with the legal requirements for registration. As a result, some standards and common interpretations are being established. However, Poland still has not established any regulations that would force non-functioning organizations to "de-register." Without de-registration, the data kept by the National Registry Court, the institution that registers NGOs, will only show the number of organizations that have ever registered. This prevents researchers from determining the actual number of acting organizations and tracking trends in the development of the nonprofit sector in Poland. This also prohibits researchers from determining whether the number of operating organizations is growing or decreasing.

While the laws regulating governmental control of NGOs or cooperation between NGOs and local governments have not changed, cooperation between the sectors has deteriorated. NGOs are partly to blame for the negative

relationship with the government. Many organizations still do not abide by government regulations, such as submitting proper reports. Consequently, the government responds by intensifying its enforcement of these regulations. The EU has begun funding the creation of legal support centers to help NGOs with these government reports. However, despite the increased development of such centers, many small, rural organizations still lack access to professional legal services and are consequently more likely to submit incorrect reports. The EU also provides funding to NGOs for legal expertise, which has encouraged a small, but slightly growing, number of lawyers to concentrate in NGO law. However, only a small percentage of NGOs benefits from this funding.



Over the past several years, NGOs have become accustomed to complaining and offering unhelpful, negative criticism, as opposed to constructive criticism that could potentially contribute to partnerships and positive changes in government policies. Furthermore, NGOs often fail to recognize positive changes in their local governments' attitudes or willingness to cooperate; rather, they remain hostile towards members of the local governments. This has only provoked mutual feelings of disdain, and inhibited cooperation.

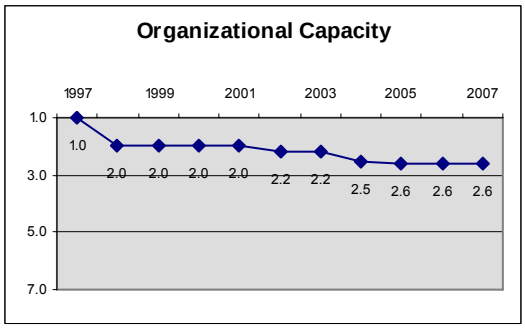
The Polish government of 2006 and most of 2007 focused on creating a strong state and fighting corruption, which further contributed to the deterioration of relations between NGOs and public institutions, particularly central government. The Polish government viewed NGO activities negatively as they appeared to constitute a threat to the development of a strong state and the elimination of corruption. The extreme discord between the two leading political parties also contributed to the deterioration of relations between NGOs and the government.

The Act on Public Benefit Activity and Volunteer Work benefits NGOs by allowing citizens to donate one percent of their tax liabilities to eligible organizations. Fluctuations in Poland's overall tax law create many problems. For example, the types of donations that can be deducted from tax liabilities often change, which not only makes planning difficult, but also discourages potential donors. Furthermore, a new regulation inhibits NGOs' ability to use the one percent mechanism to recognize and develop their groups of supporters. Now, instead of paying one percent of their tax liabilities and waiting months for reimbursement, citizens will henceforth only mark the selected organizations on their tax returns, and the tax office will pay the one percent of their tax liabilities for them. This new regulation makes all donors anonymous, making it impossible for NGOs to thank donors for their support. NGOs speculate that this lack of recognition might discourage citizens from taking advantage of this new law.

NGOs are legally allowed to compete for government contracts and procurements at the local level, and earn income from the provision of goods and services. However, the regulations are too complex for many organizations. Furthermore, the regulations are likely to change as Poland adjusts its laws according to EU directives.

ORGANIZATIONAL CAPACITY: 2.6

The overall organizational capacity of the NGO sector has remained the same. While there was some improvement in the area of technical advancement, this was cancelled out by the significant deterioration in NGOs' capacities to build local constituencies.



NGOs do not work to build local constituencies, as it does not pay off and sometimes even creates obstacles to effective management. The support provided by members, both in terms of their work and membership fees, is insignificant in comparison to the funding available from other sources, such as government, business, or for-profit activity. Membership is often treated only as a necessary condition to create an association. Once the number of members needed to create an association (currently 15) is reached, new members are not recruited. Moreover, NGOs feel that citizens are not interested in being members of local associations as they do not feel responsible for their local environment.

In the case of most public benefit organizations, contact with their constituencies appears, if at all, only during one or two months a year when campaigning for one percent contributions. However, as previously mentioned, the planned changes in the Act on Public Benefit Activity and Volunteer Work inhibit NGOs' ability to recognize donors who contribute via the tax donation, which, in turn, limits NGOs' capacity to expand their donor bases.

Most organizations do not engage in strategic planning. NGOs that develop strategies do it either because particular donors require it or because having a strategy increases their chances of receiving grants. Most NGOs have difficulty developing long-term strategies as they rely on external sources of funding and their activities depend on how much funding they receive. Strategic planning is a luxury that only strong organizations with stable funding can afford. Only they can prioritize their goals and plan actions with long-term results. Larger and richer organizations look for sources that would support or help develop their actions. Meanwhile, smaller and poorer organizations try to adjust their actions to the priorities and themes of available grants: their strategy focuses more on planning where and when they should apply for particular funding. On a positive note, however, NGOs are starting to realize the importance of strategic planning combined with financial stability. Consequently, they are requesting that the government create more financial stability by standardizing its funding opportunities for NGOs.

Internal management structures changed little in 2007. The number of organizations that use volunteers is decreasing, and at the same time, fewer organizations hire paid staff. Larger organizations are growing and becoming more professional, and hiring experienced volunteers from smaller organizations. Although there is no data to support this hypothesis, this phenomenon likely results from the fact that those few organizations that profit from EU grants can hire more employees and pay them better salaries than other organizations. This contributes to the growing gap between large, professionalized organizations and smaller organizations.

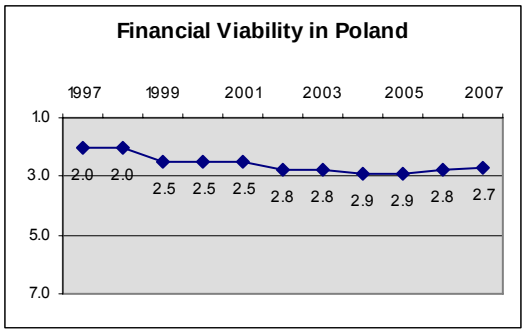
The slight improvement in the technical advancement of NGOs can be attributed, for the most part, to the general technical advancement of society as a result of less expensive and more available technical equipment. This advancement has allowed many NGO activists to purchase personal computers which they use for their NGOs. Still, most organizations, when asked what they would spend extra money on, point to hard equipment, which demonstrates that NGOs are not as technically advanced as they should be.

FINANCIAL VIABILITY: 2.7

With the availability of EU funding, the financial condition of many Polish NGOs significantly improved in 2007. However, a closer look reveals that only large, professional organizations were able to profit from the funding and improve their financial viability.

Although these larger organizations do hire a large percentage of the third sector workforce, they only constitute around three percent of all Polish organizations.

Seventy five percent of organizations do not have any financial reserves. NGOs also lack diverse sources of funding, and are unsure which institutions or grant sources will be available in following years, as they constantly change. NGOs more frequently stray from their original missions in response to their need to secure funding for overhead and salaries.



Most local organizations rely on funding from local governments that award them contracts to carry out public tasks. Since they consider local governments as secure sources of funding, these local organizations do not seek other sources, and when or if the government funding disappears, these organizations may collapse. Although NGOs have noticed a growth in local funds, mostly from local philanthropists, it is still not enough to meet existing needs. Furthermore, many organizations did not try to diversify their funding in 2007 because they were counting on large EU grants. However, when the grants became available, most organizations discovered they were too small and did not have sufficient institutional capacity to qualify for these funds. The EU grants were designated for large projects, and only those organizations that demonstrated experience running large and expensive projects were eligible. As a result, the gap between large, professionalized organizations and small, local ones has increased and small organizations were not even given the opportunity to learn how to manage large funds and receive funding that would be sufficient for their development.

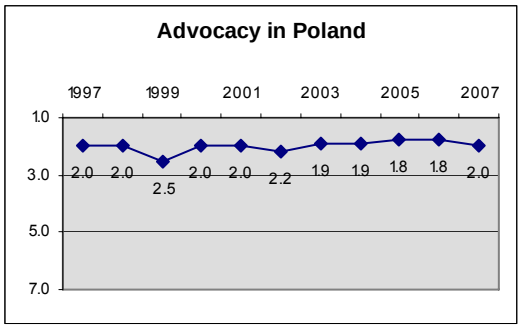
The one percent tax donations have had a positive impact on NGOs. However, as in Hungary, the majority of these funds are given to large, often national organizations with media access. Small grassroots organizations that need this funding the most are often unable to afford the publicity necessary to inform the public that they are able to receive the tax designations.

Nonprofits could benefit from models of financing other than grants and contracts, such as in- kind donations or services; however, often they are unaware of these other options. For instance, few organizations realize that they can organize events with support from sponsors that donate space or other items or services.

Most organizations do not conduct audits, as it is too expensive. The five percent that do conduct audits do so to meet donor requirements. More organizations are publishing annual reports, but only because the government – and a growing number of grantors and sponsors –require it of all public benefit organizations. Almost 20 percent of organizations do no accounting at all; in 30 percent of those that do, the staff responsible for accounting lack the appropriate accounting training or skills.

ADVOCACY: 2.0

Advocacy remains the strongest dimension of the NGO sector in Poland, yet NGO advocacy became less critical in 2007. When communism collapsed in Poland, people participated actively in advocacy organizations because they finally had the opportunity to express their opinions. Consequently, intermediary and representative bodies and groups flourished, as a means of influencing central or local government policies related to NGOs. Over time, however, the number of organizations that engage in consultations of various documents, legislation, or programs has decreased and fewer organizations participate in these intermediary and representative bodies and groups. Most NGO staff members are overwhelmed with the work of their own organizations, including seeking funding for projects, and do not have



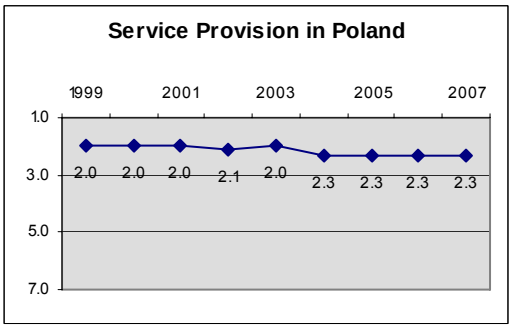
time to engage in advocacy. Many people are also dissatisfied with the level of cooperation they have with the government and, consequently, do not feel they are able to have a real impact. In particular, local organizations are unwilling to engage in advocacy activities aimed at the central government, where they are often ignored, because leaders of large, national organizations tend to have the most say. Thus, the consultation bodies are increasingly less effective.

Another likely explanation for the decrease in advocacy is the large or even excessive number of representative bodies, which dilutes the importance and uniqueness of each. In addition, different bodies, like different organizations, have different interests. For example, salaries of nonprofit workers cannot exceed a certain amount. Smaller organizations agree with this regulation, but larger organization would like to change it so they can attract more professionals with more competitive salaries. In general, the Polish nonprofit sector has not defined its shared interests. NGOs unite and mobilize only when some concrete, existing rights or privileges, such as tax donations, become threatened. Polish organizations seem to be much better at criticizing than providing proposals for concrete solutions. They also lack a constituency base to pressure organizations to represent their interests before the government.

Even though the advocacy instruments introduced in 2003 by the Act on Public Benefit Activity and Volunteer Work are becoming well-known and the culture of dialogue appears be taking shape and becoming natural, nepotism still discourages local and formal advocacy. Organizations often find that engaging in formal advocacy activities is less effective than having informal meetings with a local decision maker and convincing them to support certain legislation or policy proposals.

SERVICE PROVISION: 2.3

Contracting of services has improved over the past year as local governments and NGOs are now more familiar with the contracting procedures. The role of NGOs in providing services is growing; however, the types of services NGOs deliver depend on what local governments want to contract out. Therefore, the services NGOs deliver are increasingly reflecting the priorities of local governments, as opposed to the needs and desires of the organizations' constituencies. Furthermore, since NGOs do not have stable constituencies, they typically deliver services to a much broader group of people outside of their constituencies. In conclusion, as NGOs cater more to the needs of the government, rather than their constituencies, they stray farther from their core missions.



The only type of public funding that actually allows most NGOs to stick to their missions – and to the needs of their constituencies – is the Civic Initiatives Fund. The Fund supports as many as 24 fields of public tasks, which, in practice, gives most organizations a chance to apply for funding to provide services that directly benefit their constituencies. These grants, however, are quite small.

Overall, cost recovery among Polish NGOs did not change much in 2007. On the one hand, organizations gained some experience in charging fees for their services to recover some of their costs, which they can do so as long as they do not exceed the caps on salaries specified by the Act on Public Benefit and Volunteer Work. On the other hand, Polish NGOs do not have strong knowledge of market demand, nor are they encouraged to gain such knowledge. Since most services they deliver are contracted, or at least subsidized, by public sources, they assume no risk for delivering services for which there is insufficient demand. Furthermore, some publicly funded programs, such as EQUAL, Poland's most famous EU-funded program, forbid NGOs to charge any fees for services or products produced with their funding. For example, the purpose of EQUAL is to develop and strengthen Poland's social economy by encouraging NGOs to combine market activities with social goals. However, because of the restrictions on earning income, grantees have no chance to develop any real market skills.

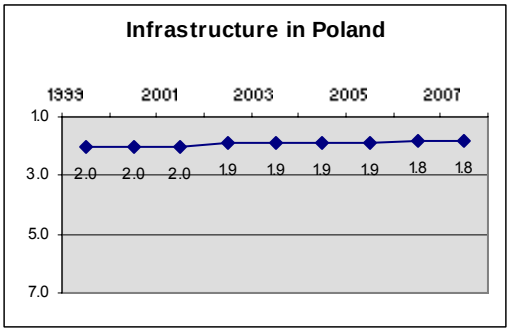
INFRASTRUCTURE: 1.8

The infrastructure supporting NGOs slightly improved in the last year, although not sufficiently to improve the score for this dimension. The most noticeable improvement has been in the growth of support centers that provide trainings that, because they are funded by the EU, are free-of-charge to NGOs. Training, however, is a perfect example of how NGOs' activities have developed more in accordance with available funds than with real needs, which are hardly ever assessed. As a result, the trainings that are available seem to be very ineffective, as many well-established organizations still experience the same problems. Such organizations might benefit more from individual consultations and support rather than trainings on general issues. Furthermore, trainings are generally delivered in large cities and are largely inaccessible to small organizations from rural areas.

The portal www.ngo.pl, run by KLON JAWOR, collects information of interest to NGOs on a daily basis, including analyses of legal changes or advertisements of upcoming conferences, trainings, and job offers. The portal is interactive and a large portion of the information is posted by its readers. Half of Polish NGOs recognize this service and have visited the portal.

NGOs can promote their interests through a great number of representative bodies. Yet, as stated above, these forums are becoming less effective. The most important representative body is the Public Benefit Activity Council, which was created by the Act on Public Benefit and Volunteer Work. This Council advises the cabinet of ministers, and its members typically come from large and infrastructure organizations. Small organizations, which are frequently outside of the capital, lack representatives. Furthermore, these smaller organizations do not have money to come to the capital to attend advocacy meetings. The members of the Council primarily represent their own interests, or those of similar organizations.

Passed in 2005, the Act on Public-Private Partnership is intended to encourage inter-sectoral partnerships. However, existing

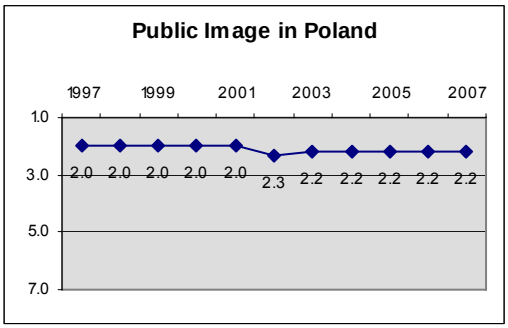


'partnerships' between public and private bodies, including NGOs, are often the result of funding requirements and are limited to the realization of particular public tasks. Therefore, they are unlikely to develop into long-term coalitions after funding is exhausted. Such coalitions, or partnerships, are grant-based, rather than mission-oriented. They are also very rare between less professional organizations or outside of Warsaw. Cooperation with businesses is typically limited to the support that businesses provide NGOs. The scale of real cooperation,

mostly in the context of projects focused on corporate social responsibility (CSR), is still minimal. There is growing awareness of the necessity of partnerships; however, this awareness stems from a desire for funding rather than recognition of the important role partnerships can play.

PUBLIC IMAGE: 2.2

The overall public image of NGOs remained unchanged in 2007. Although NGOs have received some positive support from the media, the recent administration's suspiciousness towards all citizens and institutions, resulting from its efforts to fight corruption, has created an atmosphere of general mistrust, which has consequently affected public opinion towards nonprofit organizations. This mistrust extends also to the government, with which NGOs continue to have strained relations. In general, the public image of NGOs still requires improvement.



NGOs' support from the media has varied. In some cases, the media continues to under-appreciate the role of NGOs. Although some media on the national level cover examples of NGOs' good work, many media outlets still concentrate on scandals in the sector, as good works are not considered newsworthy. In spite of this, the one percent campaigns have increased cooperation with the media, and various media – mostly local newspapers – give space to NGOs to advertise their activities at reduced price or for free. Furthermore, some nonprofit issues have been appearing in popular soap operas on TV. Thus, the media has both negatively and positively affected NGOs and their public image in the past year.

Government has been learning to appreciate the role of NGOs in providing professional services and realizing various public tasks. However, governments still consider NGOs as institutions that can carry out public tasks for them rather than real partners. An example of the public distrust of NGOs is that many individuals who donated one percent of their taxes to NGOs and did not receive thank you letters with details about the use of the money automatically thought that their contributions must have been misused.

Nepotism is another problem in the relations between NGOs and local government. This favoritism by government officials happens both in big cities and small towns, although it is more common in small towns where people are more likely to know more government officials. In such situations, connections and powers of persuasion impact decisions concerning NGOs, which undermines transparency. This situation is quite difficult to change, as organizations that profit from such relations are interested in keeping the status quo.

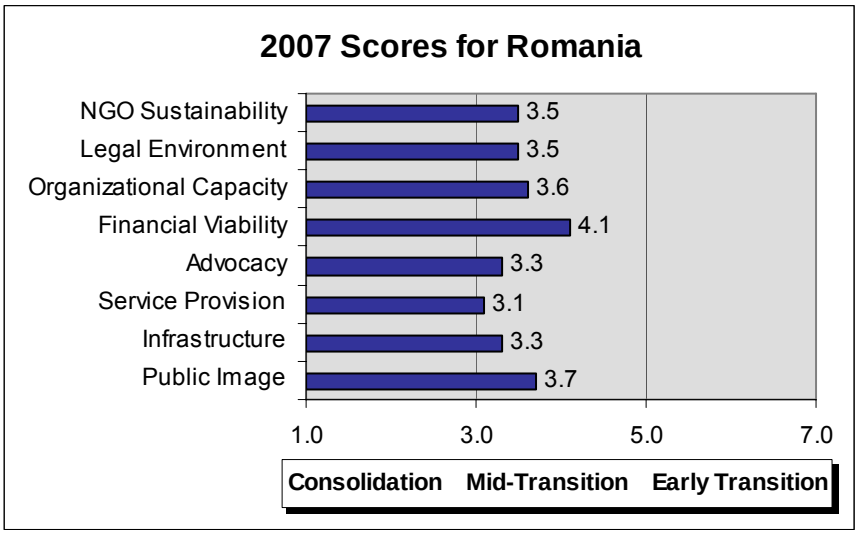
Self-regulation is no longer a matter of interest for NGOs. Few organizations are even aware of the Charter of Principles developed and published in 1997 by some NGO leaders. There are many reasons for a lack of NGO interest in this issue. First, NGOs are convinced that they already face over-regulation, primarily from the government, and do not want to submit themselves voluntarily to any other regulations. NGOs also do not want to follow regulations that cannot or will not be enforced. Instead, organizations, as previously mentioned, concentrate on the requirements of actual or potential grantors and act accordingly. Furthermore, NGOs are often unwilling to share information they regard as trade/business secrets, such as donor lists. NGOs, like corporations, are mostly interested in the effectiveness and efficacy of their actions and often ignore the core values behind their work.

A sense of common identity and unity is also lacking in Poland.

Many NGOs' actions are also based on the constraints of their grant sources. "Creative accounting" helps NGOs pay for costs not covered by their grants, which serves as a disincentive to increasing transparency. Public discussions could reveal certain NGO practices that would damage the public image of the sector and increase mistrust of the people and government.

Over the past two years, the only time self-regulation entered the public debate was when the government issued a proposal to increase control over foundations. At that time, organizations responded positively to improving self-regulation. Nonetheless, as soon as the government withdrew this proposal and the risk passed, the issue of self-regulation died as well.

ROMANIA



Capital: Bucharest

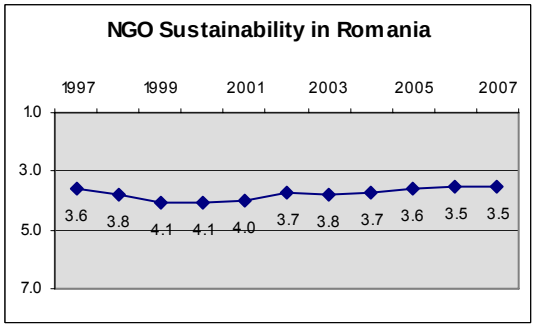
Polity:
Republic

Population:
22,246,862 (July 2008 est.)

GDP per capita (PPP):
$11,100 (2007 est.)

NGO SUSTAINABILITY: 3.5

The state of the NGO sector in Romania improved in 2007. Both politicians and average citizens are more aware of NGOs and their importance in society. Recent data indicates that the number of taxpayers who redirected two percent of their taxes to NGOs has increased five-fold over the past year. The government has publicly recognized the NGO sector as a viable partner in dealing with crisis situations. Unfortunately, some laws do not support and even impede the development of NGOs.



Partnerships and coalitions have successfully launched advocacy initiatives tackling issues such as the environment, human rights and social problems. Greater levels of international financial support during 2006-2007 contributed to increased advocacy success in terms of legislative change.

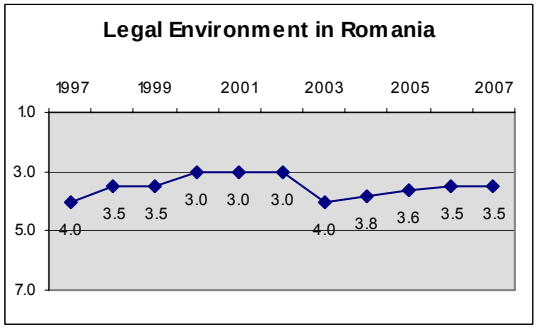
As major donors leave and new funding opportunities emerge, NGOs are realizing that they must expand their range of funding sources. These efforts have been partially supported by donor-funded organizational assistance in areas such as strategic planning, board development, governance, and human resources.

Though NGOs were not eligible for this year's programs, EU structural funds were the most popular training and conference topic of the year. Public authorities and NGOs are still debating eligibility criteria after NGOs were not included as eligible applicants in the Operational Programs. Structural funds are expected to be the biggest source of financial support for the NGO sector in the coming years.

According to official data from the Ministry of Justice, there are 50,754 registered NGOs, including associations, foundations and federations. While precise numbers are unknown, it is estimated that approximately 7,000 of these are active.

LEGAL ENVIRONMENT: 3.5

The Government amended Government Ordinance 26/2000 regarding associations and foundations without consulting NGOs. These amendments tackle two issues of importance for the NGO sector: NGOs were forbidden to register with a name similar to that of a public institution (e.g., National Institute of …), and obtaining public benefit status was made more difficult. Specifically, NGOs wishing to obtain public benefit status now need to prove that they can self-finance at least 30 percent of their budgets, have local branches, and comply with subjective requests, such as having "appropriate office[s]."



The Ministry of Interior and Administrative Reform proposed a Code of Administrative Procedure which would combine public benefit organizations with public institutions. If passed, PBOs would have to comply with many rules that should apply only to organizations receiving public money, such as disclosing documents of public interest, including budgets. As public benefits status does not guarantee public funding, these requirements conflict with the private status of these organizations.

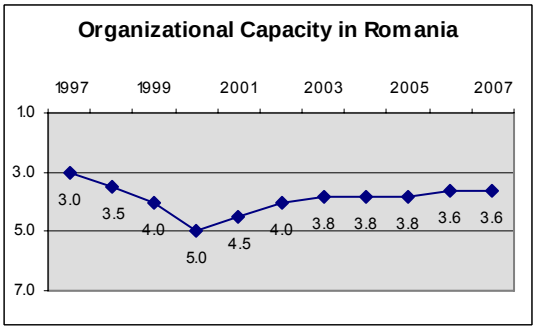
Law 350/2005 allows NGOs to receive contracts from local government, but this provision has not been widely used because of misinterpretation of the law. For example, some local authorities have requested bank guarantees as a condition for receiving contracts. Additional problems in the relationship between local government and NGOs were created when central authorities invited local authorities to apply for Programs of National Interest even though the law is applicable only to NGOs, thereby creating unfair competition.

ORGANIZATIONAL CAPACITY: 3.6

Romanian NGOs continued to develop their organizational capacity during 2007. NGOs are increasingly building their constituencies and a few organizations have created local branches to better address community needs. This process has been encouraged by EU-funded initiatives.

Romanian NGOs are engaged in hundreds of partnerships, primarily with other NGOs and local government; almost 80 percent of projects within the 2003 PHARE Civil Society Program were implemented in partnership. Coalition-building is also on the rise, but needs further support. NGOs are developing strategic partnerships with foreign NGOs and coalitions primarily to prepare for the forthcoming EU structural funds, but also in reaction to the exit of major donors.

In response to the exit of major donors, NGOs continued last year's trend of developing strategic plans and internal working procedures, and pursuing ISO certification. NGOs debated the first draft of a code of conduct during the NGO Forum in Cluj Napoca, as a result of which a general consensus emerged that management functions have to be separated from governance functions.



NGOs continue to have a very limited number of permanent paid employees, or even to rely

entirely on volunteers. Instead, NGOs generally hire people for specific projects. NGOs do not employ specialists in human resource management, so strategies and methods for recruiting and retaining staff tend to be unprofessional. NGOs also face difficulties maintaining experienced and skilled staff, which impacts their development and sustainability.

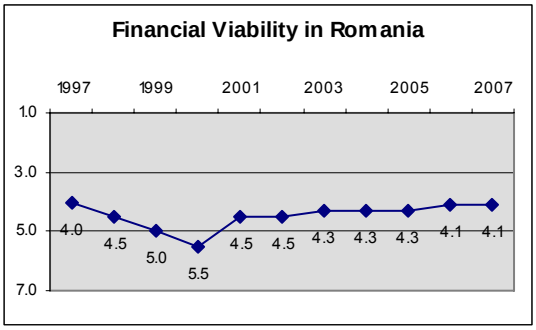
Most NGOs have fairly modern office equipment purchased through EU and other civil society support programs.

FINANCIAL VIABILITY: 4.1

EU integration has improved NGOs' abilities to plan cash flow. As of January 1, 2007, NGOs have the option of paying payroll and profit taxes (if applicable) at the end of the year instead of on a monthly basis, preventing situations where NGOs were unable to bid on public procurements because they could not certify that they did not owe money to the state.

The harmonization of the Romanian VAT system with EU legislation caught Romanian authorities unprepared. On January 1, 2007, NGOs suddenly had to begin paying VAT for goods and services purchased with grant funds, which blocked the implementation of many programs as very few international donors cover VAT in their grants. The situation was partially solved in February 2007, when an Emergency Government Ordinance was issued stating that the national budget would cover VAT for projects financed by EU pre-accession funds. Nevertheless, the secondary legislation needed to make this provision operational was issued only in March 2007 and then amended in July 2007. The VAT issue also impeded the release of PHARE grants, and consequently created great inconveniences for NGOs.

NGOs are more aware of the exit of traditional donors and the need to tap into new funding sources. Fundraising is becoming more and more common: there are more job postings for fundraisers on recruitment sites and many proposals now include fundraising activities. New programs entirely dedicated to the development of NGO fundraising capability also began this year, such as "Resources for Viability" – a $24,000 grant program implemented by ARC Romania and financed by the CEE Trust for Civil Society. Social campaigning seems to be more and more fashionable; several public figures, especially from the entertainment industry, now talk about volunteerism, donations, civic behavior, giving back to the community, etc. Furthermore, public fundraising events are more common and use a wider range of methods, from the appeal to public charity to the involvement of companies and local sponsors.



Citizens are increasingly aware of the legal provision allowing them to re-direct two percent of their taxes to a qualified organization and willing to donate, indicating growing awareness and appreciation of the NGO sector. According to data published on www.unulasuta.ro, the total amount raised from the two percent law in 2006 was five times greater than in 2005 (17,683,973 RON or approximately €5.3 million.) The number of contributors has also increased—from 145,000 in 2005 to 568,000 in 2006.

Data collected by the Civil Society Development Foundation (FDSC) indicates that Romanian NGOs benefited from approximately $15 million in funding from central authorities in 2006. Almost 60 percent of this funding was allocated through the Programs of National Interest to a very limited number of organizations – 88 percent of funded NGOs received only 27 percent of grant funds. Government funding does not represent a path to financial viability for most NGOs. According to a 2006 FDSC

survey, NGOs appreciated that procedures for government funds have become more transparent, but still considered them to be inflexible, incoherent, and unclear, discouraging them from submitting proposals. A 2007 FDSC analysis revealed other problems hindering NGO access to governmental financial resources, including the lack of advance payments and the ineligibility of administrative costs.

According to Law 350/2005, which came into effect in January 2006, procedures for selecting and awarding grants do not apply to public funds covered by special regulations. Authorities prefer to initiate and promote special regulations rather than apply this law. While central authorities and institutions tend to launch calls for proposals that are quite focused, local authorities generally allocate funds by rather wide areas. Substantial funding goes to projects of sport organizations and religious groups. Despite these problems, the amount allocated to NGO projects has increased.

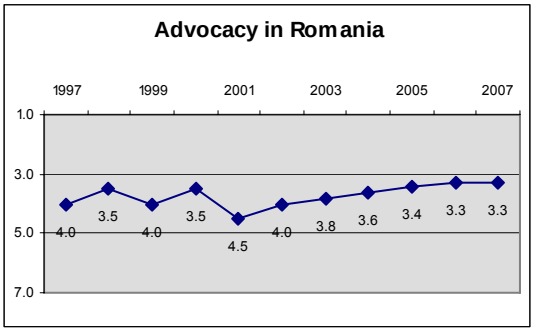
Although EU structural funds are significantly bigger than pre-accession funds, the procedures are still unclear, NGOs have no experience in accessing them, and the fields where NGOs are eligible are quite limited.

ADVOCACY: 3.3

Since 2006, NGO advocacy initiatives have multiplied, and some have had immediate impact on public policy. An important role in supporting these initiatives was played by the Romania Civil Society Strengthening Program funded by USAID and implemented by World Learning. With support from this and other programs, a series of advocacy campaigns was carried out in 2007 by coalitions both at the national and local levels on various issues, including funding for domestic violence programs, reform of social services contracting, and other government financing mechanisms for NGOs.

In the environmental field, NGO members of the coalition "Romania without Cyanides" continued their efforts to prevent the use of harmful technologies for the exploitation of local gold reserves. Environmental NGOs also addressed issues such as nuclear power, GMOs and deforestation during the year.

Throughout 2007, ProDemocracy Association, CeRe, FDSC, Advocacy Academy and CENTRAS advocated for the introduction of public hearings to increase the transparency of the Parliamentary process. As a result of this initiative, all draft laws must now be accompanied by a regulatory impact assessment developed in a participatory manner with all stakeholders. In 2007, the Chamber of Deputies established a grant program to support projects aimed at strengthening the interaction between civil society representatives and MPs. The Coalition for a Clean Parliament – European Elections advocated for the elimination of candidates who did not comply with integrity criteria from party lists for the European elections in November 2007. In September 2007, the Romanian Academic Society (SAR) launched the Coalition for Clean Universities, which challenged corrupt practices within the academic establishment in Romania.

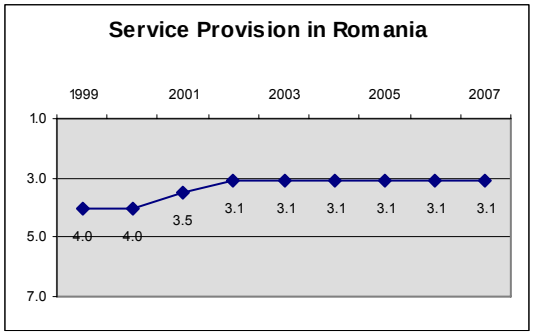


Advocacy campaigns influenced public policy at the local level as well. Ruhama Foundation created the 28-member Coalition for Strengthening the NGO Sector (STRONG) in Bihor County to work with local authorities on creating an improved framework for public-private partnerships in social service provision. As a result, the 2008 budget adopted by the county council includes a line item for contracting out social services. The Federation

of Lodgers` Associations (FALT) in Timisoara worked with the local council to organize public consultations to improve local decision making.

Additionally, central and local public authorities organized more public debates and involved and consulted more NGOs in 2007. For example, the Ministry of Labor, Family and Equal Opportunities organized a public debate on the Social Observer, a new public institution in charge of identifying social needs. The Ministry of Labor and the National Authority for the Protection of Child Rights organized a working group involving NGO legal experts to draft a new law on social financing and contracting.

SERVICE PROVISION: 3.1



The range of services provided by the NGO sector has not changed significantly over the past year. Social services are predominant, as this sector has received the most donor support. It is estimated that approximately 15 percent of active NGOs, or 1,100 organizations, provide social services, all of which are required to be accredited by the Ministry of Labor. The number of NGOs providing social services in accordance with community needs has increased in the last two years, while the number of accredited NGOs went up from 500 in 2006 to over 800 in 2007. Despite this increase, experts believe that the social service market is still underdeveloped due to insufficient state funding—only 0.5 percent of the social assistance budget is directed to organizations providing such services.[1] The state did not acknowledge the need to fund these services until this year when FDSC, with support from the Ministry of Labor and the Agency for Protection of Children's Rights, developed a draft law on social contracting. The central government has already doubled the budget for social service NGOs in 2007.

A national program was launched this year by the Chamber of Deputies to increase NGOs' involvement in the legislative process and a framework for development cooperation support for NGOs was created by the Ministry of Foreign Affairs.

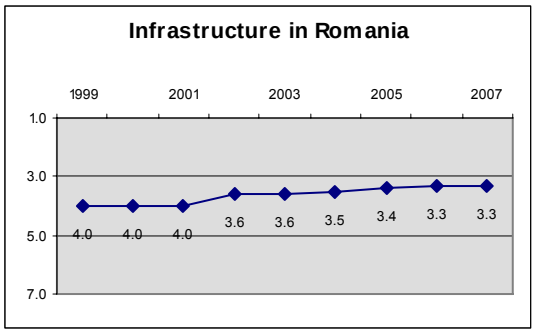
Although national and European legislation stress partnership and cooperation between local government and NGOs, this seldom happens in practice. Rural areas rarely benefit from any services, because of a lack of local-level funding. As a result, the needs of the people living in these areas are covered only in villages where community-based organizations are established. As most of these organizations are informal and not registered, the total number operating in the country is unknown, but experts believe that most of their activity is targeted at rural populations.

INFRASTRUCTURE: 3.3

The disappearance of PHARE programs targeting resource centers affected the number and range of support services provided. As a result, in 2007, each resource center specialized in a particular service, such as training or information provision, rather than offering a wider range of services. This year, two of the biggest resource centers in the country organized the first NGO Forum in four years. The event gathered more than 150 NGOs to debate topics

[1] "The Role of NGOs on the Market of Social Services in Romania," FDSC, 2007.

of interest to the NGO sector, including public funding, access to structural funds, and a code of ethics.



The number of local grantmaking organizations and the amount they distributed increased over the past year, with the most funding going to child development, people with disabilities, and community development. In addition to traditional local donors such as ARC, Princess Margarita of Romania Foundation and CREST, new organizations expanded financial support for the sector, such as the Bistrita Nasaud Chamber of Commerce. The private sector is emerging as a donor, with over $1 million[2] donated to projects in 2007 and approximately €10 million invested in social responsibility programs implemented in partnership with NGOs.

According to the Register of Associations and Foundations, the number of formally registered federations and unions increased by 10 percent over the past year to 1,277. FOND, a platform of organizations working in the field of development cooperation, was established in 2007 to draft legislation for NGO involvement in this work with the Ministry of Foreign Affairs. A number of informal coalitions also led advocacy initiatives in different sectors. The area of focus for coalitions diversified to culture, environment, gender equity, and watchdog functions; in previous years, most initiatives were related to social services.

Funding for the development of partnerships and networks increased in 2007. The Romania Civil Society Strengthening Program supported 14 partnership projects involving 74 partner organizations to promote policy or legislative changes and monitor the implementation of various laws and policies. Another nine networks were supported through the 2004 PHARE Civil Society Program. At the local level, one of the most active coalitions was STRONG, mentioned above.

Access to EU structural funds was the topic in most demand from training providers, even though NGOs are not eligible for most of the current Operational Programs. Increased demand for training also resulted in an increased number of training providers. Most NGO courses are provided free-of-charge by foreign donors or public institutions responsible for implementing structural programs. Public institutions have acknowledged the quality of NGO training providers by using their services.

Inter-sectoral partnerships continued to develop in 2007. Most NGOs that previously developed partnerships with public and private actors continue to work with these partners in other projects. In some counties, there are good examples of partnerships between public institutions and NGOs.

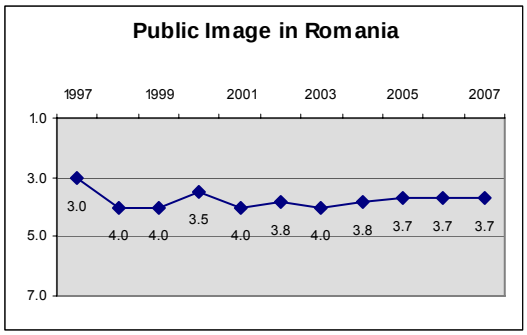
PUBLIC IMAGE: 3.7

NGO access to media varies significantly: a few NGOs benefit from weekly coverage, while the majority receives no media coverage at all. Media coverage of NGOs is more reactive than proactive, with journalists generally only interviewing NGO representatives about various political or social issues in order to back up their materials. According to an analysis carried out this year, NGOs have an unclear identity in the press and secondary importance in the dissemination of news.[3]

[2] Association for Community Relations and United Way.
[3] "Mass Media and the NGO Sector," Agency for Press Monitoring 2007, with funding from the RCSS Program.

NGOs understand that it is important to involve public figures and even "stars" in their campaigns and programs to attract visibility. NGOs must improve reporting on the use of funds raised through campaigns, as poor transparency damages the credibility of the sector.

Generally, no distinction is made between public service announcements and corporate advertising. Media companies do not offer space for PSAs for financial reasons.



NGOs rarely have the power to set their own public agenda.[4] Usually, the press focuses on sensational news, such as the Roma situation or child abuse, and only includes NGOs in the related editorials. Nevertheless, specialized media, including cultural and business media, include coverage on general NGO activities.

Generally, the public in Romania remains unfamiliar with the NGO sector and does not yet fully recognize the benefits of NGO activities – only 26 percent of Romanians have great trust in NGOs. However, the situation is improving each year. Business and government attitudes towards NGOs also improved during 2007, at least at the level of public discourse. Many speeches by politicians and government officials included positive references to NGOs. The business sector is also more enthusiastic about supporting NGO activities.

The two percent law "forced" NGOs to create or adapt campaigns and messages to the public and start promoting their activities. However, the high cost of media campaigns and the lack of specialized PR personnel are barriers to NGOs' abilities to promote their activities. PR activities are usually carried out by employees with many other concurrent responsibilities.

After many years, Opportunity Associates, with the help of Johns Hopkins Institute, attempted to re-develop a self-regulatory process for NGOs. A first draft of a code of conduct was debated during the NGO Forum in Cluj Napoca. As a result of these efforts, an NGO coalition with 40 members developed and committed to following a set of good practices.

[4] Ibid.

RUSSIA

Capital: Moscow

Polity:
Federation

Population:
140,702,094 (July 2008 est.)

GDP per capita (PPP):
$14,600 (2007 est.)

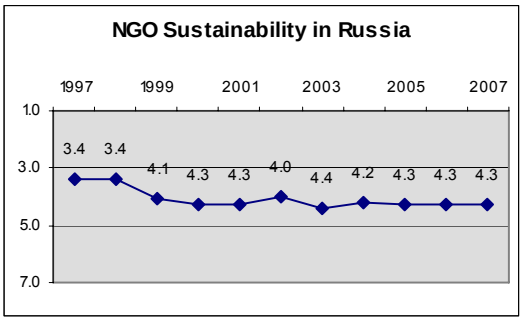
NGO SUSTAINABILITY: 4.3

The 2007 NGO Sustainability Index for Russia reflects the contradictory and uneven development of the third sector. Government policy is the most important factor affecting the NGO sector. The government is wary of those NGOs which it cannot control and uses a variety of means to limit them, including negative media campaigns, and administrative and legal barriers. The authorities are also having success in preventing so-called "opposition" NGOs from obtaining financial assistance from the Russian state, as well as private foundations and businesses. While the authorities understand that the government alone cannot address all of the country's social problems, their response is to build a pool of "loyal" organizations that will support their policies and initiatives, rather than regulating an entire sector of independent organizations.

Sustainability scores for 2007 attest to the growing state control over NGO development. On the surface, new laws and government initiatives give more power to civil society to influence the public policy process, yet in many cases these changes narrow public access to decision making. For example, a new federal law mandates the creation of public councils representing NGOs and other civil society representatives in all municipalities and regional governments. In reality, however, government administrators fill these councils with "loyal" NGOs that issue expert evaluations in support of the government, as opposed to reflecting any real public opinion.

The sector's overall organizational capacity has remained largely unchanged, although there are significant intra-sectoral differences. NGOs focusing on public advocacy and social service delivery saw their capacity deteriorate, primarily due to legal and administrative constraints, while professional associations, government- or business-affiliated NGOs, and some hybrid organizations, such as micro-finance or homeowners' associations, experienced positive growth. Neither the government nor business sectors show any interest in supporting NGOs' institutional development outside of a narrowing circle of "loyal" or state-approved organizations.

Russian NGOs have become more successful in diversifying their resource bases. More federal grants have been awarded to more NGOs, and contributions from businesses and community foundations have increased. That said, businesses are typically reluctant to fund initiatives outside a narrow set of government-



mandated priorities or popular issues. As a result, NGOs dealing with such "unpopular" issues as homelessness, migration, or HIV/AIDS find themselves struggling to operate in this more restricted funding environment. At the

same time, amendments to the budget code in 2007 preclude grants from regional and municipal budgets, only leaving NGOs the option of serving under government contracts, which has major implications for independent initiatives throughout the country.

Both the government and public remain skeptical toward the nonprofit sector. Public opinion is heavily influenced by media coverage, which reflects the national government's suspicions of "foreign-funded" organizations. NGOs' actions also contribute to their negative image, as most continue to focus on a very narrow set of beneficiaries and do not engage in significant public outreach. Only the few NGOs that actively cooperate with the media to inform the public about their work and involve citizens in their projects have built a strong public image. State-sponsored or supported organizations are also successful, as they are able to use their strong government support to gain broad popularity.

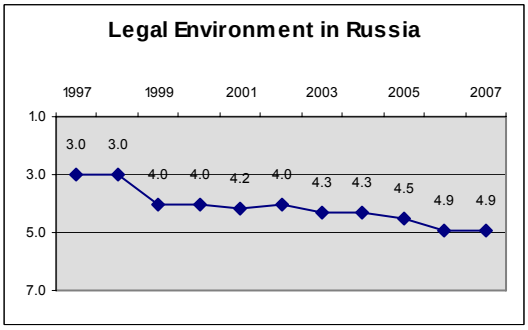
LEGAL ENVIRONMENT: 4.9

The legal framework that governs nonprofit organizations in Russia is sufficiently well-developed. Existing laws and subordinate regulations govern almost all areas of NGO work and formally provide NGOs with broad rights to meet their chartered goals. At the same time, the legal environment has loopholes and gaps that impact NGO sustainability.

Laws are sometimes subjectively interpreted on the federal level. Both foreign donors and Russian organizations have experienced increasing difficulties registering their technical assistance programs to ensure tax exempt treatment. Registration authorities often do not issue any formal refusal of these applications but use various pretexts to filibuster the procedure. Anecdotal evidence indicates that NGOs also face increasingly onerous difficulties when they attempt to register programs sponsored by foreign governments.

According to a survey conducted by Levada Center, the NGO law's ambiguity presents the same kinds of problems for all types of NGOs. NGOs are subject to audits, fire inspections, accusations of using illegal software, and charges of not complying with their charters.

Occasionally, articles of the law on fighting extremism are used against the most active human rights groups.



Russian legislation is often vague enough to give regional government officials significant leeway to interpret the laws as they see fit. The situation in any given region depends to a large extent on the attitude of the regional government toward NGOs. In Kemerovo and Omsk oblasts in Siberia, for example, NGOs are closely monitored by regulators, and are audited and inspected frequently, yet in neighboring Novosibirsk oblast NGOs enjoy greater government trust and therefore more freedom to implement their programs.

The legal environment affecting NGOs at the regional level is deteriorating as well. Earlier, more liberal regional NGO laws are being withdrawn under the formal pretext of harmonization with federal laws. Provisions regulating charitable giving are being consistently removed from regional legislation; as a result, NGOs receiving foreign support find it increasingly difficult to obtain the status of a charitable organization.

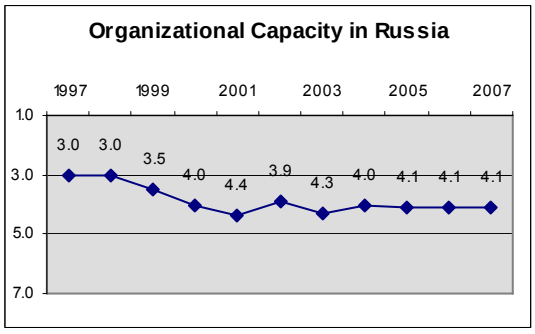
According to a survey conducted in January 2007 by a consortium of NGOs and economists, registering an NGO (including fees for legal consultations) is 50 percent more expensive and more time consuming than registering a business.

The Federal Registration Service (FRS) developed methodological recommendations on completing reporting forms in April 2007 to clarify some of the burdensome reporting requirements and help the NGO community prepare annual reports. According to FRS, as of October 31, 2007, only 32 percent of NGOs had submitted required reports. Experts believe that most NGOs that failed to submit reports are either inactive, lack the capacity to comply, or had problems obtaining information from FRS. FRS has applied for the liquidation of approximately 2,600 NGOs, primarily public associations, which failed to submit reports more than once. Audits of independent groups, especially those with foreign funding, are quite intrusive, with numerous procedural violations by FRS representatives.

A package of laws related to NGO endowments that came into effect in 2007 establishes procedures for creating an endowment, provides tax exemptions to endowed NGOs, and expands the list of organizations that can receive donations.

ORGANIZATIONAL CAPACITY: 4.1

In general, Russian NGOs' institutional development is inconsistent. A small group of organizations benefiting from government and business support have strengthened their organizational capacities, while other NGOs are either stagnating or ceasing to operate.



NGOs' limited – or nonexistent – membership bases contribute to their declining capacity to affect public opinion and discourse. The few that formally meet the criteria of membership organizations usually bring together very small groups of people.

NGOs improved their technical infrastructure in 2007, partly through support from the federally-sponsored Public Chamber, which has replaced the independent NGO resource centers as an important source of institutional strengthening grants. As a result, there is decreased demand for technical services, such as photocopying and Internet access. The Siberian Center of Civic Initiatives Support in Novosibirsk, for example, received almost no requests for such technical services in 2007.

NGOs are suffering from an outflow of personnel. As budgets shrink, professionals are leaving the sector for better paying jobs in business or government. This trend has particularly affected organizations working on advocacy or service provision, while other organizations, such as microfinance and homeowners associations, still receive sufficient support to maintain or increase their staffing levels. Government-supported organizations, such as the youth movement Nashi, receive large-scale government support, including funds for institutional and professional development.

Russian NGOs still rarely utilize boards of directors. Where boards exist at all, they consist primarily of well-known individuals and

function more as PR tools than as means of internal governance. Strategic planning remains a problem area for most NGOs, although some advanced NGOs have made substantial progress in this field.

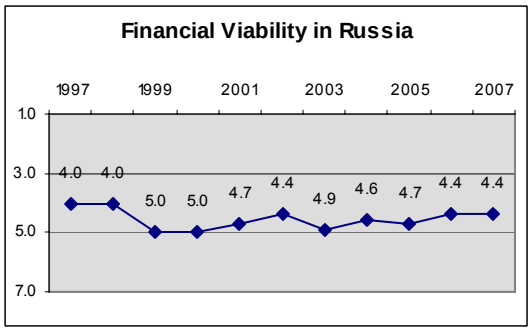
FINANCIAL VIABILITY: 4.4

Diversification of NGOs' income sources has improved. Despite the lack of economic incentives provided in Russian law, the Russian business sector has increased support to social projects – primarily those selected by them, endorsed by the state, and appealing to the public. Private donations to NGOs are also increasing, particularly to organizations working in socially popular sectors. Russian private and corporate foundations also continue to be important domestic funding sources, as are the twenty-eight community foundations that are developing dynamically in many regions.

Funding levels from federal, regional, and local budgets in 2007 are mixed. On the one hand, NGOs now have broader opportunities to access federal funds, including those provided through grant competitions by the Public Chamber and tenders by various ministries, including the Ministry of Health Care and Social Development and the Ministry of Education. While more funds are being distributed, the grant selection process is not always transparent. In 2007, the Russian Public Chamber held its second nationwide grant competition for NGOs. 1.25 billion rubles ($51 million) in so-called presidential grants were awarded to some 1,225 NGOs in sums ranging from less than 100,000 rubles to several million rubles. The largest grant – 10.28 million rubles – was given to the pro-Putin youth organization Nashi to organize its annual summer camp at Lake Seliger in 2008. NGOs advocating for public interests find it impossible to obtain federal funding.

On the other hand, amendments to the national budgetary regulations have reduced the opportunities for NGOs to receive funding from regional and local budgets. Grants from local and regional governments were eliminated as a funding mechanism to nonprofit organizations.

According to the new code, NGOs are only allowed to receive subsidies to compensate for financial losses while delivering contracted services on behalf of the government, impacting the ability of NGOs to pursue innovative projects, test new ideas, or practice non-confrontational advocacy, as such activities cannot be "contracted out." At the same time, NGOs usually do not provide social services to a broad enough segment of the population to be seen as especially socially valuable and deserving of a contract.



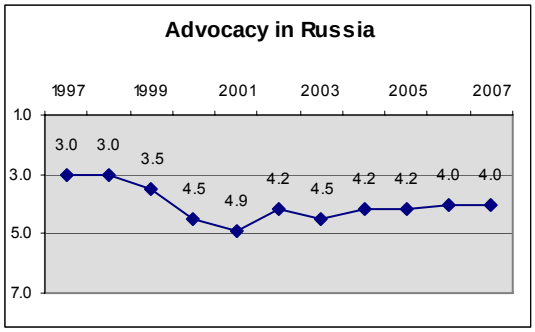
Most NGOs have poor knowledge of the legislation governing financial matters and have poor accounting and reporting practices, which results in poor management of financial resources. A small number of NGOs have developed sound systems of resource management and regularly publish their financial reports, thus fully informing their donors and the controlling authorities about the ways they make and spend their budgets.

Although the law states that NGOs are allowed to engage in for-profit operations, inconsistencies in the tax legislation prevent many NGOs from engaging in income-generating activities, while putting those who do in danger of government reaction.

ADVOCACY: 4.0

Although opportunities for contacts between NGOs and authorities are expanding, the nonprofit sector is less able to influence social and political decisions. The traditional role of public advocacy is increasingly becoming a function of semi-official, state-backed organizations.

In 2007, a number of movements emerged to advocate for groups of citizens, including defrauded investors; automobilists protesting government corruption against drivers; and homeowners facing illegal eviction. These were often spontaneous or loosely-organized popular movements uniting a broad segment of society, and did not involve NGOs per se as organizers. At the same time, increasing pressure on the nonprofit sector itself, including the closing of several human rights NGOs, did not lead to any popular outrage or mass movements. These events indicate a disconnect between NGOs and the people they are meant to represent.



The number of NGO coalitions increased during the year, with those coalitions involving a large group of citizens having the greatest success. NGO coalitions that focused less on citizens' fundamental rights and instead on the narrower areas of environmental protection, health care, and housing rights were the most active and successful. For example, in Sochi, a coalition of environmental groups organized a public campaign that resulted in a court ban on construction in a wildlife reserve.

In some regions, NGOs are using new mechanisms such as public hearings and public councils to advocate more effectively. However, there is a growing trend to treat such mechanisms as formalities. The practice of loading local public councils with government-friendly or sponsored civil society "representatives" has decreased the independence of these bodies.

NGOs are developing closer relations with certain government ministries and departments. The Ministry of Economic Development and Trade is reaching out to NGOs about draft amendments to the NGO law, and working with others on national housing policy. The Public Chamber also actively seeks out cooperation with the nonprofit sector, particularly its Commission on the Development of Philanthropy, Charity and Volunteerism.

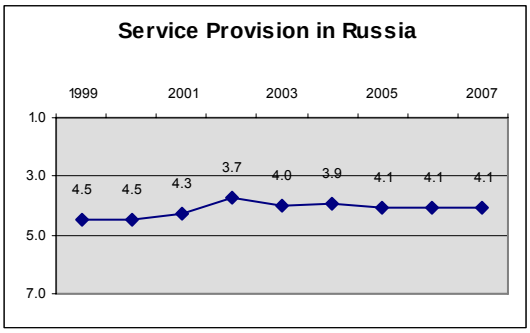
SERVICE PROVISION: 4.1

Russian NGOs provide a broad range of services in various social and economic fields, although the volume and type of services varies substantially. For example, NGOs provide a great deal of educational services, but there are very few organizations that work with marginal social groups such as the homeless. Additionally, the range of beneficiaries is typically very narrow and services fall far short of meeting basic needs. For instance, NGOs that work with the disabled provide services only to their own members and do little to reach out to other potential beneficiaries.

Federal budgetary regulations reflect the divided thinking over services provided by NGOs. On the one hand, the Russian government admits the usefulness of NGO services and the need to pay for them. On the other hand, the regulations fail to recognize many NGO services. For example, organizations that teach children with severe disabilities are generally eligible to apply for government subsidies. However, organizations that support children with certain disabilities that the government has classified as "uneducatable" are rendered ineligible for any government support. The Russian government has begun to

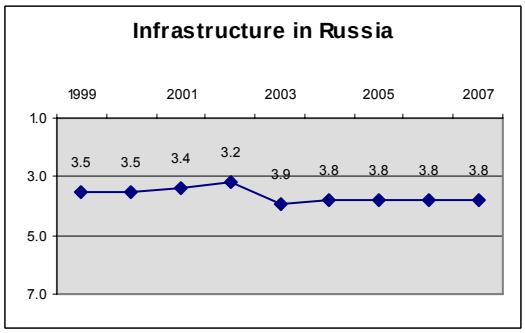
tap into NGOs' experience in certain issues, but their interest is mostly in adapting this experience for their own services.

NGOs have demonstrated innovation and creativity in devising service provision strategies, but also often neglect community or beneficiary needs assessments; similarly, many NGOs do not conduct appropriate monitoring and evaluation to measure the impact of their work. NGOs also do not do enough to advertise their services to the public, which prevents them from building constituencies, affecting their long-term sustainability.



The public views NGOs as purely philanthropic entities, limiting their ability to charge for services. Instances of NGOs charging fees have also led to government inquiries and audits.

INFRASTRUCTURE: 3.8



The infrastructure for NGOs continued to weaken in 2007. International donors decreased funding to NGO resource centers, reducing the availability of information, trainings, and technical assistance. Failing to raise sufficient funds from domestic sources, many resource centers had to cut their programs dramatically or re-focus their activities; others simply ceased to exist. At the same time, government social services are increasingly using the services of NGO training organizations, which are changing their status to non-commercial organizations.

Despite these trends, leaders and staff of NGOs still have broad opportunities to attend trainings in areas such as strategic planning, fundraising, and working with volunteers, although they often have to cover the costs of training from their own funds.

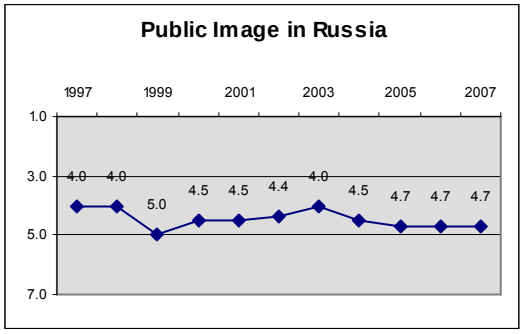
Trainers in the regions are considered less professional than their colleagues in the major cities, yet few regional NGOs have the resources to hire the best trainers. Large, virtual web-based libraries have proven an adequate alternative for those organizations lacking funds to hire trainers or attend workshops

The development of inter-sectoral partnerships is mixed. While many regional and local governments continue to mistrust NGOs, small and medium-sized businesses became a stronger potential partner for NGOs in 2007, as they see NGOs as a tool for advocacy and lobbying against excessive government oversight.

PUBLIC IMAGE: 4.7

Both the government and public remain skeptical toward the nonprofit sector. While media coverage is slowly helping the public become better informed about the work of nonprofit, charitable organizations, the quality and content of media coverage is tightly controlled by the government, which seeks to distinguish between "friendly" and "unfriendly" NGOs. This results in conflicting and unclear impressions of what NGOs actually are and what they do.

At the same time, the media still carries almost no objective information about NGOs. Successes are often attributed to regional governments,

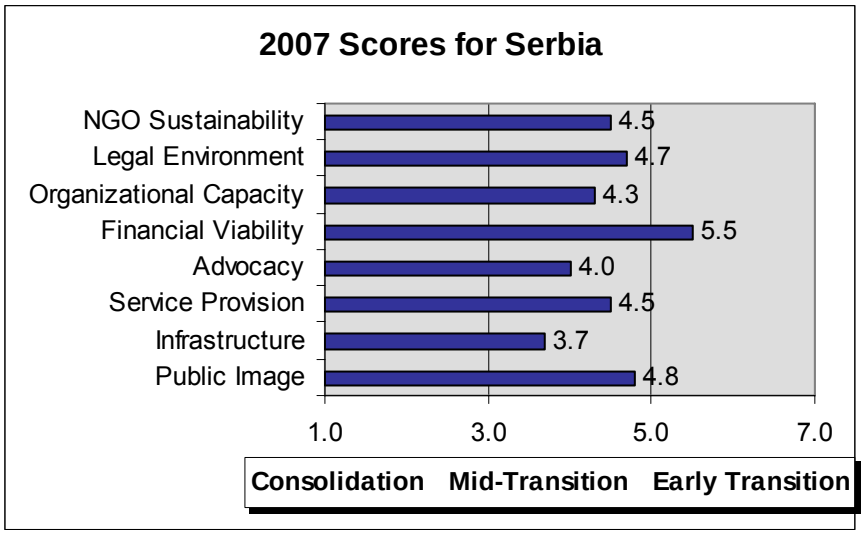


individual politicians, or political parties. References to human rights NGOs are almost always negative and their activities, at least implicitly, are often linked to support of various extremists.

Opinion polls show that the public is still poorly informed about the work of nonprofit organizations in general. Public opinion, while not always negative, is rather skeptical about NGOs' reliability and capacity to address social problems. The public takes a more favorable view of charitable organizations although most still do not know what they do.

The most active NGOs have good contacts with journalists, who regularly cover their events. Paradoxically, media attention can have an adverse effect, as frequent reporting can raise government suspicions, rather than promote cooperation. Government-backed organizations are a clear exception, however. For example, the Kremlin-supported youth movement Nashi benefits from frequent media coverage and approval from officials as an appropriate channel for civic involvement.

SERBIA



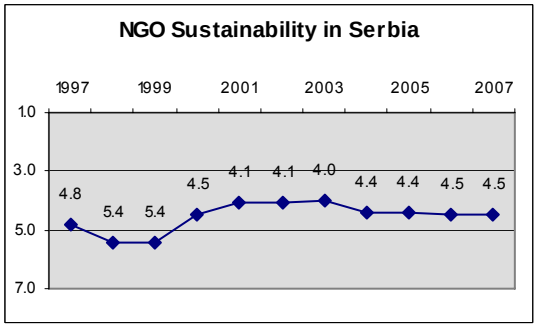
Capital: Belgrade

Polity:
Republic

Population:
10,159,046
note: population includes Kosovo (July 2008 est.)

GDP per capita (PPP):
$7,700 (2007 est.)

NGO SUSTAINABILITY: 4.5



Following a challenging end to 2006 – including the hasty passage of a new constitution without public debate – the beginning of 2007 was characterized by stagnation. Parliamentary elections took place in January, but the government did not form until May. Since then, there have been a number of encouraging developments, including progress on the long-anticipated Law on Associations; improved cooperation between NGOs and democratically-oriented parties participating in the government; the establishment of a presidential council on civil society convened by Serbian President Boris Tadic; and indications that the office of Deputy Prime Minister Bozidar Djelic will establish a body to coordinate with civil society. These and other developments give rise to an optimism that Serbian civil society has not expressed since the assassination of former Prime Minister Zoran Djindjic four years ago in March 2003.

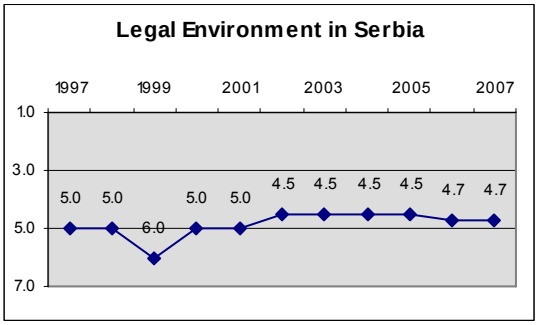
At the same time, 2008 may prove to be another challenging year for Serbia. The impact of Kosovo's declaration of independence remains uncertain. Presidential and local elections are scheduled for January and May 2008, respectively. In addition, pressure remains for Serbia to fulfill its remaining obligations to the International Criminal Tribunal for the former Yugoslavia. These issues and events may serve to polarize political discourse and distract politicians, the media, and NGOs from pursuing reform goals. The challenge for civil society will be to reach out to a disenchanted public and be responsive to its concerns.

While exact data is not available, the Statistical Office of the Republic of Serbia indicates that there are over 10,000 NGOs registered in Serbia, including sports 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 (CDNPS) lists 2,100 active public benefit organizations, including environmental, advocacy, peace, human rights, youth, and women rights groups.

LEGAL ENVIRONMENT: 4.7

Serbia is 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 1982 Serbian Law on Associations, the 1989 Serbian Law on Foundations, and the 1990 Federal Law on Associations (despite the fact that federal law refers to a defunct governmental structure that included 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. While the legal environment score has not improved, there is cautious optimism that the new Law on Associations will be passed soon. In July, the Ministry for Public Administration and Local Self-Government organized a rare, high-profile discussion on the draft law, attended by President Tadic, numerous civil society organizations, and members of the international community. The day-long event gave NGOs a public opportunity to provide comments and input on the draft. The draft was finalized in early October, approved by the government, and sent to parliament. NGOs are currently engaging in a letter-writing campaign urging the law's adoption.

In November, the Balkan Community Initiatives Fund (BCIF), a local grantmaker, in partnership with Ministry of Culture commissioned a working group composed of government officials, lawyers, academics, and NGO experts to prepare a new draft Law on Foundations, which will replace the outdated Law on Foundations, Funds and Legacies of 1989.

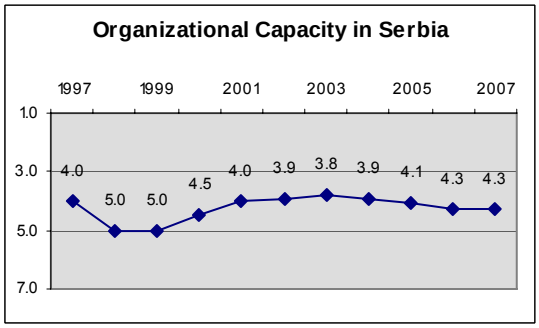


A more stable legal environment will also help the fiscal environment. The property tax for citizen associations (which taxes gifts received from private donors as well as foreign donors not covered by bilateral treaties) decreased from five percent to 2.5 percent in 2007, but enforcement of the law remains sporadic, depending on the whim of local tax authorities. NGOs are still advocating for equal tax treatment of foundations and citizen associations, which would abolish property tax for the latter. NGOs are exempt from taxation on up to approximately $5,000 of earned income.

Human rights activists in particular continue to experience some government harassment. While some harassment may be politically motivated, other incidents appear to result from misunderstandings of how to apply laws and regulations, since NGO staff and government authorities have been able to settle at least some of their disputes, including notable cases of tax harassment.

NGOs outside of the capital of Belgrade have little access to legal expertise.

ORGANIZATIONAL CAPACITY: 4.3



NGOs still face difficulties understanding, building, and sustaining constituencies, with most organizations continuing to focus on donors rather than citizens. The still-undefined legal status of volunteers further impedes the ability of NGOs to involve citizens in their activities, though work on a draft law on volunteerism, spearheaded by civil society organizations, is progressing.

Many NGOs continue to lack clear governance structures. Few have functioning boards of directors or personnel policies. The drain of personnel into the government and private sectors deprives NGOs of talent and experience, though this flow has also served to improve cooperation and understanding between and among the sectors. With many NGOs still largely driven by charismatic leaders, more attention needs to be paid to building the capacity of mid-level staff to assume program management, citizen outreach, and fundraising duties.

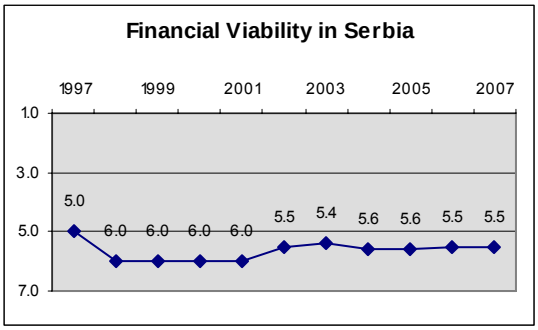
FINANCIAL VIABILITY: 5.5

On the whole, NGOs continue to rely on foreign funding as the easiest and most understood method for securing funds regardless of stiff competition and a general decrease in available funds.

Improving the legal environment for NGOs will help increase the diversity of local sources of funding, including wealthy individuals 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 hesitant to seek out corporate resources, fearing that connection with business interests would compromise their values, or that business interests would not want to be connected with them, a particular concern for those organizations dealing with sensitive subjects, such as human rights. This year BCIF secured its first business partnership with Erste Bank, based in Greece, to manage the bank's philanthropic activities in Serbia. Many NGO experts feel that domestic foundations like BCIF can serve as intermediaries between NGOs and the business sector and allay concerns about the implications of more direct association.

Other efforts in the area of corporate social responsibility continue to gain momentum, such as the ongoing Responsible Business Initiative and the UN Global Compact, which was inaugurated in Serbia in late 2007.

NGOs such as the Center for the Development of the Non-Profit Sector and Civic Initiatives have begun work with the national government to create an umbrella body that could implement a yet-to-be-determined government strategy for supporting and funding civil society.

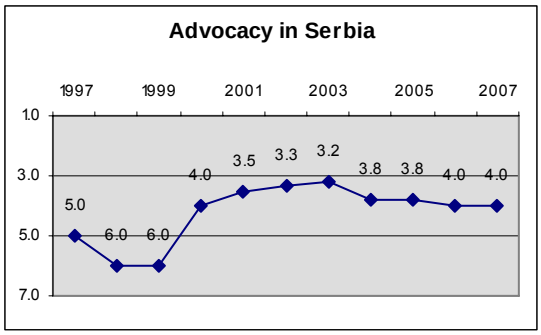


Many NGOs, particularly smaller organizations and those outside of Belgrade, lack adequate financial systems. Financial management ranks as the training topic in highest demand.

ADVOCACY: 4.0

Though the first half of the year created uncertainty for the NGO sector, formation of the government in May opened up new prospects for advocacy efforts. Many of these openings, however, depend on the good will of the government and the alignment of political interests; cooperation is still arbitrary and voluntary. While results are still not visible, NGOs recognize that is it better to have an improved process without results, than no process at all.

Some NGOs credit progress on certain issues – such as the Law on Associations – to perseverance. If NGOs raise the same issues with each successive government, at some point, they cannot be ignored. At the same time, NGOs acknowledge the difficulty of sustaining attention in a country still struggling with regular crises and scandals. An issue may capture public attention one week, but it can easily be replaced by another in the following.

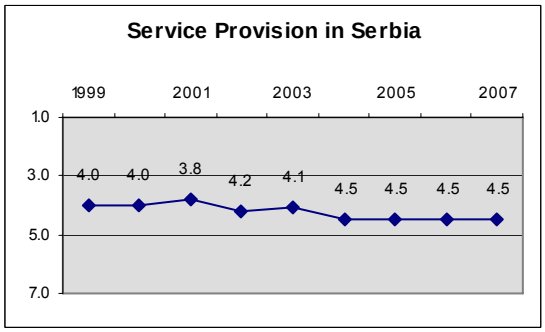


Though leading organizations are starting to see success, their achievements are not indicative of the sector as a whole. Most advocacy initiatives remain discussions between NGOs and government elites. NGOs have made limited strides towards mobilizing citizen support and influencing public opinion around issues of national importance and related to Euro-Atlantic integration.

The government has been utilizing the expertise of NGOs. Following concerted efforts by civil society, a Ministry for Youth and Sport was created after the January parliamentary election. The Ministry has partnered with the national NGO Civic Initiatives to draft a national youth strategy. Implementation of the Poverty Reduction Strategy, housed in the deputy prime minister's office, continues to be another strong area of cooperation between the government and NGOs, with seven local NGOs that represent vulnerable groups providing feedback on the strategy's implementation. These efforts, along with establishment of a Presidential Council on Civil Society, indicate important steps forward in building partnerships between government and NGOs.

SERVICE PROVISION: 4.5

There is no government strategy for supporting NGO service providers. However, individual ministries such as the Ministry of Labor, Employment, and Social Policy; the Ministry of Health; and the Ministry of Youth and Sport have contracted NGOs for services. The Poverty Reduction Strategy Implementation Focal Point continues to be the leading example of government-NGO cooperation in service provision.



The trend towards increased cooperation has created a few concerns in the sector, however, with some wondering whether NGOs have the "arm of a government or head of a movement." These observers question whether such relations compromise the ability of NGOs to act as watchdogs of government performance.

Service provision by NGOs is often donor-driven; the Social Innovations Fund, which was established by the European Agency for Reconstruction to promote innovation and decentralization of social services, is an example. Panel members expressed concern that many of these initiatives will continue only as long as there is funding. Other members underscored that only certain organizations, such as environmental and cultural organizations, are recognized for their contributions to service provision. There is no government support for and little public knowledge of the human rights NGOs that are providing free legal aid to individuals whose rights may have been violated.

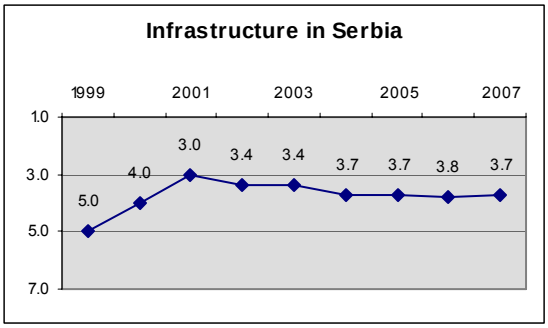
The ability of NGOs to receive contracts for services also remains tied to the weaknesses of the tax structure and the limitations on income generation. While some NGOs are looking into creating for-profit subsidiaries, such endeavors are limited given the difficulties in commercializing services and the complicated tax structure.

INFRASTRUCTURE: 3.7

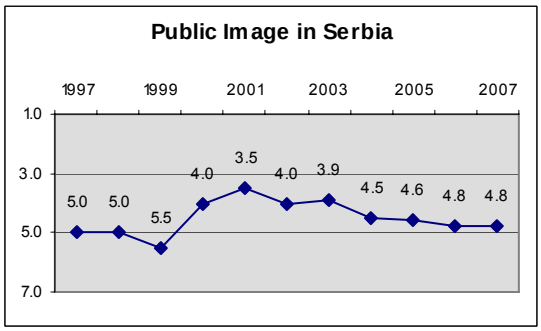
Networking and coalition building are becoming more common. Coalitions on access to information and decentralization are two predominant examples. Nevertheless, if ad hoc initiatives are to become stronger, they must be more structured and formal, with clear roles and responsibilities for members.

After years of little progress, partnerships with the government and private sector are improving. NGO efforts to promote corporate social responsibility have increased the credibility of the sector as a partner with the private sector. The NGO Smart Kolektiv is establishing a Responsible Business Leadership Forum to establish a code of conduct in CSR and philanthropy initiatives. BCIF also continues to position itself as a national foundation with the credibility 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. Those NGOs in most need of training are the least likely to be able to pay for it themselves.



PUBLIC IMAGE: 4.8

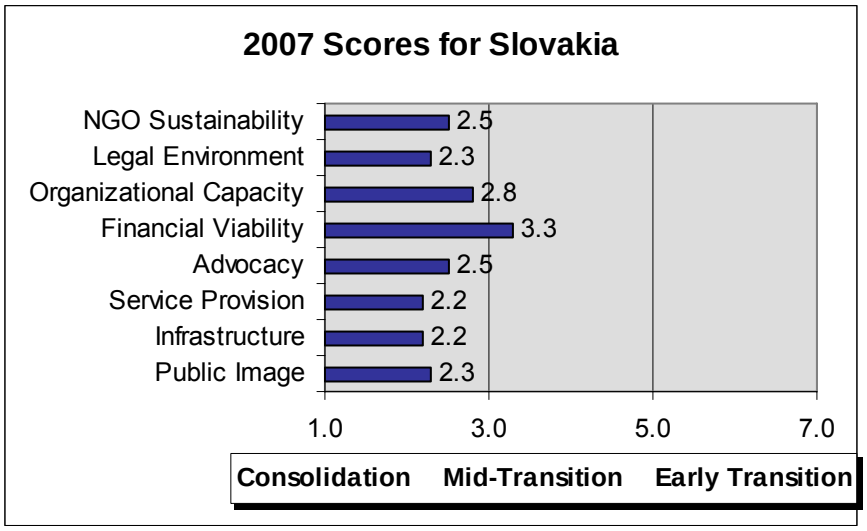


NGOs continue to battle their image as donor-driven, foreign mercenaries that fail to respond to citizens and lack transparency and accountability. Certain politicians and media outlets still brand human rights organizations that speak out on sensitive topics such as war crimes as traitors, thereby casting a negative shadow on the sector as a whole.

NGOs that focus on citizen concerns receive more favorable media coverage. Those outside of Belgrade, where NGOs are closer to the communities they serve, have a more positive image and enjoy better cooperation with the media. National media coverage, still the most influential source of information in Serbia, remains a challenge for NGOs. Large events with high-profile participants have had better success in attracting attention.

The NGO sector has yet to adopt a code of ethics. The lack of movement towards greater transparency and accountability leaves the sector vulnerable to easy stigmatization and unfair characterization. NGOs often respond defensively to negative attacks – such as news coverage on allegedly high salaries in the sector – which tends to further alienate them from the general public. NGOs, however, are becoming more proactive in presenting themselves to the public and building relationships with the media.

SLOVAKIA



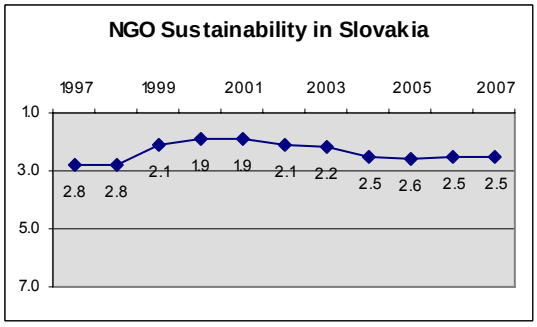
Capital: Bratislava

Polity:
Parliamentary Democracy

Population:
5,455,407 (July 2008 est.)

GDP per capita (PPP): $19,800 (2007 est.)

NGO SUSTRAINABILITY: 2.5

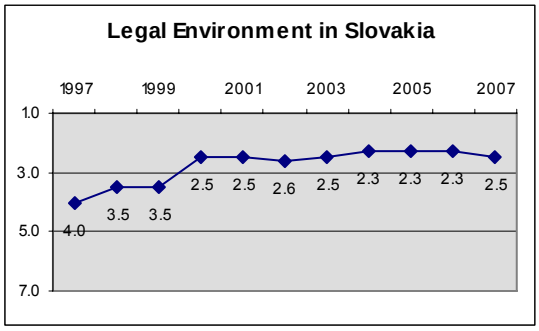


The 2006 NGO Sustainability Index for Slovakia raised concerns that a change from a center-right to a leftist government after the September 2006 parliamentary elections would have a negative impact on the NGO sector in 2007. As predicted, NGOs, particularly those working in the human rights, environment, and education sectors, had to keep fighting to remain eligible for the two percent tax donations from individuals and corporations. Additionally, towards the end of the year, the entire NGO community had to mobilize against a government proposal for a law that would liquidate many civic associations. Thankfully, a mass civil society petition prevented the law from being included in the legislative process. Financial viability is another issue challenging the sector. The year was characterized by a limitation in the availability of EU funds, as 2007 began the new programming period (2007-2013) for Structural Funds, and fewer calls for proposals were open. The financial situation should improve, however, as the Norwegian financial mechanism will soon be issuing a call for proposals. Currently, there are more than 30,000 civil associations in Slovakia.

LEGAL ENVIRONMENT: 2.5

In 2007, the legal environment for NGOs underwent several changes. As the 2006 NGO Sustainability Index indicated, the new government proposed to cancel existing legislation that: 1) allows legal entities (corporations) to donate two percent of their taxes to NGOs; 2) allows NGOs to claim tax-exemption on the first SK 300,000 of income earned through commercial activities; and 3) increases the minimum amount that private entities may donate from their taxes from SKK 20 to SKK 250. These proposed legislative changes could have been a disaster for the majority of NGOs in Slovakia, but thanks to a

coordinated campaign of the whole NGO sector – "People to People" – the two percent mechanism was secured. Furthermore, NGOs working in areas that were originally excluded from the two percent mechanism – education, environmental issues, and human rights – were, over the course of the year, put back into the law as potential recipients of the tax donations.



No changes were made to the NGO registration process in 2007; however, the Slovak Ministry of Interior attempted to push forward a new legislative initiative suggesting that all civic associations would have to re-register according to the Law on Societies (as opposed to the Law on Association of Citizens). This requirement would have liquidated many NGOs, as all of them, whether large or small, would be subject to expensive audits. Thanks to the mobilization of NGOs towards the end of the year, when more than 400 signed a "collective protest," the Ministry decided not to move forward.

Over the course of the year, the debate on future legal changes driven by the 1st SNSC, a legal and accounting service center for NGOs, continued within the sector, even though the preparation of the Code of Nonprofit Law had halted. However, the 1st SNSC identified the need to improve the legislation governing NGOs in the following ways: a) define the term "public benefit"; b) define the legal form for organizations eligible for public collection, raffle and other similar purpose-made private collections; d) secure multi-source funding for NGOs (from the state, revenue-generating activities, and other sources); e) prepare a concept of a united register of legal entities not established with business purposes; and f) define the term "volunteerism" and clarify the status of volunteers.

After 18 months of inactivity, the Governmental Council for NGOs became active again. The role of this body is to serve as a point of contact for the sector in negotiations with the Slovak government. A meeting was held in September 2007, and the Council succeeded in initiating a few proposals. The Council recommended NGO representatives to oversee the EU Structural Funds. Also, the Council negotiated changes to the usage of the EU funds. Until this time, NGOs could only receive EU funds as reimbursement for expenditures; however, in the future, the EU funds will provide them with advance payments. This is a very significant change as delays in the reimbursement system have caused many NGOs severe financial problems.

The Slovak Donors´ Forum (SDF) participated in a comparative study of the foundation sector within the European Union. Compared to other EU countries, Slovakia has one of the most restrictive legal environments and the most restrictive regulations in the area of for-profit activities by foundations. NGOs are able to undertake for-profit activities; however, the tax exemption for income generated from NGO commercial activities was eliminated, which increases expenses for NGOs.

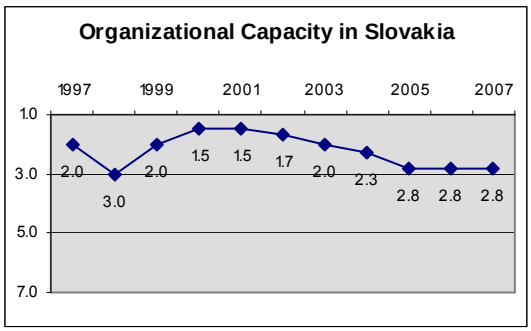
Legal services for NGOs are still deficient. There is significant need for legal consulting, and available capacities are limited to 1st SNSC, which has two offices in Bratislava and Košice. While 1st SNSC is the only NGO providing free legal services specifically to NGOs, another organization called Charta 77 provides legal services to citizens. Furthermore, as an alternative to NGO consulting, corporate attorneys began offering legal consulting services as a form of corporate philanthropy or corporate volunteerism. For example, the young legal firm Linklaters cooperated on legal issues with an NGO called *Nová nádej*. Another legal firm, DLA Piper, represented the rights of *Pohoda*, an orphanage in Bratislava. Both firms are providing these services pro bono. The Pontis Foundation has played a role in

encouraging this type of volunteerism, in part by organizing an event called "Our Bratislava" in September 2007. The event was intended to strengthen corporate volunteerism generally in Bratislava, but as part of the event, the Pontis Foundation also facilitated connections between corporate legal consultants and NGOs interested in their assistance.

The general feeling among NGO representatives is that, during 2007, many legal issues became uncertain. While certain benefits, such as the two percent tax donation, remained in place, NGOs are not sure how long they will last. Bills drafted by state bodies are often of very poor quality, and sometimes it seems that the state is just testing public opinion rather than genuinely proposing legislative changes. Generally, public access to prepared documents is very limited. Laws relating to the NGO sector are usually submitted in summary proceedings that take seven days, which does not allow NGOs sufficient time to react. Many issues are still in the preparation stage, and the sector does not know how they will be resolved. Cooperation with government bodies and representatives deteriorated, and the sector does not feel the support of the state.

ORGANIZATIONAL CAPACITY: 2.8

There is a large discrepancy in organizational capacity between large and advanced NGOs – mostly located in the capital and working on a professional level – and the broad majority of organizations, which operate in other parts of Slovakia. A significant number of NGOs are focused on their everyday survival and do not consider further education a priority, even though there is a clear connection between these two issues.

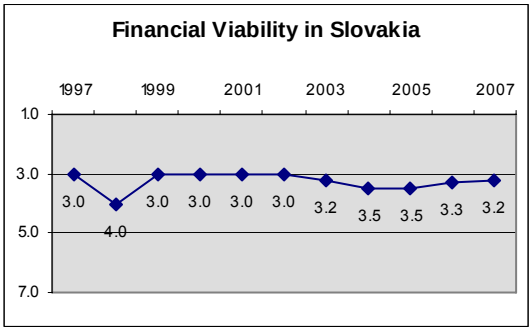


In the area of NGO training and institutional development, Partners for Democratic Change (PDCS) and Education Center for Nonprofit Organizations (CVNO) are providing training and institutional capacity building services to NGOs on regular basis. This year, the Open Society Foundation (OSF), in cooperation with PDCS, implemented a series of trainings for Roma NGOs on financial sustainability, financial diversification, and strategic planning. The Pontis Foundation implemented training for NGOs on financial management and cash flow planning, cooperation with corporate volunteers, and information technologies (MS Word, Excel, Power Point and Adobe Photoshop). 2007 marked the first year of a joint program between OSF and CVNO, the "Project School of the European Union." This program created a three-semester study program focused on preparing NGO projects for EU funding. SDF also implemented several trainings for NGOs covering annual report writing, fundraising, public relations, branding, and investment possibilities for Slovak foundations.

NGOs noticed some development in the area of volunteerism in 2007. Some NGOs, particularly those like Slovak Scouting, observed some withdrawal of volunteers, especially young ones, from NGO activities. At the same time, a number of NGOs used corporate volunteers who have been working with the newly created ENGAGE group (a joint effort of the Pontis Foundation and the Business Leaders Forum, partnered with the ENGAGE Network of Business in the Community in the UK). Moreover, in the summer of 2007, a new virtual volunteer center was established by civic organization C.A.R.D.O. in the form of a web page www.dobrovolnictvo.sk. In addition to serving as a source of information, events, and contacts related to volunteerism, it matches NGOs with potential volunteers.

FINANCIAL VIABILITY: 3.2

In 2007, the main sources of support for NGOs were the two percent tax mechanism, EU funds, and corporate donations outside of the two percent framework. However, the new programmatic period for EU Structural Funds, which began in 2007, meant that there were few calls for proposals. In addition, NGOs still perceive EU funds to lack transparency, and find following the administrative demands associated with EU funding to be difficult.



Individual philanthropy also forms part of NGOs' budgets, especially for community foundations, local NGOs, and NGOs that use public fundraising drives to raise funds from the general population. However, these collections are usually used for specific goals, such as the purchase of health-care equipment (for example, "Daffodil Day" organized by the League against Cancer), grantmaking for children ("One Hour for Children" organized by the Children of Slovakia Foundation), or support of Cuban dissidents (the public collection of the Pontis Foundation).

There is a new initiative called "Good Angel" which directs contributions to families with a member suffering from cancer. Individual donors make regular monthly contributions. The donor always knows to whom s/he is contributing, and the entire contribution goes to the chosen recipient. This unique system was created by private, successful business individuals, and its public relations campaign is supported by a number of Slovak corporations.

SDF introduced a new tool for individual philanthropy in 2007 – a DMS-Donors Messages Service project. This mechanism, established in July 2007, provides individuals with phone numbers through which they can donate funds to selected NGOs by sending an SMS. The first call for applications has already taken place, and the DMS Council selected the first seven NGOs with the greatest potential to attract public support, given their campaign message and strategy.

There are also some initiatives contributing to corporate giving in Slovakia. The Pontis Foundation organized the 7th annual corporate philanthropy award, the Via Bona, to recognize the philanthropic efforts of corporations. The Pontis Foundation is also continuing its work on corporate volunteering, measuring community investment impact, and corporate social responsibility awareness. Together with the Business Leaders Forum, which currently has 17 members, the Foundation organized a number of activities, including the annual corporate responsibility conference. The Club of Corporate Donors, established by SDF within the international program CEENERGI (Central and Eastern European Network for Responsible Giving), promotes effective and active involvement by corporations in community life by organizing seminars and presentations for both NGOs and corporations.

This year SDF undertook two analyses related to corporate giving. *The Opinion Poll on the State of Corporate Philanthropy in Slovakia* confirmed positive trends that were identified in the same analysis done in 2006, suggesting that the number of corporations creating individual strategies of support for publicly beneficial activities increased again this year. Most corporations with philanthropic activities have primarily foreign investors and are large organizations with more than 205 employees. Decision making is usually in the hands of top management. The most distinctive changes are in the areas of giving. While in 2006 giving was focused primarily on activities related to children and youth, education and research, culture, and health, this year it was focused on

culture and art (17 percent increase), sport and recreation (15 percent increase), and social services (10 percent increase). The most distinctive fall was recorded in the support of environmental activities (11 percent decrease). SDF also implemented the ranking project *Top Corporate Philanthropist 2007*, which rated corporate donors according to the amount of funds donated.

In the area of development aid, the Slovak Agency for International Cooperation (SAMRS) was established in January 2007, replacing two contracting units of the Bratislava-Belehrad

Fund and UNDP. The Norwegian Financial Mechanism is now functioning in Slovakia, and grants are distributed by three Slovak grantmaking foundations (Socia Foundation, Open Society Foundation Bratislava, and Ekopolis Foundation). Each of these donors will be responsible for distributing €1.7 million. Switzerland should be opening another funding mechanism in Slovakia.

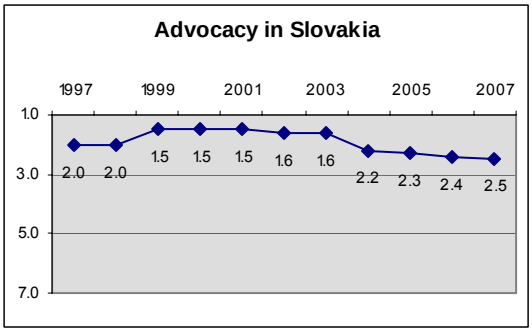
As a service in the area of financial sustainability, the Pontis Foundation is offering loans for NGOs. Since 2003, 59 loans have been awarded in the amount of SKK 21 million. In 2007, 11 loans for more than SKK 6.2 million were awarded.

ADVOCACY: 2.5

NGOs have been very eager to mobilize for a large number of petitions prepared and distributed, especially through the Internet server for NGOs, Changenet. However, apathy still persists amongst Slovak citizens. People are very often not interested in public policy and react only when a proposed policy or law has a direct impact on their personal lives.

In 2007, there were several civic activities organized by different NGOs, such as Conservative Institute, People to People, and others. Environmental NGOs organized the "Kremnica over Gold" campaign against a Canadian corporation in the town of Kremnica.

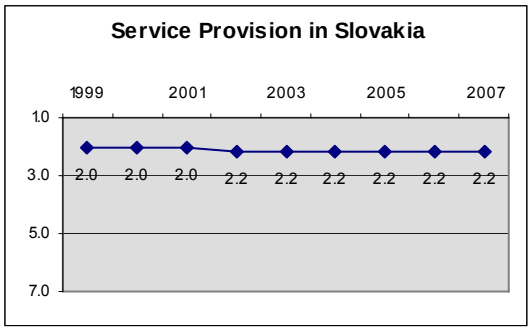
These advocacy activities successfully resulted in the creation of a new regulation, which requires that investors obtain the blessing of the municipality if an activity or development will directly impact the inhabitants of the municipality, regardless of whether or not the inhabitants are owners of the land. Another example of a highly visible environmental advocacy activity, even though the court dismissed the case, was the petition and protest event "Save Tichá and Kôprová Valleys" implemented in Tatras.



In general, NGO advocacy activities tend to be focused more thematically. There is a lack of shared public will to join together to make public statements regarding serious issues, create coalitions, or comment on bills. Many NGOs focus on fundraising activities rather than advocacy, as continued funding is a more urgent issue for their survival.

SERVICE PROVISION: 2.2

Slovak NGOs are providing services in a number of different fields. The ability to require fees for services depends upon the client group. The majority of services are provided within the social sphere where many NGOs are former state organizations that were transformed into nonprofit organizations. NGOs in this area are providing services which the state is unable to provide, and are compensated by the state for their work.



According to some NGO representatives, services provided by environmental and educational NGOs are marked by a decreasing number of activities, low reflection of actual needs and low professional standards. The needs in these areas are changing rapidly, and NGOs are not successfully reflecting these changes in their activities.

Training services are provided by, for example, PDCS and CVNO in Central Slovakia. Other organizations are also providing training activities for NGOs as described above.

NGOs working in the area of human rights are also providing services. For example, the organization People Against Racism provides consulting services for individuals, in addition to prosecutors and members of police. Even though the services for state bodies are almost free, the state's interest decreased rapidly after the September 2006 change of government.

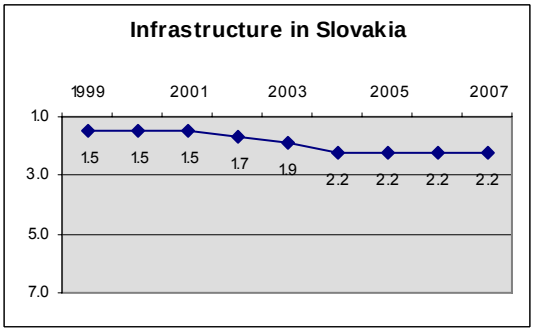
NGOs are also active in grantmaking for both the state and the private sector. For example, the Center for Philanthropy administers funds for the SPP Foundation (Slovak Gas Industry) and Orange. The Pontis Foundation administers funds from various corporations (Tesco, Accenture, e-on, etc.) and Intenda Foundation is administering funds for Slovak Telekom. The number of these activities increased in 2007, confirming that the business sector regards the NGO sector as a credible partner.

INFRASTRUCTURE: 2.2

2007 witnessed a dramatic increase in web portals. The Pontis Foundation is administering a new Internet server called www.ideaxchange.sk that focuses on NGO activities, events and current grants for the sector. C.A.R.D.O. began a new server on volunteerism called www.dobrovolnictvo.sk, and a new server called www.obnova.sk focuses on cultural heritage. These servers were probably established because the old ones (changenet, sefin) are no longer actively sharing information within the sector.

A bi-monthly magazine called *Efekt*, published by 1st SNSC, is another source of information that focuses on the NGO sector as a whole. Other magazines are focused thematically. For example, *Humanita*, published by Slovak Humanitarian Council, focuses on social issues, and *ZOOM-M*, published by Slovak Youth Council, focuses on youth issues.

In addition to these activities, the Pontis Foundation initiated IDEAXCHANGE, an NGO Fair aimed at increasing public awareness and

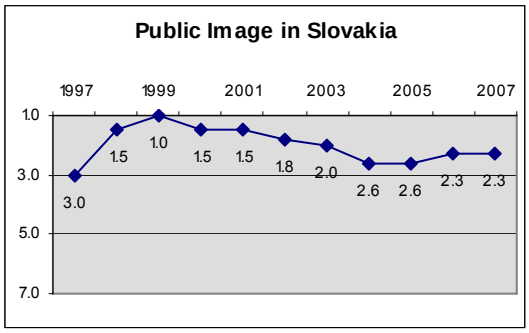


visibility of NGOs and their goals, programs, services and activities. IDEAXCHANGE presented a total of 55 organizations in the following categories: democratization and human rights, environmental protection, equal opportunities and social programs, culture and sport, and health care. Organizations had the opportunity to familiarize the public with their activities and were awarded a grant worth SKK 10,000 for the production of communication materials. Over the course of one year, IDEAXCHANGE evolved from one central event in Bratislava to a series of Slovak NGO fairs in Nitra, Liptovský Mikuláš, and Košice.

There are many informal platforms and networks in Slovakia, usually formed around a common issue. For example, a network of NGOs called the Socio-Forum works in the social area, environmental organizations work within Ekoforum, and SDF works with Slovak foundations. In 2003, the Association of Community Foundations was established by 10 community foundations, and in 2007, this platform became a member of SDF. These platforms usually have their own Internet portals focused topically, such as socio-forum (social issues), mladež.sk (youth issues), a mail server for environmental NGOs, and also a web page focused on partnerships within the NGO sector (www.partnerstva.sk). PDCS has also established a network of trainers and consultants.

In addition to the training activities mentioned previously, NGOs emphasize that the number of corporate experts lecturing at trainings prepared by NGOs has increased. This is another example of the increasing number of ways that NGOs are using corporate volunteers.

PUBLIC IMAGE: 2.3



The improvements achieved in NGO public image in 2006 were still visible in 2007, primarily due to the campaigns focused on the two percent tax donation. The general public and business sector increasingly see NGOs as credible partners worthy of support and financial contributions.

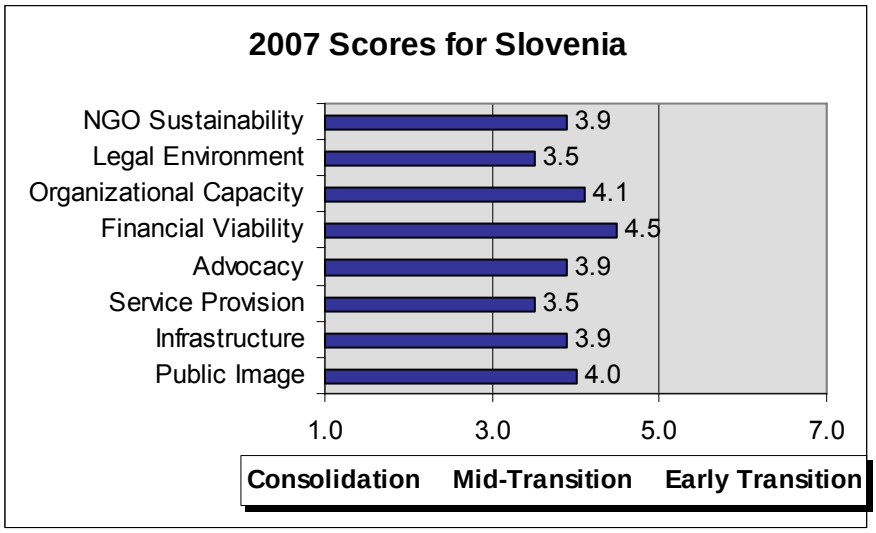
There is a visible positive shift in media coverage of NGOs, thanks to increased professionalism on the side of NGOs. Almost each significant NGO has a public relations manager. In addition to classical press releases, NGOs are using other public relations tools, for example, the previously mentioned IDEAXCHANGE NGO Fairs and video advertisements posted on YouTube. A large number of NGOs have their own web pages as well. These web pages no longer only contain basic information and contact information, but are actively and regularly updated. PR activities are also developing thanks to cooperation with the business sector, which often pushes NGO partners to have PR tools ready for their cooperation.

As mentioned above, SDF conducted an opinion poll on corporate philanthropy which showed that the business sector is beginning to perceive NGOs as credible partners. In April 2007, SDF, in cooperation with the Focus Agency, conducted a separate public opinion poll focused on support of NGOs in Slovakia. This research was done through standardized interviews with 1,013 respondents and showed that almost half of the respondents (46 percent) had, at some point in the past, donated to an NGO. Fifty-four percent of respondents had not done so or were unaware of having done so. The most often stated criteria for deciding to support an NGO is "purpose for which the funds are collected" (59 percent), followed by "sufficient information on NGO activities" (36 percent), and "image of the NGO" (35 percent). Seventeen percent of respondents stated that they never give financial donations to any institution or organization, regardless of whether or not it is an NGO. A part of this poll focused on the topic "NGOs and Media." More than half of respondents (55 percent) agree or rather agree with the statement that media (press, TV, and radio stations) devotes enough space to NGOs and their activities. Thirty-five percent of respondents disagree or rather disagree with this statement. An almost balanced ratio of respondents agree or rather agree (44 percent) and disagree or rather disagree (42 percent) with the statement that "information provided by media on NGOs and

their activities is often incoherent or confusing." Information provided by media on NGOs and their activities is considered to be absolutely or rather important by 69 percent of respondents. Twenty-three percent of respondents do not consider this information to be important.

The level of cooperation and approach of the media towards NGOs varies from region to region and often depends on the activities of local NGOs. If local NGOs have good results and are able to have a real impact on the lives of inhabitants of their regions, the media usually responds positively.

SLOVENIA



Capital: Ljubljana

Polity:
Parliamentary Democracy Republic

Population:
2,007,711 (July 2008 est.)

GDP per capita (PPP):
$27,300 (2007 est.)

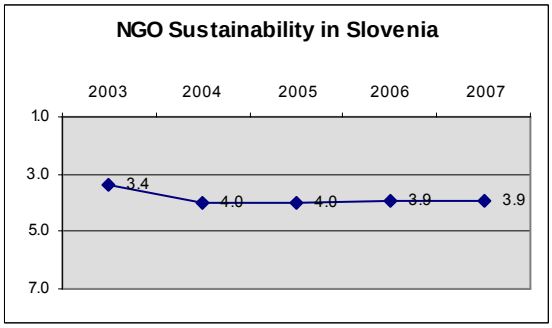
NGO SUSTAINABILITY: 3.9

Of the almost 21,000 NGOs in Slovenia, the majority are organized as associations and work at the local level in the fields of sports, culture and art, fire brigades, etc. Other forms of NGOs are foundations, private institutes, and some sui generis forms. Advocacy and service provision organizations are primarily active on the national level.

2007 marked the beginning of the new EU Structural Funds Financial Period, which lasts through 2013. Throughout the year, NGOs were engaged in setting up programs, seminars, and workshops dedicated to building capacity to implement projects. The most important fund for NGOs is the European Social Fund, which dedicates more than 12 million Euros to civil dialogue and the development of the NGO sector.

This year, the new Personal Income Tax Act came into effect. This law includes a provision similar to those in some other CEE countries allowing citizens to donate 0.5 percent of their taxes to groups benefiting the public, including NGOs, rather than paying it to the tax office.

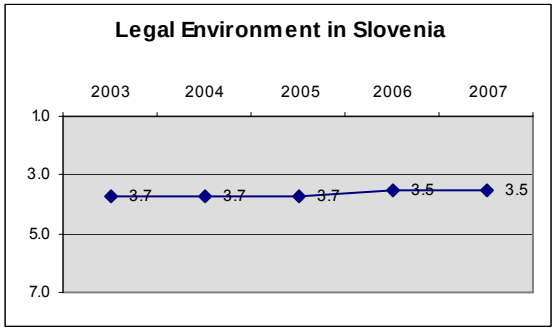
Unfortunately, in drafting the Slovenian provision the Ministry of Finance did not consider the lessons learned in implementing similar "percentage" laws in other countries and may consequently make similar mistakes. NGOs have proposed different mechanisms to implement the 0.5 percent provision, but their ideas have not been accepted. Currently, the system requests ministries to propose a list of NGOs that they perceive as benefiting the public to the Ministry of Finance. All the ministry lists are then compiled into the final list of potential tax revenue recipients; the list is expected to be updated regularly.



LEGAL ENVIRONMENT: 3.5

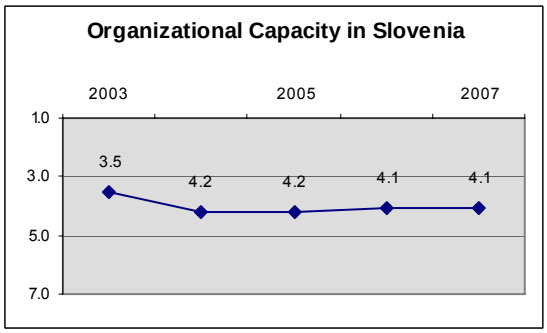
The Personal Income Tax Act had a great impact on NGOs in 2007 and has enormous potential to affect them in 2008, as well. As described above, this act allows citizens to donate 0.5 percent of their taxes to political parties, representative trade unions, or public benefit organizations (PBOs). In order to be granted PBO status by the government, a government ministry must recognize the organization as acting in the public interest. Currently, all ministries have separate criteria for this, which places individual NGOs in unequal positions for receiving this status and becoming eligible for tax donations. Furthermore, the Act did not create any tax deductions or other financial incentives for private companies that wish to donate to NGOs. Consequently, the level of private donations to NGOs is increasing at a slow pace.

The Act on Associations, adopted in 2006, generated several difficult changes in 2007 for the 20,000 Slovenian NGOs that are registered as associations. The new law pressures associations to revise their statutes, especially with regard to membership rules, meetings of the general assembly, and financial management. These rules, which are clearer, more detailed, and more useful, are designed to create more transparency in associations. Presidents of associations are now also held personally liable for operations of the association, which has made incoming presidents hesitant to accept the position, especially if they work on a voluntary basis. In general, the changes imposed by the Act will have positive outcomes. Unfortunately, they have also created additional work and bureaucracy, which is a burden particularly on small, grassroots organizations.



ORGANIZATIONAL CAPACITY: 4.1

Awareness of the importance of strategic planning is increasing, and more organizations are utilizing strategic plans, along with action plans, possibly as a result of increased participation in European projects. Both EU legislation and funding requirements require greater organizational capacity, technical knowledge, and efficiency, as well as adaptation to a set of standards.



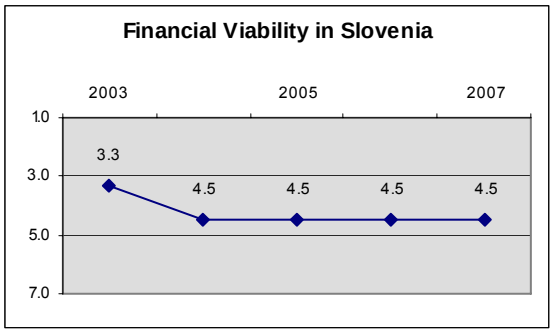
NGOs are increasingly interested in participating in workshops, meetings, and debates to learn new skills. This is a change from previous years when NGOs did not recognize the value of workshops or felt that they could not afford to attend capacity building activities.

In the second half of the year, the pilot phase of the Quality System for Slovenian NGOs Project began. A project created jointly by a number of NGOs and co-financed by International Civil Society, the U.S. Embassy, and the Ministry of Public Administration, the Quality System for Slovenian NGOs Project has strong support from the Ministry of Public Administration. The quality assurance system is a formal management system NGOs can use to strengthen their organizations, and is intended to raise work standards and ensure consistency. The quality model for Slovenian NGOs was developed on the basis of International Standards Organization

(ISO) 9001:2000, which covers the following issues: definitions, general requirements, management responsibility, employees and volunteers, resource management, management of working processes, monitoring and evaluation, and improvements.[1] Implementation is intended to increase the effectiveness and efficiency of NGOs, making them better able to respond to their beneficiaries' needs. At the same time, the system will help identify weaknesses in NGOs' organizational capacities, allowing capacity building activities to be created to address these weaknesses directly. The quality standards have already been drafted and are now being tested by eleven different organizations. During the pilot phase, NGOs will implement the Quality System and gain theoretical knowledge on the quality standards. In the coming years, these groups will help other organizations learn how to implement the system.

Nevertheless, organizational capacity is still quite limited, as NGO staffing – both paid and voluntary – continues to suffer. The employment rate in the NGO sector remains very low. A number of NGOs developed the Code of Ethics of Volunteerism to set basic guidelines for voluntary work, as Slovenia still lacks a Law on Voluntary Work. One of the intentions of the Code of Ethics was also to motivate the adoption of the Law; unfortunately, this has not yet occurred. Thus, volunteer work is still not officially recognized, and volunteers do not receive any general benefits. Organizations that have signed the Code of Ethics have formalized voluntary work within their organizations. Thus far, however, the Code has not increased the number of volunteers.

FINANCIAL VIABILITY: 4.5



Inadequate and unpredictable funding flows remain a problem for NGOs, since payments by the government and the European Union are not regular and are often delayed. With the new EU Structural Funds, however, new funding will be available between 2007 and 2013. For example, more than €12 million have been dedicated solely to the development of the NGO sector and civil dialogue under the specific priority axis.[2] Furthermore, NGOs are eligible for an additional seven percent of the funds from the other priority axes in the European Social Fund. However, in order to access these funds, NGOs have to compete with other legal entities, such as municipalities, public organizations, and companies. In sum, no EU Structural Funds were distributed during 2007, although applications were being evaluated; thus, they did not affect NGO financial viability this year.

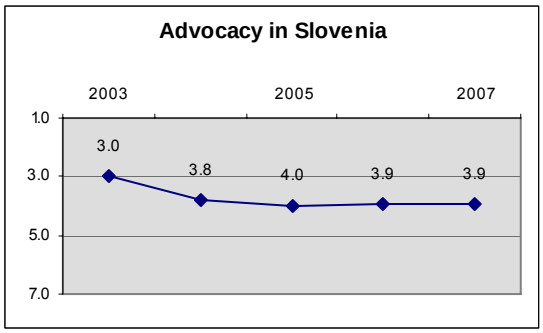
NGOs did not experience any increase in funding in 2007. The majority of funds were still granted to humanitarian NGOs and those that work with the disabled. These NGOs are financed by public foundations established by the government to distribute lottery proceeds. As a result of changes made to the Financing of Municipalities Act, the municipality of Ljubljana cut some of its financing for NGOs. However, some positive changes regarding financial viability were noted. The cooperation between NGOs and private companies is increasing, especially in areas outside of Ljubljana. The

[1] ISO 9001:2000, http://www.iso.org/iso/catalogue_detail?csnumber=21823.

[2] A generally accepted theory of civil dialogue does not exist. Usually, it means a dialogue between NGOs and national or local governments with the intention of establishment, continuation, or evaluation of the relations between them (Sporar, 2004). Priority axis refers to a chapter in the Operational Program of Development of Human Resources (European Social Fund).

increasing number of NGOs cooperating with private companies could also be the result of the establishment of community foundations which aim to make positive changes in society, especially in communities outside the capital.

ADVOCACY: 3.9



In the spring of 2007, the Ministry of Public Administration invited NGOs to select the draft laws on which they wished to comment. When the consultation process for these particular drafts began, NGOs were invited to participate actively. NGOs and the public are now also invited to participate in this dialogue via the Internet. However, NGOs and the public must actively check ministry websites to find out which laws the ministries are preparing and then express interest in advance in order to receive an email notification when the drafts are available and ready for comment. NGOs must be extremely careful not to miss the invitations. Beginning in 2008, any comments made by the public, especially NGOs, will go directly to an appointed official who will have to respond to them. This procedure will be governed by special guidelines, which are now being drafted. These guidelines will aim to unify participation mechanisms throughout the government, since civil dialogue and participation of NGOs in the policymaking process still differ from ministry to ministry.

In 2007, there were both positive and negative instances of public participation in the decision making process. Thanks to cooperative efforts between a group of three NGO networks[3] and the Ministry of Public Administration, NGOs got involved in the drafting of the Slovenian program for development projects to be financed with Structural Funds. Thus, NGOs had an opportunity to propose project ideas and help the Ministry conduct a needs assessment of the NGO sector. On the basis of this proposal, the Ministry developed an action plan for a program dedicated to the development of the NGO sector and civil dialogue. In contrast to this successful undertaking, less positive instances of public participation in the policy process were seen in the passage of the International Protection Act and drafting of changes to the Free Legal Aid Act. In both of these cases, comments made by the public were more or less ignored. In order to be more effective in the policymaking process, NGOs need to develop an advocacy approach that will address likely opposition, while also taking advantage of support.

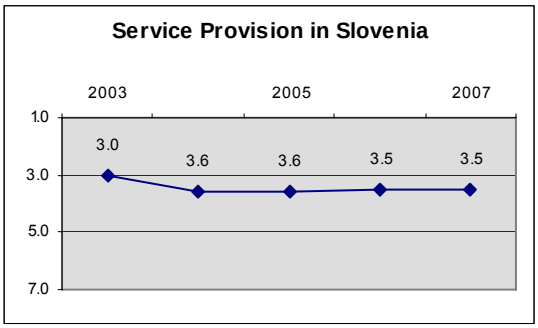
SERVICE PROVISION: 3.5

In 2007, NGOs were very active in service provision, especially in the social sector. In September, a horrific flood in Železniki, a small town in northwest Slovenia, killed five people and damaged most of the private property in town. A large number of NGOs, including the Red Cross, Karitas, and voluntary fire brigades, and volunteers helped the residents to repair the damage. While there was a lack of government funds available for disaster relief, these NGOs helped raise money to rebuild the city.

Nonetheless, although NGOs help society in times of distress, they remain unable to compete effectively with the commercial sector. In general, the private sector has more money and

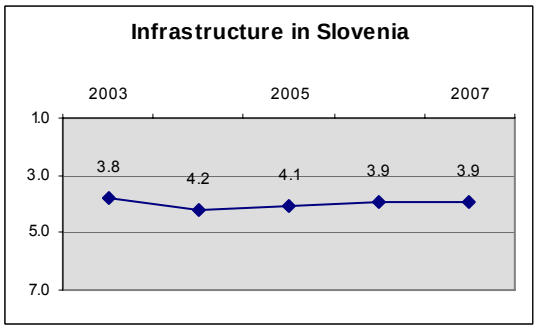
[3] Center for Information, Cooperation and Development of NGOs (CNVOS), the Slovenian Association of Foundation, the Association of Associations Slovenia.

resources and is more successful when competing for solicitations, whether government or other. NGOs may be more experienced, but they lack the resources for advertising, which makes them less competitive. The provision of some services, such as daycare centers for the mentally disabled and reintegration centers for former drug abusers, is more or less limited to public institutions founded by ministries or municipalities or to NGOs, meaning that NGOs do not have to compete for these contracts. Nevertheless, a unified approach of all the ministries is needed in order to encourage NGOs to improve their ability to provide different services.



As previously mentioned, while EU Structural Funds were not awarded in 2007, national experts expect these funds to affect service provision in 2008.

INFRASTRUCTURE: 3.9



Information sharing, especially through web pages and mailing lists, is increasing in Slovenia. The Internet has improved networking, and there are a few positive examples of networks developing. Slovenian NGOs have sufficient knowledge which could be used to strengthen organizational capacity, especially if they worked together.

However, NGOs still need to make improvements in this arena. Rather than cooperating with other organizations working in the same or similar sectors, NGOs more often turn to outside experts for support and training, which can be costly. NGOs still lack an Intermediate Support Organization (ISO) that provides capacity building services. An ISO, combined with stronger networks, would greatly improve the information infrastructure of Slovenian NGOs.

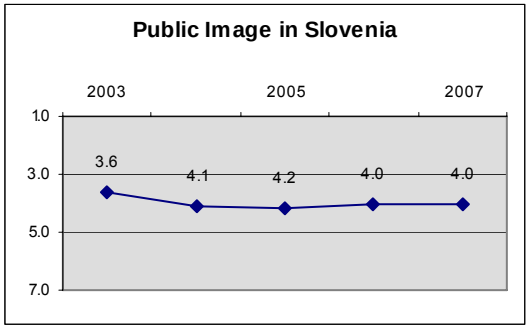
The first community foundations that join the public, private and third sectors under the same roof for the benefit of local NGOs were established in 2006, and some new initiatives are developing. The awareness of the importance of socially responsible partnerships between NGOs and companies is rising, as well.

With the help of some good practices,[4] companies are starting to understand the benefits of such partnerships. Cooperation between grass-roots organizations and local businesses has always been strong, but this relationship is based almost entirely on the basis of sponsorships. There have also been some good partnership projects between NGOs and public institutions, especially in the environmental field.

[4] Examples include the partnership between Europa Dona Slovenia and PR agency Pristop, and the partnership between the Association of Friends of Youth with several different companies, among others.

PUBLIC IMAGE: 4.0

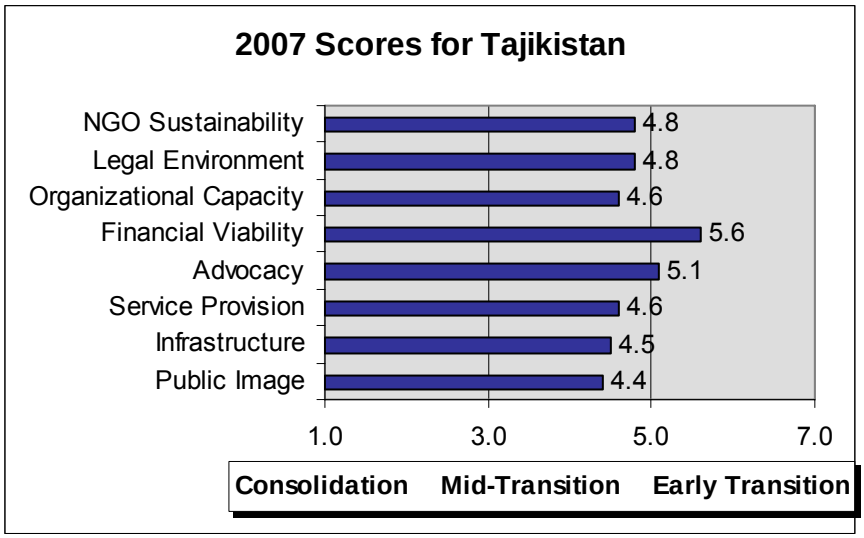
The public image of NGOs is slowly improving. NGOs appear in newspapers on an almost daily basis. Several radio programs discuss issues on which NGOs focus. While some well-



established NGOs regularly address the media, newer or smaller ones have a tough time getting media attention. Most NGOs do not have sufficient financial resources to hire a public relations expert to work on their public image; consequently, they appear in the media less frequently. Some NGOs have very good relations with PR agencies, which have helped them with their public image. Nevertheless, NGOs are well-regarded by the general public, especially when compared to state agencies, which the public perceives as providing services to marginalized peoples less effectively than NGOs.

NGOs have to send annual reports to Agency of the Republic of Slovenia for Public Legal Records and Related Services. Many NGOs also publish the report on their web pages, and some of the largest NGOs physically publish their reports and send them to relevant stakeholders. Transparency is a hot issue in the sector at the moment for several reasons, including increasingly strict calls for proposals and demands from donors and the public for more transparency, especially because of some NGO financial scandals in the recent past. In this regard, the Quality System for Slovenian NGOs is very important, since one of its main aims is increased transparency.

TAJIKISTAN



Capital: Dushanbe

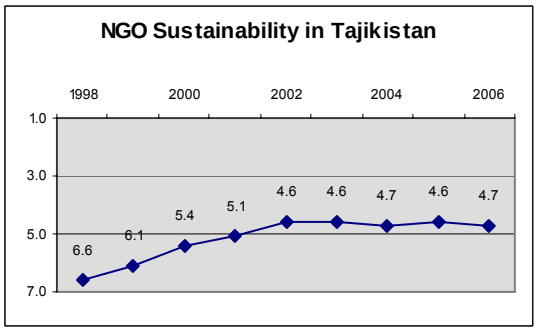
Polity:
Republic

Population:
7,211,884 (July 2008 est.)

GDP per capita (PPP):
$1,600 (2007 est.)

NGO SUSTAINABILITY: 4.8

The situation faced by NGOs in Tajikistan deteriorated slightly over the past year. The presidential election and adoption of the new Law on Public Associations shaped the activities of some NGOs, while impeding the further development of others. A number of NGOs engaged in activities leading up to the presidential elections, including a number of voter education projects targeted especially at women and youth. During the same period of time, however, local governments exerted greater control over NGOs working on sensitive issues.



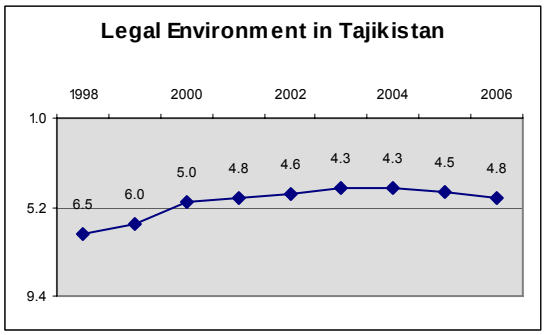
A new Law on Public Associations was adopted in May 2007 as a result of the lobbying efforts of numerous local NGOs, aided by international organizations, such as the International Center for Not-for-Profit Law (ICNL). Some positive changes were introduced by the new law; however, the re-registration requirement in the new legislation has significantly reduced the number of NGOs in the county. According to the Ministry of Justice, after the re-registration period ended on December 31, 2007, the number of registered local NGOs dropped from a total of 3,130 to 1,040 as the majority of organizations failed to meet the re-registration requirements. Those organizations that were not re-registered by the end of December were automatically liquidated and removed from the official registration list. Approximately half of the more than 100 international NGOs applied for re-registration.

NGOs are facing a "moment of truth": while international donors' support – both financial and moral – has decreased considerably over the past year, local NGOs are far from being sustainable or independent. Many NGOs are only active when there are funds available, as they have no other means to sustain their activities. Additionally, information sharing, training and technical assistance is diminishing as donor funding recedes.

After many unsuccessful attempts to influence parliament and other government bodies involved in policy-making, NGOs have largely lost interest in working on advocacy.

Relationships with the government on both the national and regional levels remain difficult and marked by distrust.

LEGAL ENVIRONMENT: 4.8



The new Law on Public Associations, adopted on May 17, 2007, introduces many positive changes. NGOs are provided with tax exemptions on grants. However, they receive no deductions on the 25 percent social security or 13 percent income tax on salaries, which they find difficult to pay and which decreases the amount of funding available for implementing programs and hiring qualified personnel. The minimum number of founders required to establish a public association has been decreased to three. State support is provided through government grants and contracts to NGOs. NGOs are permitted to conduct business activities, establish business partnerships, companies, and other business organizations, and acquire property that can be used for business activities. Government officials, including prosecutors, registration officials, and mayors, no longer have the discretion to suspend the activities of a public association without a court decision. Finally, the Law ensures the basic right of citizens to form NGOs independently, without any prior permission from the government or regulatory authorities, and entitles both natural and legal persons to be founders of a public association.

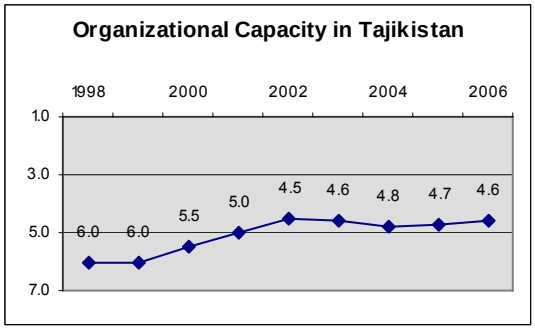
The new law required all local and international NGOs to re-register by the end of the year. The re-registration process presented several obstacles. The law required an NGO's official representative to appear personally in the registration office; this requirement was further complicated by the short period for re-registration. The Government subjected NGOs that work with foreign organizations to special scrutiny, making it nearly impossible for them to re-register. As a result, many NGOs decided not to spend the time and resources on the re-registration process. Reports of government officials asking for bribes in order to re-register an NGO were frequent, especially in the Khatlon region in the southern part of the country. As mentioned above, the number of NGOs decreased by 70 percent as a result of the re-registration process. While many inactive organizations were winnowed out, active organizations that were unable to complete the process because of these administrative obstacles were eliminated as well.

Other than the dramatic effect of the re-registration process, the new law has had minimal impact on NGO operations to date. While the new law more clearly defines the activities of NGOs, it has not solved the legal and organizational problems faced by NGOs.

ORGANIZATIONAL CAPACITY: 4.6

Most NGOs write strategic plans to meet donor requirements, as they lack the knowledge, understanding and experience to develop strategic plans based on their own priorities; other NGOs have no idea how to develop strategic plans. Only a few NGOs produce annual reports, as they are not legally required to do so and have little understanding of their purpose or benefits. Most NGOs' boards of directors exist only on paper; consequently, there is no division of responsibilities between boards of directors, executives and staff members. Most NGOs depend on old office equipment and supplies, as current resources do

not allow them to upgrade or purchase new equipment.



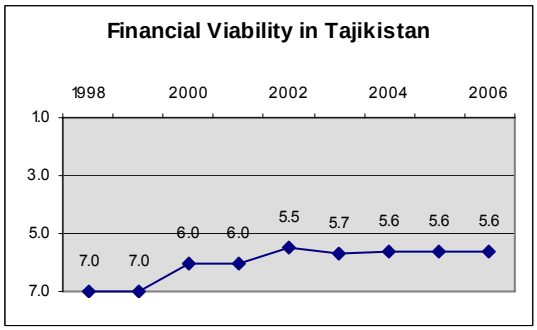
There are no institutions in the country focused on increasing the professional skills of NGO managers or staff, indicating an ongoing need to develop training opportunities to support NGOs. Donors have changed their approach from working directly with NGOs to hiring professional consulting companies to conduct research, surveys, and advisory services, which has forced NGOs to concentrate their efforts in fewer areas where they have expertise.

NGOs have experienced three changes of personnel since 1994, in part because NGOs are viewed as a way to gain experience and training needed to move on to better jobs. The first generation of NGO personnel consisted mainly of former Party and Komsomol activists and government officials; the second generation introduced people without previous Party experience; and the third generation consists of younger and more qualified people. As a result of this turnover, there is a concern that donors will be less interested in enhancing NGO capacities. NGOs still have very small permanent staffs and hire specialists to handle specific projects when they have funds.

Some try to re-register NGOs not out of any commitment to their missions, but to take advantage of grant opportunities. When the Government realizes that the number of NGOs has decreased too much, it is expected to create measures to stimulate the emergence of artificially-created, pro-government NGOs in order to meet the standards and requirements of the international community and donors.

FINANCIAL VIABILITY: 5.6

The financial sustainability of NGOs is linked to the economic development of the country, which is still weak. It is still early to talk about funding diversification for NGOs: donor funding remains the only source of financial support for NGOs, as there are no local financial sources or philanthropists. The government does not allocate any money in the budget for the development of the third sector.



While business entities do provide support and assistance to the poor and needy, they implement these services directly, as businesses and NGOs lack experience in carrying out joint projects. Businesses are not interested in NGO efforts, nor do they take advantage of the beneficial services that NGOs could provide, such as consultations, market research, and trainings. Although the Government has reduced taxes for business entities providing humanitarian support to five percent, few businesses know about this incentive, so it has had little impact. An amendment recently introduced to the Tax Code also provides business entities supporting educational institutions with tax deductions.

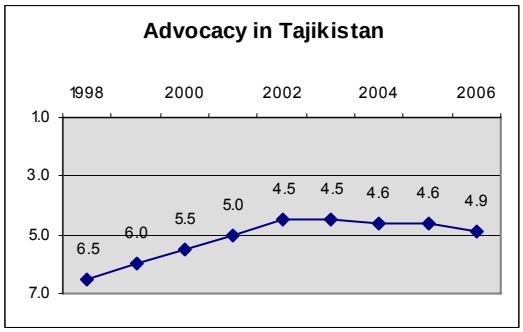
Further complicating prospects for financial sustainability is the fact that NGO staff lack knowledge and experience in fundraising and NGOs are not involved in outreach and philanthropy development programs. Meanwhile, revenues from services are minimal and do not cover expenses.

The channeling of international donor support through government agencies has led to the

development of artificially- or government-created NGOs. According to the Judicial Consortium, almost 1,000 NGOs have either been created by the government, or have access to the government through official and unofficial channels.

ADVOCACY: 5.1

After many unsuccessful attempts to influence parliament and other government bodies involved in policy-making, NGOs lost interest in working toward this objective. NGOs' awareness about existing laws is unsatisfactory.



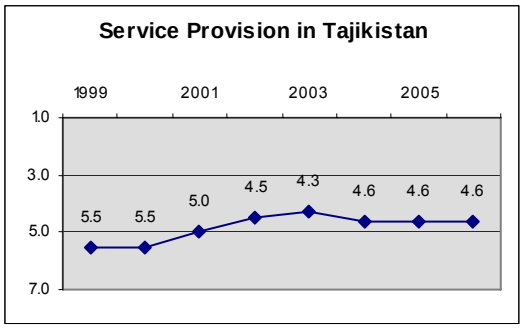
The replacement of local government leaders after the presidential elections on November 6, 2006, made cooperation between the third sector and government very difficult in various districts and regions of the country. Newly-appointed governors and mayors do not know about NGOs and do not want to cooperate and collaborate with them. Government distrust of NGOs increased after the events in Georgia, Kyrgyzstan, and Andizhan (Uzbekistan). NGO attempts to shape public opinion or implement advocacy campaigns are hampered or viewed with hostility by government bodies. The government still treats NGOs as subordinates, as opposed to equal partners. NGO leaders generally pursue their personal interests over public interests, which impedes the development of issue-based coalitions and the implementation of broad-based advocacy campaigns.

To some extent, advocacy does not exist in Tajikistan. Society does not understand the meaning of public interest and the government perceives all advocacy activities as being connected with the opposition, which is still associated with the civil war. As a result, it is common practice for NGOs to seek permission from local authorities before carrying out legal or political awareness raising activities. NGOs need to figure out how to deal with these issues in order to advocate for the interests of their constituents.

SERVICE PROVISION: 4.6

NGOs successfully engage in a broad range of services, from the provision of basic social services to conducting research and analysis for private and public entities. The provision of information and consulting services has significantly increased. There are three notable trends related to service provision: first, NGOs are more focused and committed to providing services; second, their services increasingly reflect the needs and priorities of their constituents and communities; and third, NGOs now act more proactively in organizing exhibitions and other events to promote their products and services, rather than relying on international donors to do this.

The number of government grants and contracts to NGOs for the provision of social services has increased, but the awards are poorly managed by the government. There is no transparency in announcing tenders, choosing contractors, or reporting on procurements. Furthermore, the procurements are not listed in the country's budget, making it difficult to monitor the process systematically. Only a limited number of



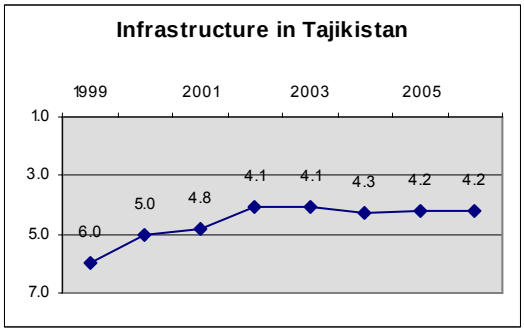
government institutions, ministries and government bodies are involved in contracting out social services. Many contracts go to GONGOs. Additionally, although the government recognizes NGO capacities, it prefers to invite international experts to provide consulting services or implement contracts. The new Law on Public Associations provides incentives for NGOs to apply for government contracts in the housing area, but the provisions are unclear and therefore considered much more difficult than the old law.

NGOs lack knowledge and expertise on marketing, export and import procedures, and participation in tenders, which is necessary if they want to extend their cooperation with and services to the business community. Furthermore, there is great distrust and competition among NGOs, which prevents them from consolidating their efforts or networking to provide jointly-developed services.

INFRASTRUCTURE: 4.5

As donor funding recedes, there is less information sharing, training, and technical assistance. While the seven Civil Society Support Centers were very active at one time, now they are barely surviving. Fees for services rendered do not cover expenses and they only occasionally receive international funding to implement community-based projects, primarily from UN agencies. As a result of these financial problems, the Dushanbe CSSC is now in the process of closing down. There are no formal NGO coalitions in operation, although some informal coalitions exist. However, these coalitions were established artificially in the hope that they would ease access to grants and improve their members' image with the government and international community, as opposed to being based on common interests. There are few materials published in Tajik. Meetings and gatherings of NGOs, which were previously organized by donors, have become less common.

Both the government and international donors have compiled lists classifying NGOs by field, which allows for easy identification of NGOs that can work to address a particular issue. Partnership of NGOs with government agencies depends on the topic and the personal interest of the government officials. One important issue that continues to affect the sector is that local NGOs that were established with foreign support have not become "Tajik," but rather have remained either Russian or Western with little understanding of Tajik society and institutions.



The sector has high expectations for the first national forum of NGOs to be organized next spring. Two important documents – the Tajikistan National NGO Development Program and Code of Conduct – are expected to be adopted during the forum, which will analyze the existing situation of the NGO sector and contribute to its future development.

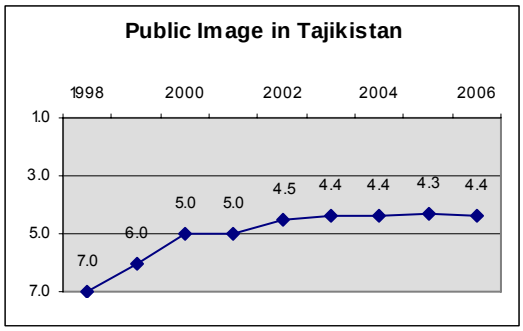
PUBLIC IMAGE: 4.4

Certain myths about NGOs have disappeared. At one time, NGOs were considered partners in reforming Tajik society's old Soviet practices. The government recognized the power of NGOs. NGOs presented their work through the mass media. High government officials, including the President, talked about NGOs and their role in the society. The sector was recognized to be strong and important and NGOs were invited to monitor important documents such as the Poverty Reduction Strategy Paper for 2005-2015. Despite this, the NGO sector continues to have a weak public image and low public support. According to research carried out with the support of the Aga Khan Foundation, the 40 percent of the population that does not benefit from NGO work has no idea what NGOs represent or what types of activities they implement.

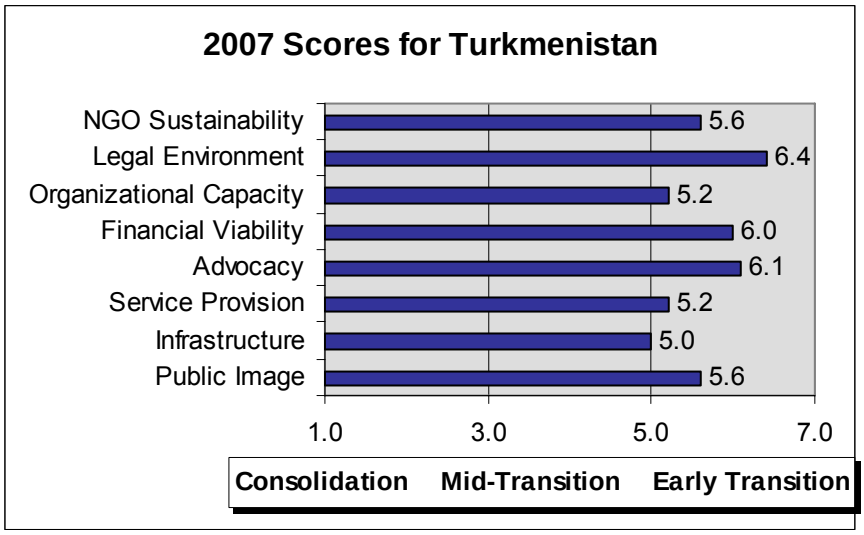
Unfortunately, the Tajik intelligentsia does not have an accurate perception of NGOs either. Even professors in higher educational institutions know little about NGOs and their role in society. In most cases, the intelligentsia associates NGOs with the provision of humanitarian aid and relief work and confuses this with the work of the UN, which engaged in such activities in the aftermath of the civil war.

There is a shortage of information about NGOs on TV and in other media. However, this is caused more by the mass media's own problems than any conflict between NGOs and media. Attempts to publish a newspaper focused on the third sector have been unsuccessful to date. NGOs need to actively publicize their activities by writing about themselves and their accomplishments.

There are many contradictions when it comes to the public perception of NGOs. While some NGOs have a very strong image and have achieved a lot, they are little known in the country. On the other hand, others may have performed poorly and not accomplished much, but are perceived as active and have therefore become popular with the public. The public image of some previously well-known NGOs has declined because of weak financial sustainability, limiting their ability to provide humanitarian support; other well-known NGOs have suffered erosion of their public images, but have gained government support and therefore remain quite sustainable.



TURKMENISTAN



Capital: Ashgabat

Polity:
Republic-Authoritarian Presidential

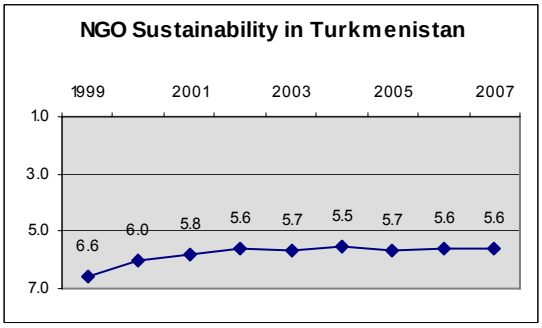
Population:
5,179,571 (July 2008 est.)

GDP per capita (PPP):
$9,200 (2007 est.)

NGO SUSTAINABILITY: 5.6

2007 was marked by tremendous changes in Turkmenistan's political climate. Following the death of Turkmenistan's first president, Saparmurat Niyazov, elections for a new president were held with the participation of five candidates. The newly elected President Gurbanguly Berdimuhamedov has initiated significant legislative reforms including a new Social Protection Code, a Law on Farmers' Associations, a Law on Farming, a Law on Archins (local authorities), and a revised land law. Turkmenistan's education system was also altered by Presidential decree. Likewise, a special decree was issued to provide Turkmen citizens with more widespread Internet access, and several Internet cafés were opened at a cost of approximately $3.70 an hour. Additionally, many NGOs have opened centers providing Internet service for their target groups. These trends towards increased modernization, positive indications of reform, and heightened expectations among the populace have resulted in optimism among NGOs and set the stage for improvements to the NGO Sustainability Index in future years.

Despite this optimism, the NGO sector in Turkmenistan continues to operate under difficult conditions. Only approximately 88 NGOs, including GONGOs, are registered in Turkmenistan, no new NGOs have been registered since 2005, and the Ministry of Justice (MoJ) discourages attempts by organizations to register. Many civic groups continue their activities by obtaining patents – licenses allowing individuals to engage in business activities – or registering as for-profit entities. Given this, for the purpose of this report, all civic groups, regardless of their form of registration, are referred to as NGOs. Government-organized NGOs (GONGOs) enjoy more favorable registration and operating conditions and have received direct government support.



The grant registration process has also remained an obstacle. According to the President's Decree

on Technical Assistance issued in 2003, NGOs must register their grants with the MoJ while state and for-profit entities must register their grants with the Ministry of Finance and Economy. Over the past year, the grant registration process with the Ministry of Finance and Economy has become more complicated, while the registration process with the Ministry of Justice remains difficult.

Registered NGOs focus their activities in such spheres as sports, environmental tourism, social services and education. They successfully cooperate with local government officials in the areas of disabled persons, sports, accounting, and training in various fields. The government did not harass NGOs this year; however, cases did arise in which government employees were warned not to collaborate with NGOs. The government has also been more neutral in its attitude towards unregistered organizations, a significant improvement over last year's restrictive prohibitions. Additionally, during this past year, the MoJ was less inquisitive about NGO activities, although NGOs continue to inform the government about planned trainings and workshops, as required by the law.

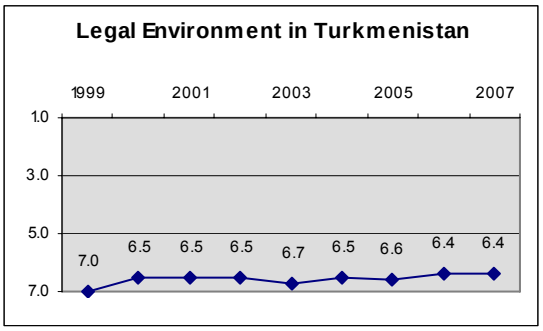
In the summer of 2007, the Government cancelled the "border area permission" system – a holdover from Soviet times which required special permission to enter certain parts of the country. Citizens now have free access to all regions of the country, which has made it easier for NGOs to reach out to remote communities. However, government agencies still continue to maintain a list of persons who are not allowed to leave the country.

LEGAL ENVIRONMENT: 6.4

After the 2003 NGO Law was passed, GONGOs were re-registered, whereas independent NGOs were closed by court decision. The MoJ has not registered any new organizations since 2005 and only a few professional organizations with support from relevant government organizations were able to register with MoJ during 2004-2005.

A few groups, mostly outside of Ashgabat, attempted to register in 2007. Most of these NGOs received "legally correct" refusals. According to NGO experts, the NGO Law itself, although not corresponding to international standards, is not the main obstacle to registration; rather, the bureaucratization of the process is. The final decision on registration is made by a special interdepartmental commission. MoJ officials then prepare an official legal notification, referring to a special "Clarification to the Law," which includes a long list of necessary documents and other requirements for registration. The result is a long back-and-forth correspondence regarding the content and structure of registration documents without any subsequent approval.

For example, one organization was rejected because meeting minutes did not list the participants' citizenship and full names. In some cases, the only reason cited for refusal is a minor spelling error. NGOs need further explanation of the complex registration regulations; however, the MoJ has not demonstrated any intention to clarify the process. NGO requests for meetings or explanations regarding pending registration applications are ignored, and NGOs feel that it is counterproductive to appeal final decisions.



The government continues to strictly control NGO activities. Since a special Ministry of Foreign Affairs request in 2005 that donors not distribute money, grants have been provided in the form of commodities, which reduces government suspicion and complications with the current exchange rates (the official exchange rate is approximately four times lower than the black market rate). Throughout 2007, the

Ministry of Finance and Economy delayed the registration of submitted projects, seemingly indefinitely. There is also uncertainty about which government entities are responsible for these approvals, as one organization received authorization from the Ministry of Foreign Affairs, rather than the Ministry of Finance and Economy.

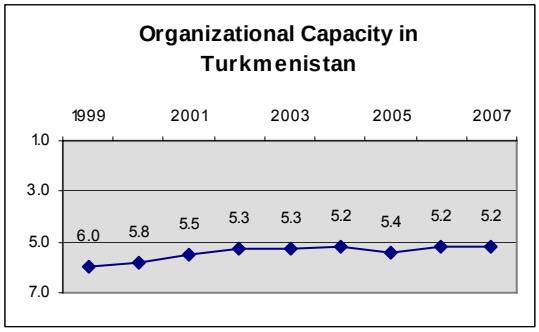
Many NGO activities are also subject to licensing approval, which can also be used to limit NGO activity. For example, educational licenses have not been issued to NGOs until quite recently. Attorneys note that 70 percent of the regulations regarding licensing contradict the Law on Licensing.

There were no cases reported of people being detained for their participation in NGO activities in 2007, although there were a few instances of government officials canceling trainings in velayats (regions). Some activists were threatened with termination from their state jobs if they continued their involvement with NGO activities.

Since the current legal education system is focused on criminal law, there is a lack of qualified attorneys specializing in NGO law. As a result, legal services are only available to a limited number of communities and organizations. Legal services are provided to NGOs, activists and communities in the framework of Counterpart's USAID-funded Turkmenistan Community Empowerment Program (TCEP). Additionally, a cadre of attorneys was trained in NGO law, advocacy and human rights by OSCE, ICNL, and ABA; these attorneys provide legal services to a number of organizations. Hemayat, Bosphor, Ynam, and the Women's Resource Centers continue to provide legal services in the regions of Turkmenistan.

Under current law, registered NGOs are exempt from paying taxes on commercial property and rent. Educational activities are immune from taxation.

ORGANIZATIONAL CAPACITY: 5.2



The gap in capacity between registered and non-registered organizations continues to grow. Registered organizations report growth in their clients and constituencies, while non-registered organizations struggle to survive. While local authorities and even ministries are showing increased support for registered NGOs – especially in the rural areas – unregistered groups lack the funding necessary to develop their organizational capacities and strategic planning as they are unable to officially receive grants.

A few registered organizations have made considerable improvements to their organizational structures, the professionalism of their staffs, strategic planning and operational management, and have developed good reporting and transparency mechanisms. Most non-registered organizations remain characterized by limited memberships and an enduring lack of transparency. NGO leaders agree that the lack of resources to maintain support staff overloads them with day-to-day affairs, distracting them from more strategic work.

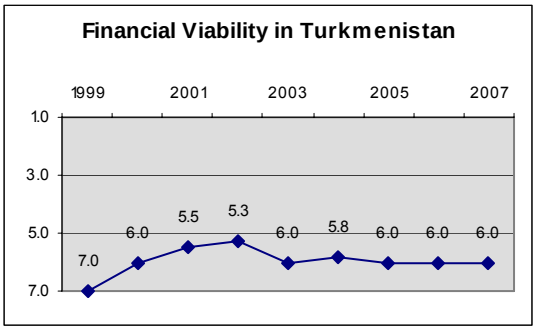
With support from international donors, many NGO members and civic actors have had opportunities to foster their professional development. In 2007, NGO members and civic actors participated in training courses and study tours held in the US, Austria, Kazakhstan, and Russia. In December, a group of advanced NGOs participated in a strategic planning training organized by Counterpart International and funded by USAID and the British Embassy.

Staff members of environmental GONGOs have had opportunities to engage in exchange visits with other Central Asian eco-NGOs through a program funded by UNDP. Furthermore, throughout this past year, many organizations and civic groups received grants from foreign donors that helped them modernize their office equipment, rent office space, maintain communications, and utilize the Internet.

FINANCIAL VIABILITY: 6.0

While grants remain the main source of funding for NGO activities, the level of dependency on international donors has decreased slightly as many NGOs now attract substantial local support for their grant-funded activities. Community initiatives have received support from local authorities, most often in the form of significant in-kind contributions of construction materials, rental equipment and labor equal to 20 percent to 30 percent of project costs. Corporations, individuals, and even state organizations frequently make donations to NGOs that assist orphanages and disabled persons like the Club of Sportsmen with Muscular-Skeletal Disabilities "PODA," the Special Olympics, and the Paralympic Committee. Medium and large-scale businesses have demonstrated some interest in philanthropic initiatives, but a lack of legislative incentives prevents the development of a true culture of philanthropy. Government and private businesses continue cooperating with some NGOs as service providers on a contract basis.

Some registered NGOs earn additional money through paid services. The Eco Center, which operates under a patent, provides management, marketing and human resource consultations; similarly, the Association of Accountants provides professional trainings. Although some registered organizations collect membership fees, this income is insufficient to support any serious activities.



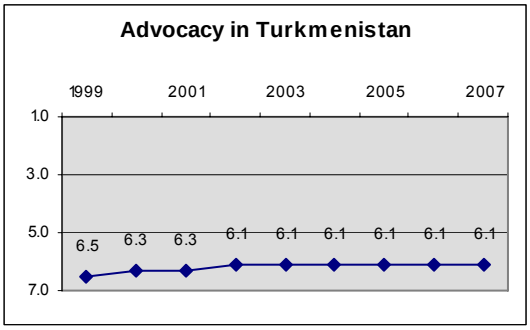
There is a trend towards financial transparency among NGOs. A few organizations such as the Association of Accountants now publish annual reports and hold annual meetings that are open to the public. Keik Okara also produces annual reports, but only for internal use.

ADVOCACY: 6.1

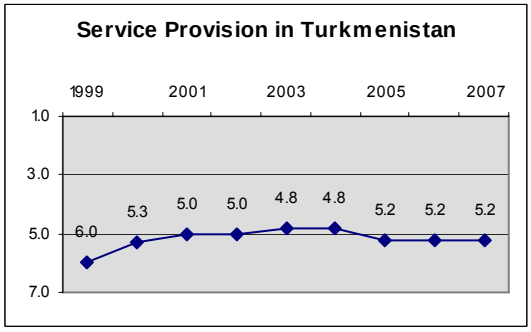
NGOs remain reluctant to conduct national-level advocacy campaigns or take initiative in legislative reforms. However, during this past year, government and Parliament have shown some interest in NGO-organized legislative initiatives, possibly indicating that authorities are beginning to value feedback from the non-governmental sector.

Recently, a group of farmers in cooperation with Ilkinjiler initiated a meeting with members of the Mejlis (Parliament). During the conversation, the group discovered that no individual farmers had been consulted regarding the new Law on Farmers' Associations. After the meeting, Ilkinjiler gathered farmers' recommendations, submitted two proposals to the Mejlis, and began cooperating with Members of Parliament on agricultural legislative initiatives. The Entrepreneurs Union also regularly interacts with Parliament, providing suggestions to improve economic and small business legislation. The Ministry of Education contacted several NGOs to request materials that would help them introduce interactive educational techniques. There have been some negotiations with NGO Agama about its participation in the creation of a National Emergency Service.

Some activists have successfully advocated for community interests by establishing partnerships with local government officials. Twenty-one communities under the TCEP Program engaged local authorities in community working groups to identify, prioritize and address local issues. The elderly council in one community involved the district administration in discussions about the need to renovate an important road; as a result, local authorities repaired the road. In another community, local authorities provided water pumps to a community project, while the energy department of a third community contributed to a community project for electric network rehabilitation.



SERVICE PROVISION: 5.2



NGOs continue to provide various services: consultations, legal assistance, trainings, access to information, etc. Some active groups and established Community Resource Points (CRPs) in rural areas provide service in fields such as legal consultations, agribusiness, vocational youth training, civic awareness, and computer and informational support, reflecting an increase in demand for these services in their communities. The unique industrial mountaineering services offered by Agama, which includes cleaning windows, roofs and domes of tall buildings, mosques and palaces, make it the only contractor in this business. Bosphor provides various services for marginalized citizens, including legal services which enable it to represent its clients' interests at court. Keik Okara initiated a new training series on gender issues for local authorities.

Ynam has a hotline that provides citizens with psychological and legal support, while Medet Education Center focuses on innovative teaching methodologies. Trainings on international accounting standards provided by the Association of Accountants are in high demand among specialists in the accounting field. Lastly, NGOs expanded their informational services as a result of improved and more reliable Internet access.

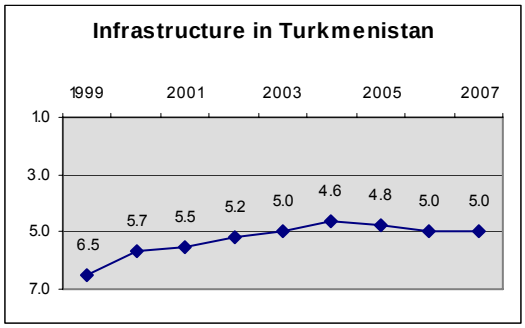
Despite these accomplishments, persisting registration and licensing difficulties seriously limit the scope of NGO services. Most NGO service providers are located in the capital area and other urban regions, limiting access to services for rural residents. The number of NGO service recipients remains very low because of the small number of organizations and continuing lack of resources. Most organizations feel that they could expand the scope of their services if there were a more favorable enabling environment, including greater availability of social contracts, easier registration of grants, and simplified licensing procedures.

A few registered NGOs indicate that while their services generated some revenues, they still rely on grants to broaden their activities. For many other organizations, donor priorities determine the types of services they provide.

INFRASTRUCTURE: 5.0

The network of Civil Society Support Centers, Resource Centers, and CRPs previously established with donor support has increased its capacity to operate in all regions of Turkmenistan. These centers continue to offer a number of demand-driven services including

legal and other consultations on project design and implementation, trainings, access to information and the Internet, as well as office equipment, libraries, and CD-ROMs.



These resource centers continue to play a pivotal role for people interested in a variety of public activities by providing them with space to meet and discuss their ideas, share opinions, and exchange information. The CRPs no longer receive donor funding, and are demonstrating their sustainability by utilizing local resources such as free rent, volunteer work and the input of villagers. Several CRPs organize trainings and other activities for young people – for example, the Yangala Center provides computer workshops for youth and hosts social events, and a resource point in Kaahka provides traffic law classes for teenagers.

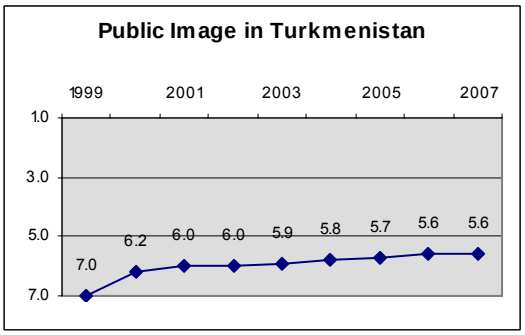
There is a strong demand for training and informational materials in the Turkmen language. Counterpart's trainers provide trainings in Turkmen and a few other organizations have started to adapt their training manuals and handouts to the local context.

All civic organizations have friendly relationships with each other and cooperatively exchange information, although these contacts are not always systematic. Because of the small number of NGOs in each sector, there is little incentive to create coalitions or more formal partnerships to support common interests.

PUBLIC IMAGE: 5.6

Turkmenistan's mass media has shown some interest in the activities of registered NGOs. Over the past year, Neitralny Turkmenistan and other national and regional newspapers published numerous articles about the NGO sector, while some NGOs even received television coverage of their events. Agama and sports-related NGOs have received the most newspaper coverage.

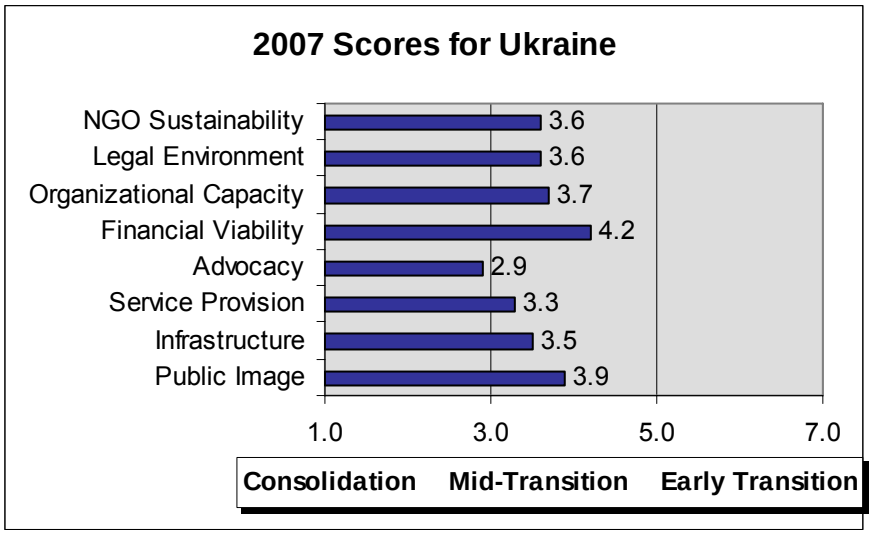
Public awareness of NGO activity is still inadequately low. Some NGOs remain reluctant to contact journalists and attract media attention, and journalists show no interest in non-registered NGOs. While the activities of registered NGOs have attracted more media coverage, serious analytical articles on the non-governmental sector by journalists and NGO leaders have not been published due to censorship. However, even limited coverage by the mass media helps to improve NGOs' public image and provide citizens with a better understanding of the third sector's role in society.



A few trainings on public relations have helped NGOs to initiate PR campaigns using materials such as booklets, presentations for donors, etc. Some of them have well-designed web-resources or use an IREX-administered site, where they can create their own web pages.

The government generally remains suspicious of NGOs and continues to monitor and control their activities. However, despite this reluctance, official entities have started to recognize the role of the third sector and its services.

UKRAINE



Capital: Kyiv

Polity:
Republic

Population:
45,994,287 (July 2008 est.)

GDP per capita (PPP):
$6,900 (2007 est.)

NGO SUSTAINABILITY: 3.6

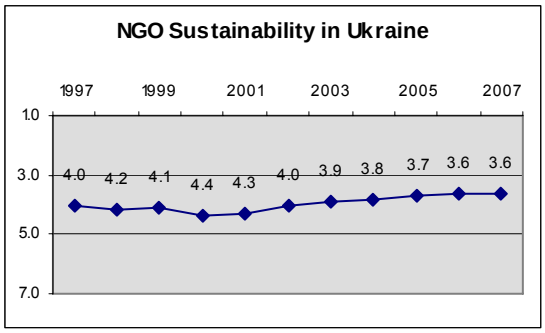
Throughout 2007, the Ukrainian NGO sector was challenged to gain direct access to policy and law makers following the 2006 Parliamentary elections and subsequent dissolution of parliament. Despite these challenges, the sector continues to operate under slightly improving conditions while remaining in mid-transition. Three components in particular showed improvements over the year – advocacy, financial viability and public image.

NGOs demonstrated an ability to adapt to the changing political landscape and advance initiatives at all levels of government. Despite the difficult political conditions, NGOs successfully drafted and introduced legislation on a number of topics and thwarted potentially negative legislation. The sector actively monitors the work of both national and regional governments, and NGOs often form short-term alliances on a variety of issues and causes. Think tanks provided crucial exit poll data in the recent September parliamentary elections, which both validated and helped prevent parties from contesting election results.

The financial viability of NGOs improved due to increased diversification of funding sources. Businesses practicing corporate social responsibility and new corporate foundations provide more opportunities for mainstream NGOs to receive support. NGOs are also increasingly using non-traditional income generation and fundraising techniques, such as social entrepreneurship and a pilot workplace-giving program in Rivne. Despite these improvements, financial viability is still the weakest dimension for the sector and more needs to be done to mobilize domestic resources before international support can be fully replaced.

Relations with the media have improved. Public opinion polls show that NGOs are trusted more than government institutions, and a liberalized press has given birth to the "third expert" phenomenon in which NGO representatives are frequently sought out to comment on current events.

Clear and unambiguous licensing regulations and standards for service providers are still needed to allow for greater use of social contracting. While traditional resource organizations capably service start-ups, older NGOs now require more advanced and specialized services and targeted coaching support to manage growth and allow them to scale-up activities.

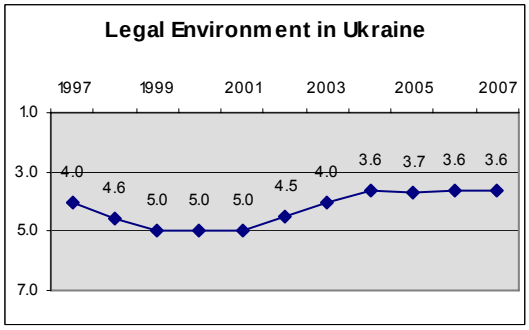


The number of NGOs registered in Ukraine is still relatively small compared to other democracies with similar population sizes. According to the Justice Ministry there are 38,500 public associations and 10,500 charities with an annual increase of seven to eight percent. There is no data available on the dissolution of NGOs, although the Justice Ministry estimates that 10 percent of registered Ukrainian NGOs do not operate at all.

LEGAL ENVIRONMENT: 3.6

The legal environment remained largely unchanged as lawmaking activities were essentially frozen after the President dissolved Parliament, which was not reconstituted for six months. Still, with lobbying and input from NGOs, incremental improvements were made to the legal environment in 2007.

A coalition of Ukrainian NGOs worked on a new draft Law on Associations with Justice Ministry officials that is more in line with European laws and resolves conflicts in existing legislation. But since Parliament was inactive for much of the year, the bill is still waiting for review. This has also delayed essential improvements to other outdated legislation related to taxation and earned income.



Tax laws currently provide a tax credit of two to five percent of taxable income for donations by companies and individuals who pay general taxes and can deduct expenses. However, 34 percent of companies paying general taxes declared no taxable income and those using the alternative minimum tax have no tax incentives for supporting public organizations. As a result, 44 percent of all businesses in Ukraine were not eligible for tax credits for donations.

While NGOs can earn revenues and have tax-exempt status under the Civil Code and tax laws, inconsistencies in the existing Law on Associations have led to restrictive interpretations by tax authorities that only allow NGOs to earn income through business subsidiaries. Nonetheless, administrative and judicial practices became slightly more favorable to NGOs during this period, with tax authorities losing 72 percent of court cases against NGOs.

NGOs now register only through the Justice Ministry (as opposed to through two ministries) and “one-stop” shop facilities began operating in most regions, reducing opportunities for corruption. Even with these improvements, it is still much easier to register a business than an NGO – usually five to 10 days for a business and 10 days to three months depending on the type of NGO.

For the most part, authorities do not interfere with the activity of NGOs. NGOs rarely faced harassment during the year with the exception of human rights groups, which continue to encounter problems in the regions, and of politically-affiliated organizations working in regions controlled by opposing political parties.

Budget and public procurement laws make it difficult for NGOs to access public funds. Licensing and standards for certain social services also need to be introduced.

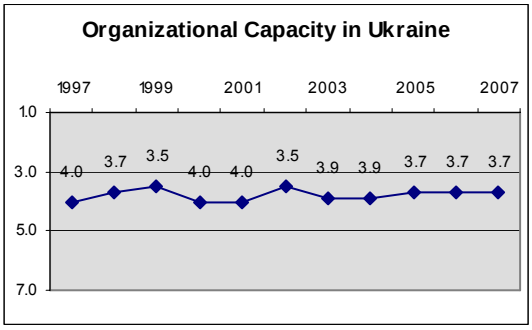
Legal information is available online, as well as through qualified legal experts, lawyers and regional hotlines. Yet many regional NGOs still lack specific knowledge such as what types of income generating activities are allowed, and do not always have the most up-to-date legal information.

ORGANIZATIONAL CAPACITY: 3.7

The organizational capacity of NGOs witnessed some improvements over the past year, although they were not systematic enough to warrant a better score. Several opposing trends emerged. Studies show that the public is ready to volunteer and engage in civic action, and NGOs are using new approaches in working with the public. On the other hand, increased economic development is putting pressure on NGOs to retain staff and adequate office space.

NGOs are incorporating new ways of working with citizens, mobilizing local resources, and promoting their issues. In the small coal mining town of Svatove (Luhansk region), a local NGO piloted a "time bank" project in which 385 community residents participated in a river clean-up, while local businesses allowed them to redeem their volunteer hours for store credit. In Voznesensk, an organization reached out to constituents and gathered 82 proposals on how municipal funds could be effectively distributed; the city council approved and allocated funds for 53 of them. A Sevastopol NGO used "political theater" to advocate for reduced discrimination against people with HIV/AIDS.

Despite these improvements, NGOs continue to have weak links with their constituents overall. A Democratic Initiatives poll found that 85 percent of respondents are not members of or do not participate in NGO activities, demonstrating that despite the fact that people are willing to volunteer, civil society lacks the means to tap this potential.



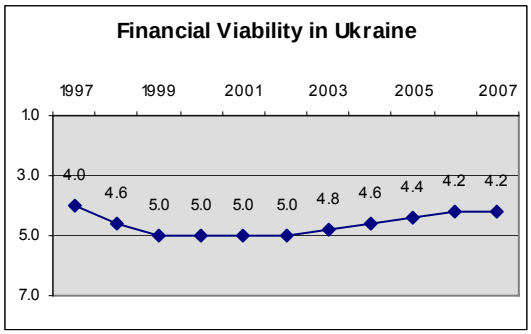
For the second year in a row, qualified NGO leaders are being lost to more lucrative jobs in government and the private sector, indicating the need to systematically put in place internal management development programs. Keeping or finding office space is increasingly becoming a problem due to a boom in the real estate market. And while most organizations have a strategic plan and usually a governing body, there is little concrete, supporting evidence that they are used to add value, raise funds, or engage in strategic decision making.

FINANCIAL VIABILITY: 4.2

The financial viability of NGOs has improved due mostly to increased diversification. Two recent studies show strong indications that government and businesses have learned how, and are ready, to fund NGOs. Despite the fact that the regulations governing access to these funds are complicated, the number of government contracts to NGOs has increased.

A report by the Cabinet of Ministers of Ukraine found that direct public funding to NGOs from the national budget increased from $12.5 million in 2006 to $34.5 million in 2007. Some local governments are also active. For instance, the city of Odessa provided approximately $100,000 in funding from the city budget for ten social projects. However, public funds still account for less than five percent of the total declared income of NGOs.

Substantial financial resources also exist within the business community in Ukraine to support NGOs. However, businesses target the majority of these funds to social needs projects, and so



social justice and advocacy projects still rely heavily on international funding. Additionally, while the number of corporate foundations continues to grow, their funds are not generally distributed in a transparent manner.

New collaborative approaches by businesses and NGOs to stimulate philanthropy continue to grow. For instance, Nadra Bank sponsored a "Philanthropist of the Year" award with NGO partners; a community foundation in Rivne has started a Social Action Fund to engage NGOs to market collectively to companies based on the Community Shares USA model; and the American Chamber of Commerce in Ukraine continues to provide essential support for the development of social entrepreneurship.

While larger organizations with a nationwide reach tend to be more dependent on one funding source, regional organizations are learning to diversify their support. A core of community foundations raises a significant percentage of its funding from local sources, and many regional media NGOs report receiving in-kind contributions from businesses. A Cherkassy NGO enlisted corporate donors (who normally funnel their regional earnings to the capital for charity events) and local restaurants and companies to erect 19 wheelchair ramps in the city.

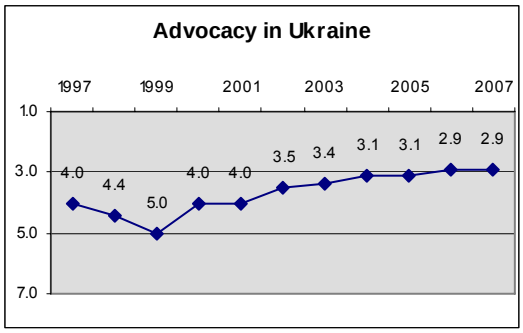
Social entrepreneurship continues to expand as organizations seek out niche markets for their services. Several organizations have started for-profit ventures to cover some of the expenses of their non-profit activities. For example, in Kherson, a human rights organization publishes a widely read regional newspaper with a sizable market share. Yet most NGOs lack basic business and marketing skills to earn money and are apprehensive of venturing into business because of the risk involved. There are also legal complications – many NGOs are not well-versed in the laws allowing for income generation or are confused by the contradictory laws still on the books.

Financial management systems and reporting remain weak. According to the Finance Ministry, of the 49,000 NGOs in Ukraine, 19,000 did not declare their incomes or file reports with the tax authorities. Many NGOs only report what is required of them by law, and do not seek to promote greater trust among the public through additional disclosure of financial resources and activities. Most organizations do not prepare an annual operational budget or the cash flow forecasts needed to guide their work in the short-term and develop fundraising plans. More organizations need to publish annual reports, manage multiple fund sources, separate income streams for internal analysis, and have independent audits.

Despite the increase in corporate giving noted above, NGOs' corporate fundraising skills remain weak, and so they often cannot effectively tap into this important potential resource. Additionally, the majority of organizations lack fundraising strategies and do not engage their governing bodies in fundraising.

ADVOCACY: 2.9

The practice of advocacy continues to increase and spread on all levels. Despite the difficulties posed by the new proportional parliamentary system, NGOs demonstrated that they are capable of adapting to monitor and act effectively on legislation and policy that affects the sector. Think tanks provided crucial exit poll data in the recent September Parliamentary elections, which validated and helped prevent parties from contesting election results. The sector actively monitors the work of both national and regional governments, and NGOs often form short-term alliances on a variety of issues and causes.



On the national level, the proportional political system created new challenges for NGOs in accessing Members of Parliament. All MPs are now elected on national party lists, and therefore are no longer obligated to hold regular meetings with voters in their districts. In most cases, mandatory advisory councils to ministries which include NGO representatives continue to operate only on a *pro forma* basis.

Despite this, NGO coalitions had some important successes in working with Parliament and Government. For example, 15 organizations worked with Justice Ministry officials to write a new NGO law that is in line with European standards and resolves contradictions in current legislation, and a broad coalition of NGOs drafted a comprehensive anti-discrimination law and engaged members of parliament to lobby for it. However, due to the dissolution of Parliament, neither law could be voted on. Another coalition reviewed a presidential decree which resulted in the cancellation of over 3,000 acts because of their anticipated ineffectiveness; over 300 pro-democracy NGOs gathered at a Civic Assembly in Kyiv to draft a resolution demanding more cooperation from national government bodies; and a group of think tanks united to assess the state of democracy one year after the 2006 Parliamentary elections, attracting wide media coverage of their reports on the government's lack of accountability. NGOs also stopped several potentially harmful laws from being enacted, most notably, the Laws on Volunteering and on Information, both of which would have curbed NGO activities.

While most NGO coalitions form to address immediate issues, there are also several coalitions built around common long-term interests serving people with disabilities, HIV-AIDS, and breast cancer awareness.

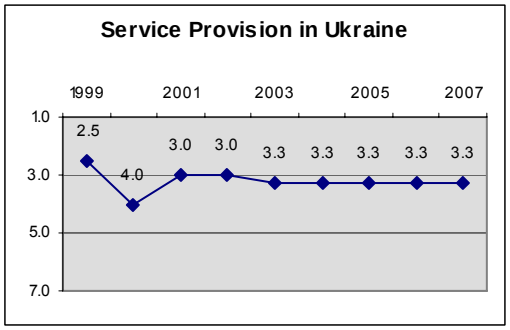
NGOs also have had numerous successes on the local level, with many government watchdogs publishing performance assessments of local city councils and mayors to increase accountability. NGOs are working to improve citizen access to courts through a court monitoring program piloted in seven courts throughout Ukraine, and in Chernihiv, an NGO demanded and publicized the office hours of each city council member. In Kherson, an NGO forced the local government to remove illegally placed slot machines, and an NGO in Vinnytsia cooperated with government officials to give official park status to a large green zone under threat from developers.

SERVICE PROVISION: 3.3

NGOs provide services in many areas. In a September 2007 survey, the Razumkov Center discovered that the five most recognizable types of NGOs are organizations working on consumer rights, Chernobyl, HIV/AIDS, human rights, and environmental protection. In addition to these, there are many youth development and rights groups that assist orphans and street children, promote quality lifestyles, and instill leadership skills. Other organizations assist the elderly or integrate former convicts, alcohol and drug abusers into society. Women's rights groups tackle domestic violence and human trafficking issues; condominium associations continue to secure collectively better utility and building maintenance services for property owners; and mediation groups in the East of the country and in Kyiv are used by arbitration courts.

Services by NGOs are also in demand from other sectors and organizations. For example, the Cabinet of Ministers has asked a Kyiv organization to help design a code of ethics for government employees; a highly successful charity organization in Donetsk is often asked to provide assistance to other organizations wishing to emulate its fundraising success; a Dnipropetrovsk women's rights organization

trains local police officers and social workers to recognize signs of domestic abuse or violence; and another NGO trained 349 rural priests in an effort to reduce discrimination and distribute accurate HIV/AIDS information in parishes.



Although virtually no funds for public procurement are earmarked for NGOs, NGOs received more than $2 million through public procurements in 2007. Procurement and reimbursement policies continue to make it difficult for NGOs to access public funds. International organizations are supporting efforts to introduce licensing and service standards so that NGOs can access these funds competitively and transparently.

The sector lacks concrete market information regarding the services they provide, such as client profiles, and supply and demand levels. When services are charged for, prices are generally determined through informal research, and are therefore either not competitive or unnecessarily low. Many services are provided for or subsidized by grants or donations.

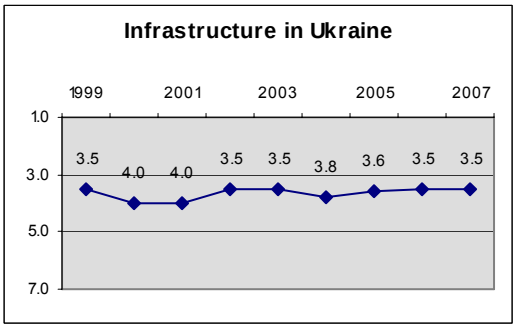
INFRASTRUCTURE: 3.5

A "generation" gap has emerged among NGOs regarding the type of support they need. More experienced NGOs require more advanced services, such as coaching and mentoring, while regional NGOs still need access to basic information including sound legal advice. The sector is still best prepared to address the general needs of NGOs, although an ISO in Kyiv is developing more tailored assessment and coaching support emphasizing local resource mobilization, leadership and advocacy.

Several other ISOs also exist, including an NGO Management School which continues to operate in Western Ukraine and several regional resource centers that offer assistance including legal advice through hotlines. A Lviv ISO has solidly positioned itself as one of Western Ukraine's leading NGO training and resource centers and as the main organizer of forums and conferences, with close ties to Eastern European donors.

As stated in the legal environment section above, new charitable organizations are founded each year, which is a sign of growing philanthropy. Many organizations re-grant funds from Polish, American and other international donor organizations. Community foundations in Chernihiv, Donetsk, Rivne and Odesa raise significant local funds.

Issue-related coalition groups exist both locally and on the national level. In Kyiv, many formal and informal citizen groups unite to challenge illegal land development. Recently a coalition of organizations representing diverse interests such as people living with HIV/AIDS, senior citizens, youth, women, and sexual minorities drafted an

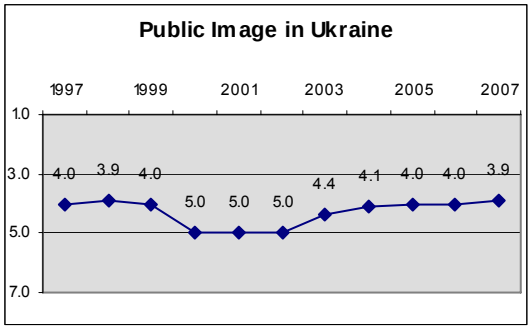


anti-discrimination bill in a coordinated effort; people with disabilities also have formed coalitions to demand equal access to recreation areas and public buildings such as restaurants and office buildings. While NGOs form coalitions around various issues, Ukraine still does not have a membership-based NGO or

other organization that advocates for the sector as whole.

Inter-sectoral partnerships are increasingly common, in part due to increased awareness among businesses about corporate social responsibility. These partnerships are most prevalent in the areas of culture, children and health. For example, the Ukraine 3000 Fund holds an annual auction to benefit orphans and preserve Ukrainian culture. In Chervonohrad, a coalition of NGOs teams annually with municipal authorities to raise awareness of mentally challenged youth.

PUBLIC IMAGE: 3.9



Several positive trends accounted for an improvement in public image over the past year. A liberalized press has given birth to the "third expert" phenomenon, in which NGO experts on particular issues or topics are often quoted, resulting in increased media coverage of NGOs and their opinions. This is most evident among political analysts, think tank representatives, business association leaders, sociologists, and healthcare specialists.

Data regarding public perception of NGOs is mixed. According to a Razumkov Center survey, the public trusts NGOs more than government institutions and those with positive views about the role of NGOs in society outnumber those with negative views four to one. However, in the same survey, people who perceive NGOs as having an impact in modern Ukrainian society are only six percent higher than those who feel they don't have any influence, a dramatic decline from the 25.8 percent difference in 2005. Alarmingly, 60 percent of respondents either are neutral or found it difficult to respond to these questions, only slightly down from the 65.5 percent who had this problem in 2005. A

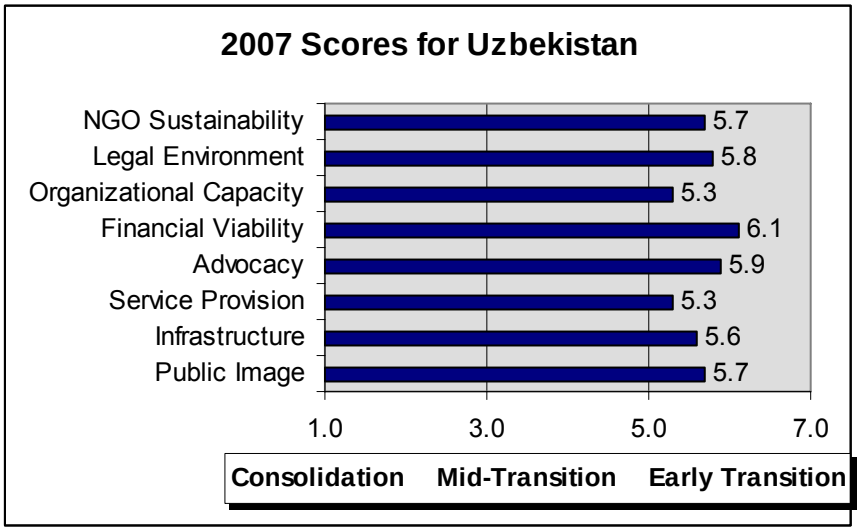
Democratic Initiatives expert opinion poll paints a different picture. This poll found that respondents were able to name specific NGOs and provide examples of their causes or successes, suggesting that the portion of the public who is aware of the work of NGOs also has a very clear understanding of the value they add to society.

Information about the perception of government and business of NGOs is more anecdotal, but is seen to be improving through increased collaboration between sectors. However, government generally still does not seek out the expertise of NGOs; rather, NGOs approach government to collaborate. Businesses, small and large, are beginning to view NGOs as partners, especially in their CSR activities. This is beginning to raise ethical issues for some NGOs who fear they can be used as marketing tools.

The law on advertising is often cited as the main reason that TV producers or editors do not cover NGO successes or activities as there is still not a clear distinction between public service announcements, news coverage and advertisement. Coverage of NGO activities is often labeled as a "social advertisement" which should be paid for. Journalists also complain that NGOs do not prepare press releases and other materials in a newsworthy manner.

The sector has a code of ethics, and signatories to the code are growing – 140 organizations signed onto the "Declaration of Ethical Standards for Civil Society Organizations" as a result of regional outreach this past year. While the movement is expanding in numbers, challenges remain to implementing and enforcing the code, including what to do with signatories that do not follow the standards.

UZBEKISTAN *



Capital: Tashkent

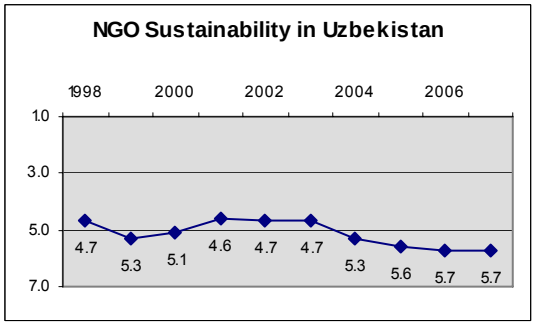
Polity:
Republic-Authoritarian Presidential

Population:
28,268,440 (July 2008 est.)

GDP per capita (PPP):
$2,200 (2007 est.)

NGO SUSTAINABILITY: 5.7

NGOs in Uzbekistan continue to operate under difficult conditions. Local experts estimate that approximately 3,000 organizations either formally closed or ceased their activities in the last few years as a result of government pressure. The government also continued to force international NGOs to close, although fewer were closed this year than last. The government requires all international NGOs to re-register as representative offices, in which case they become de facto local organizations.



NGOs are informally pressured to join the government-sponsored National Association of Non-Governmental Non-Commercial Organizations (NANNOUZ). An additional incentive to join is the eligibility for government funding that comes with membership; however, NGOs report that grants provided by NANNOUZ are quite small and barely cover travel expenses and salaries. NANNOUZ currently has approximately 300 members, representing a mix of governmentally-affiliated organizations and independent NGOs.

Despite these challenges, organizations and individuals that have long been part of the NGO community continue to operate. Reliable statistics on NGO registration and operation are not available. An informal survey of approximately 780 NGOs that were active between 2001 and 2005 found that 65 percent (505 organizations) were still operating in spring 2007.

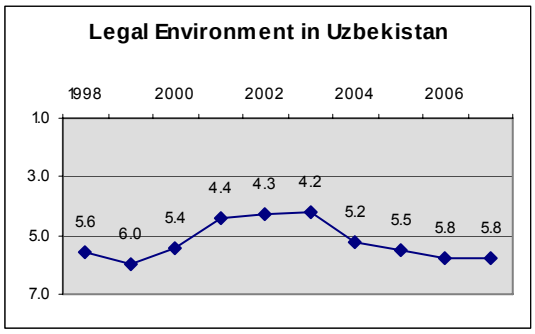
* The 2007 Uzbekistan report was prepared by the USAID mission for the Central Asian Republics. No focus group was convened on account of the difficult conditions prevailing for NGOs in the country.

The survey, conducted by the Eurasia Foundation by phone and email, confirmed that approximately 140 of the 780 organizations (18 percent) had formally closed down; an additional 130 organizations (17 percent) could not be contacted and were presumed to be non-operational. Of the 505 organizations that were active, 105 were considered to be GONGOs. Organizations that worked with youth or addressed gender issues or social, educational, or cultural themes were more likely to be closed, with approximately half of these organizations ceasing to operate. Meanwhile, over 75 percent of organizations working on less politically sensitive issues, such as health, business or the disabled, continued to operate.

Government officials publicly declare their support of NGO activities. Numerous officials in ministries and local government understand the importance of NGOs and collaborate with them on specific projects. The government, however, tends to limit its formal cooperation to GONGOs and members of NANNOUZ. Public perception of NGOs varies between negative and indifferent. Sporadic attempts by NGOs to publicize their activities in the local media have had little influence on public opinion.

LEGAL ENVIRONMENT: 5.8

The legal environment governing NGOs remains restrictive. Although two new laws – the Law on State Guarantees to NGOs and the Law on Charitable Activities – were adopted in 2007, they are primarily declarative in nature, requiring the development of implementing regulations or supplemental legislative amendments before local organizations will feel any change in the operating environment. The Law on Charitable Activities establishes the groundwork for beneficial tax changes which are expected to be incorporated into revisions to the tax code. The Law on State Guarantees creates a basis for the Government to provide financial support to NGOs and enter into contracts for social services. Although the law requires the Cabinet of Ministers to adopt rules and regulations for the allocation of state subsidies and grants, the law formally guarantees the right of NGOs to exist and recognizes their critical role in building civil society.

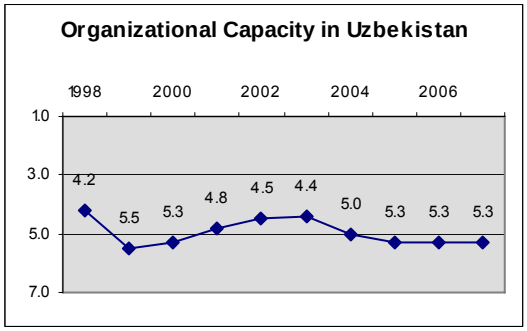


The legal framework provides tax exemptions to NGOs that are not engaged in entrepreneurial activities. However, all legal entities, including NGOs, are obligated to pay Unified Social Payments of 24 percent. On January 1, 2008, a new Tax Code that left the taxation of NGOs largely unchanged came into effect. Some organizations do not include salaries in their financial reports to reduce their tax liabilities, though they run the risk of being caught and closed down by law enforcement agencies.

The Government forced several local NGOs to close over the past year, although exact numbers cannot be determined due to the repressive working environment and the lack of public information. In addition, the Government forced three international organizations, including a USAID-funded partner, to close following court hearings. Another international organization chose to close its operations due to increased governmental harassment, including inspections, audits and fines.

As a result of the difficult environment, no new local organizations are known to have tried to register this year. At least one international organization has been pursuing registration unsuccessfully for three years. While its registration is never denied, it is also not approved.

ORGANIZATIONAL CAPACITY: 5.3



The decrease in international funding and ongoing government harassment has forced many organizations to close or lose their paid, permanent staff. Organizations increasingly rely on volunteers, although the culture of volunteerism is underdeveloped. A few experts report that government officials discouraged volunteers from supporting certain NGOs.

Employees of organizations that closed down were forced to find other ways to continue their work, either as individuals or group initiatives, or by re-registering as commercial entities.

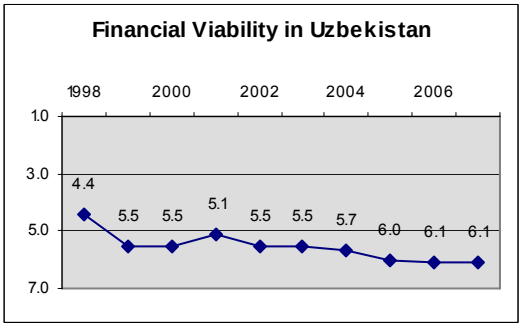
NGOs that continue to exist maintain a low profile to avoid attention from law enforcement or regulatory agencies; this prohibits them from building local constituencies. Organizations that have existed for many years and continue to operate adhere to their missions as defined in their organizational documents; failure to do so would provide government officials a reason to close them down. Few organizations have boards of directors, and those that exist are underdeveloped. Most NGOs continue to use equipment purchased under past grants. As organizations no longer receive grants, their equipment will soon be outdated. Internet cafes provide Internet access around the country.

FINANCIAL VIABILITY: 6.1

A few international donors, including USAID, OSCE, the German foundations and UNDP, still operate in Uzbekistan and provide some capacity building support. However, the Government's closure of many other international organizations that provided funding or support for local capacity development has had negative repercussions on the financial viability of local NGOs. In order to operate, most local organizations rely on private financing from their leadership, including personal savings or income from second jobs.

The government sometimes pressures businesses to donate to GONGOs. In the last year, an organization working with the disabled formed a joint venture with a group of Tashkent-based business leaders that will provide the organization with a secure source of revenue in the future. The business leaders will provide marketing and management assistance to the organization's members, who manage small revenue-producing enterprises.

NANNOUZ continued to operate the National Fund for NGO Support during 2007. As in previous years, however, grants were awarded in a non-transparent manner. Some organizations, especially professional associations, collect membership dues, although these are generally small and insufficient to sustain activities. Others receive cash donations, though the local culture of philanthropy is generally weak.



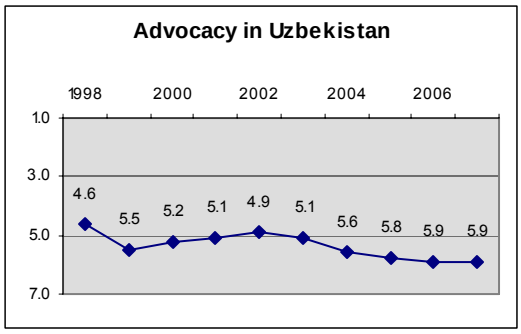
A 2004 regulation issued by the Cabinet of Ministers to prevent money laundering increased governmental scrutiny of funding transfers to NGOs through local banks. In most cases, funds are frozen until organizations receive permission to access them from a governmental committee composed of representatives of government bodies and the justice system. Reportedly, the committees evaluate whether planned NGO

activities would be beneficial to Uzbekistan and whether they duplicate efforts of the Government or government-affiliated organizations. The evaluation process can take several months, and no explanation is provided if there is a negative determination. There is anecdotal evidence that even NANNOUZ had problems transferring funds to its members.

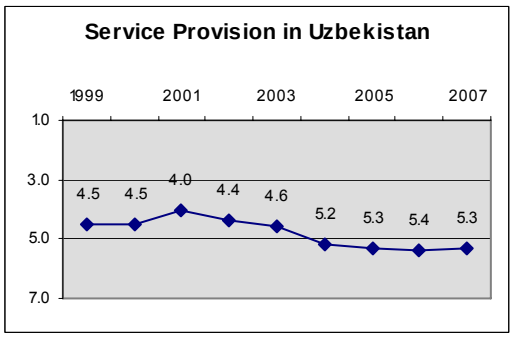
NGOs tend to keep any international or private donations they receive confidential so as not to attract attention from law enforcement agencies. The Government requires NGOs to submit quarterly financial reports to the Ministry of Justice. Civil society organizations, including GONGOs, do not publish financial reports.

ADVOCACY: 5.9

NGOs are able to lobby government officials. However, NGO advocacy campaigns are sporadic and tend to focus on non-political issues, although there were cases in the last year where more sensitive issues were raised. For example, local organizations successfully engaged with the government to promote beneficial changes in the newly adopted Law on State Guarantees to NGOs and Law on Charitable Activities. These organizations commented on the draft legislation and met with government officials to discuss the laws before they were formally adopted. Human rights organizations also began to have greater success in engaging with the government. For example, a long-term NGO campaign is credited with contributing to the government's adoption of a law to eliminate capital punishment that went into effect in January 2008.



SERVICE PROVISION: 5.3



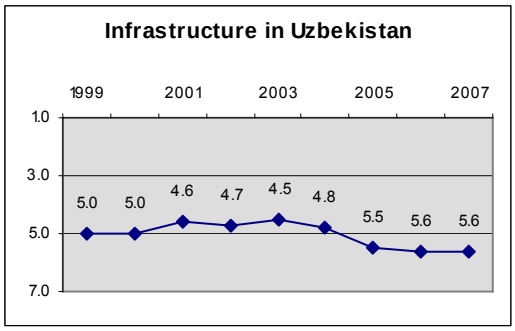
There was a slight increase in the level of services provided by NGOs over the past year. NGOs continue to provide basic services in areas such as healthcare, education, and HIV/AIDS. In addition, women's organizations, disabled rights groups and environmental organizations continue to serve their constituencies. Local NGOs also provide services to victims of trafficking in persons.

NGOs are unable to claim a large stake in the service market due to the weak economy, restrictive banking regulations, limited clientele, and the common belief that NGO services should be provided free-of-charge. NGOs do not generally conduct market research, in part because remaining organizations try to maintain a low profile.

INFRASTRUCTURE: 5.6

Over the last year, USAID supported the development of an informal network to provide more than 150 organizations with regular updates on NGO-related legislation. In addition, organizations have access to a dedicated website providing information on the relationship between NGOs and the government; receiving and using grants and charitable aid; and incorporating citizens into NGO activities. USAID also supports free legal assistance,

providing consultations on such topics as registration/re-registration of legal entities, taxation, labor, and other aspects of NGO formation and operation.

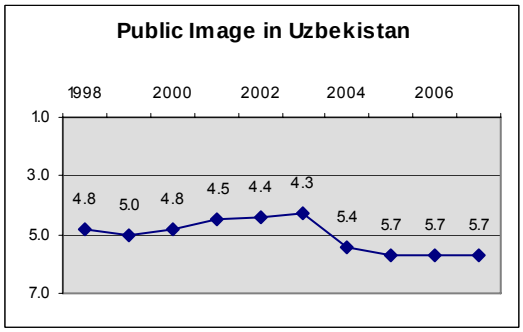


NGOs are increasingly developing informal and formal networks to share information, such as the Network of Women's NGOs, which works on human trafficking. A cadre of local NGO trainers exists and training courses on specific topics such as HIV/AIDS are available, although general training for NGO management, project development, and fundraising are no longer provided free-of-charge.

Access to a website with information about NGOs operating in Uzbekistan (www.uzngo.info) has been blocked within the country since the beginning of 2008. The government alleges that this site is among those news sources that provide "destructive information" and threatens information security.

NGOs and government agencies have formed partnerships on a few occasions. The National Assembly is collaborating with government efforts to increase the exchange of information related to NGO activities and regulations. The Ministry of Internal Affairs has expressed interest in working with local organizations to address human trafficking issues, although there have been no concrete results yet.

PUBLIC IMAGE: 5.7



While no data is available, it is likely that the public perception of civil society in Uzbekistan did not improve in 2007. Most citizens fail to understand the concept of "not-for-profit" or "non-governmental" and they are often indifferent towards both NGOs and politics. The government's closure of NGOs is generally accompanied by negative campaigns in the local press accusing them of violating the law. Several

NGOs maintain working relationships with the local media and journalists, which result in sporadic articles in newspapers and coverage on local television programs. Such opportunities are uncommon and often available only to GONGOs.

Due to the politically sensitive environment, NGO representatives were unable to conduct a survey of the public's attitudes towards NGOs or membership levels in NGOs in 2007. The most recent survey from 2005 found that only 23.8 percent of those surveyed were aware of the third sector, and 3.4 percent were members of an NGO. As the number of NGOs declined over the past year, NGO representatives speculate that these numbers are even lower now. NGOs generally prefer to avoid transparency due to the restrictive political environment.

ANNEX A: STATISTICAL DATA

COUNTRY SCORES 1997-2007

NORTHERN TIER											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	N/R	N/R	2.4	2.3	2.5	2.4	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
Hungary	2.3	1.6	2.0	2.3	2.6	2.6	2.7	2.6	2.7	2.6	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
Lithuania	4.0	3.1	3.0	3.2	3.0	2.8	2.6	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
Slovakia	2.8	2.8	2.1	1.9	1.9	2.1	2.2	2.5	2.6	2.5	2.5
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.4	4.0	4.0	4.0	3.9
Average	**2.9**	**2.7**	**2.3**	**2.4**	**2.4**	**2.5**	**2.5**	**2.7**	**2.7**	**2.7**	**2.7**
SOUTHERN TIER											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	4.4	4.2	4.8	4.6	4.6	4.3	4.1	3.9	3.9	3.9	3.8
Bosnia	N/R	5.6	5.2	4.0	4.5	4.2	4.1	4.0	3.9	3.8	3.8
Bulgaria	4.0	3.6	4.0	3.7	3.6	3.1	3.1	3.2	3.2	3.2	3.1
Croatia	4.6	4.4	4.7	4.3	3.8	3.7	3.5	3.5	3.4	3.3	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
Macedonia	4.4	4.4	4.6	4.6	4.2	4.0	3.7	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
Romania	3.6	3.8	4.1	4.1	4.0	3.7	3.8	3.7	3.6	3.6	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
Average	**4.3**	**4.5**	**4.6**	**4.3**	**4.2**	**4.0**	**3.9**	**3.8**	**3.8**	**3.8**	**3.7**
EURASIA											
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	N/R	N/R	5.1	2.0	4.4	4.2	4.1	4.1	4.1	4.1	4.0
Azerbaijan	N/R	6.4	5.7	5.0	4.9	5.2	4.1	4.9	5.0	5.0	4.9
Belarus	N/R	N/R	N/R	5.7	5.5	5.3	5.6	5.6	5.8	5.9	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
Kazakhstan	4.6	4.4	4.8	4.7	4.3	4.1	3.9	4.1	4.1	4.1	4.0
Kyrgyzstan	4.6	3.9	4.1	4.3	4.3	4.1	4.1	4.2	4.1	4.1	4.1
Moldova	N/R	N/R	N/R	4.6	4.2	4.2	4.3	4.3	4.2	4.3	4.3
Russia	3.4	3.4	4.1	4.3	4.3	4.0	4.4	4.2	4.3	4.3	4.3
Tajikistan	N/R	6.6	6.1	5.4	5.1	4.6	4.6	4.6	4.6	4.7	4.8
Turkmenistan	N/R	N/R	6.6	6.0	5.8	5.6	5.7	5.6	5.7	5.7	5.6
Ukraine	4.0	4.2	4.1	4.4	4.3	4.0	3.9	3.8	3.7	3.6	3.6
Uzbekistan	N/R	4.7	5.3	5.1	4.6	4.7	4.7	5.2	5.6	5.7	5.7
Average	**4.2**	**4.6**	**5.0**	**4.6**	**4.6**	**4.5**	**4.5**	**4.5**	**4.6**	**4.6**	**4.6**

N/R=Country was not studied in that year

COUNTRIES RANKED BY SCORES

LEGAL ENVIRONMENT

CONSOLIDATION	
Hungary	1.5
Estonia	1.8
Bulgaria	2.0
Lithuania	2.1
Poland	2.3
Latvia	2.4
Slovakia	2.5
Croatia	2.9
Czech Republic	3.0
Macedonia	3.0
MID-TRANSITION	
Georgia	3.2
Kosovo	3.3
Bosnia	3.4
Montenegro	3.4
Romania	3.5
Slovenia	3.5
Albania	3.6
Ukraine	3.6
Armenia	3.8
Kyrgyzstan	3.8
Kazakhstan	3.9
Moldova	4.3
Serbia	4.7
Tajikistan	4.8
Azerbaijan	4.9
Russia	4.9
EARLY TRANSITION	
Uzbekistan	5.8
Turkmenistan	6.4
Belarus	7.0

ORGANIZATIONAL CAPACITY

CONSOLIDATION	
Estonia	2.4
Lithuania	2.6
Poland	2.6
Slovakia	2.8
Hungary	3.0
Latvia	3.0
MID-TRANSITION	
Croatia	3.1
Czech Republic	3.1
Bosnia	3.5
Romania	3.6
Macedonia	3.7
Ukraine	3.7
Kosovo	3.8
Albania	3.9
Armenia	3.9
Georgia	3.9
Kazakhstan	4.1
Moldova	4.1
Russia	4.1
Slovenia	4.1
Bulgaria	4.3
Kyrgyzstan	4.3
Serbia	4.3
Azerbaijan	4.6
Montenegro	4.6
Tajikistan	4.6
Belarus	5.0
EARLY TRANSITION	
Turkmenistan	5.2
Uzbekistan	5.3

FINANCIAL VIABILITY

CONSOLIDATION	
Estonia	2.4
Poland	2.7
Czech Republic	2.8
Lithuania	2.8
MID-TRANSITION	
Latvia	3.2
Slovakia	3.2
Hungary	3.5
Bulgaria	4.1
Romania	4.1
Croatia	4.2
Ukraine	4.2
Russia	4.4
Albania	4.5
Macedonia	4.5
Slovenia	4.5
Kazakhstan	4.6
Bosnia	4.8
Kosovo	4.8
Montenegro	4.9
EARLY TRANSITION	
Georgia	5.1
Kyrgyzstan	5.1
Armenia	5.2
Moldova	5.2
Serbia	5.5
Tajikistan	5.6
Azerbaijan	5.9
Turkmenistan	6.0
Uzbekistan	6.1
Belarus	6.6

COUNTRIES RANKED BY SCORES

ADVOCACY

CONSOLIDATION	
Estonia	1.8
Latvia	2.0
Lithuania	2.0
Poland	2.0
Bulgaria	2.4
Czech Republic	2.4
Slovakia	2.5
Ukraine	2.9
Macedonia	3.0
MID-TRANSITION	
Bosnia	3.1
Croatia	3.2
Albania	3.3
Hungary	3.3
Romania	3.3
Kyrgyzstan	3.6
Montenegro	3.6
Armenia	3.7
Kazakhstan	3.7
Moldova	3.8
Kosovo	3.9
Slovenia	3.9
Russia	4.0
Serbia	4.0
Georgia	4.2
Azerbaijan	4.9
EARLY TRANSITION	
Tajikistan	5.1
Uzbekistan	5.9
Belarus	6.0
Turkmenistan	6.1

SERVICE PROVISION

CONSOLIDATION	
Czech Republic	2.2
Slovakia	2.2
Estonia	2.3
Poland	2.3
Hungary	2.4
Latvia	2.4
MID-TRANSITION	
Bulgaria	3.1
Croatia	3.1
Romania	3.1
Ukraine	3.3
Lithuania	3.4
Slovenia	3.5
Albania	3.9
Armenia	3.9
Macedonia	3.9
Kazakhstan	4.0
Kosovo	4.0
Kyrgyzstan	4.0
Montenegro	4.0
Bosnia	4.1
Georgia	4.1
Russia	4.1
Moldova	4.5
Serbia	4.5
Azerbaijan	4.6
Tajikistan	4.6
EARLY TRANSITION	
Turkmenistan	5.2
Uzbekistan	5.3
Belarus	5.5

INFRASTRUCTURE

CONSOLIDATION	
Estonia	1.7
Poland	1.8
Hungary	2.2
Slovakia	2.2
Latvia	2.5
Croatia	2.8
Lithuania	2.9
Bulgaria	3.0
Czech Republic	3.0
MID-TRANSITION	
Macedonia	3.2
Romania	3.3
Kosovo	3.4
Ukraine	3.5
Armenia	3.6
Kazakhstan	3.6
Kyrgyzstan	3.6
Moldova	3.7
Serbia	3.7
Russia	3.8
Albania	3.9
Slovenia	3.9
Montenegro	4.0
Bosnia	4.1
Georgia	4.3
Azerbaijan	4.4
Tajikistan	4.5
Turkmenistan	5.0
EARLY TRANSITION	
Belarus	5.6
Uzbekistan	5.6

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	3.1
Hungary	3.2
Bosnia	3.4
Romania	3.7
Albania	3.8
Kosovo	3.8
Macedonia	3.8
Armenia	3.9
Georgia	3.9
Ukraine	3.9
Slovenia	4.0
Kazakhstan	4.1
Kyrgyzstan	4.1
Moldova	4.2
Tajikistan	4.4
Montenegro	4.5
Russia	4.7
Serbia	4.8
Azerbaijan	5.0
EARLY TRANSITION	
Turkmenistan	5.6
Uzbekistan	5.7
Belarus	6.0

NGO SUSTAINABILITY – COUNTRY RANKINGS

		2007	2006	2005
CONSOLIDATION				
Estonia	2.1	1	1	1
Poland	2.3	2	2	2
Slovakia	2.5	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	3.1	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	3.8	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	4.1	19	16	16
Kyrgyzstan	4.1	19	18	18
Montenegro	4.1	19	21	21
Moldova	4.3	22	22	21
Russia	4.3	22	22	23
Serbia	4.5	24	24	24
Tajikistan	4.8	25	25	25
Azerbaijan	4.9	26	26	26
EARLY TRANSITION				
Turkmenistan	5.6	27	27	28
Uzbekistan	5.7	28	27	27
Belarus	6.0	29	29	29

LEGAL ENVIRONMENT

NORTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	N/R	N/R	2.0	2.0	3.0	3.0	3.0	3.1	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
Hungary	2.5	1.0	1.0	1.0	1.7	1.4	1.3	1.3	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
Lithuania	4.0	4.0	4.0	4.0	2.0	1.6	1.6	1.8	2.0	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
Slovakia	4.0	3.5	3.5	2.5	2.5	2.6	2.5	2.3	2.3	2.3	2.5
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.7	3.7	3.7	3.5	3.5
Average	**3.5**	**2.9**	**2.6**	**2.4**	**2.2**	**2.2**	**2.3**	**2.3**	**2.4**	**2.4**	**2.4**

SOUTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	4.0	4.0	4.0	4.0	4.0	3.6	3.5	3.4	3.6	3.6	3.6
Bosnia	N/R	5.0	5.0	4.5	4.0	3.5	3.5	3.5	3.5	3.5	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
Croatia	6.0	6.0	6.0	4.0	3.0	2.8	2.8	3.2	3.2	3.0	2.9
Kosovo	N/R	N/R	3.0	3.0	4.0	3.3	3.2	3.0	3.0	3.0	3.3
Macedonia	4.0	3.0	3.0	3.0	3.0	3.0	2.9	2.9	3.1	3.1	3.0
Montenegro	N/R	N/R	3.5	3.5	3.7	3.7	3.4	3.3	3.3	3.3	3.4
Romania	4.0	3.5	3.5	3.0	3.0	3.0	4.0	3.8	3.6	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
Average	**4.5**	**4.4**	**4.3**	**3.7**	**3.7**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**

EURASIA	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	N/R	N/R	4.0	4.0	4.0	3.8	3.8	3.8	3.8	3.8	3.8
Azerbaijan	N/R	7.0	6.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	4.9
Belarus	N/R	N/R	N/R	7.0	7.0	6.5	6.8	6.9	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
Kazakhstan	5.0	4.9	5.0	4.5	4.5	4.2	4.0	4.2	4.2	4.2	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
Moldova	N/R	N/R	N/R	3.0	3.0	3.3	3.7	4.2	4.1	4.2	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
Tajikistan	N/R	6.5	6.0	5.0	4.8	4.6	4.3	4.3	4.5	4.8	4.8
Turkmenistan	N/R	N/R	7.0	6.5	6.5	6.5	6.7	6.5	6.6	6.5	6.4
Ukraine	4.0	4.6	5.0	5.0	5.0	4.5	4.0	3.6	3.7	3.6	3.6
Uzbekistan	N/R	5.6	6.0	5.4	4.4	4.3	4.2	5.2	5.5	5.8	5.8
Average	**4.3**	**4.8**	**5.0**	**4.7**	**4.8**	**4.5**	**4.5**	**4.6**	**4.7**	**4.7**	**4.7**

N/R=Country was not studied in that year

ORGANIZATIONAL CAPACITY

NORTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	N/R	N/R	3.0	3.0	2.9	2.9	3.2	3.2	3.1	3.1
Estonia	N/R	N/R	N/R	2.5	2.3	2.2	2.6	2.5	2.4	2.4	2.4
Hungary	2.5	2.0	2.0	3.0	2.8	2.7	2.9	3.0	3.0	2.9	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
Lithuania	4.0	3.0	2.5	2.5	3.0	2.9	2.9	2.6	2.5	2.6	2.6
Poland	1.0	2.0	2.0	2.0	2.0	2.2	2.2	2.5	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
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.5	4.2	4.2	4.2	4.1
Average	**2.5**	**2.8**	**2.1**	**2.4**	**2.6**	**2.5**	**2.7**	**2.9**	**3.0**	**3.0**	**3.0**

SOUTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	4.0	4.2	4.5	5.0	5.0	4.5	4.2	4.0	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
Bulgaria	3.0	3.0	3.5	4.5	4.5	4.5	4.4	4.5	4.5	4.5	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
Kosovo	N/R	N/R	4.5	4.5	5.0	4.2	4.3	4.0	3.9	3.9	3.8
Macedonia	4.0	4.0	4.0	4.0	4.0	4.0	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
Romania	3.0	3.5	4.0	5.0	4.5	4.0	3.8	3.8	3.8	3.8	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
Average	**3.5**	**4.0**	**4.3**	**4.6**	**4.4**	**4.2**	**4.1**	**4.0**	**3.9**	**3.9**	**3.9**

EURASIA	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	N/R	N/R	5.0	5.0	4.0	3.9	3.6	4.0	4.0	4.0	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
Belarus	N/R	N/R	N/R	5.0	4.8	4.7	4.8	4.6	4.8	4.9	5.0
Georgia	N/R	4.0	3.5	4.0	4.0	4.0	4.0	3.8	3.8	3.9	3.9
Kazakhstan	4.0	4.0	4.5	5.0	4.2	4.0	3.8	3.8	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
Moldova	N/R	N/R	N/R	4.5	4.5	4.5	4.2	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	4.1	4.1
Tajikistan	N/R	6.0	6.0	5.5	5.0	4.5	4.6	4.8	4.7	4.6	4.6
Turkmenistan	N/R	N/R	6.0	5.8	5.5	5.3	5.3	5.2	5.4	5.4	5.2
Ukraine	4.0	3.7	3.5	4.0	4.0	3.5	3.9	3.9	3.7	3.7	3.7
Uzbekistan	N/R	4.2	5.5	5.3	4.8	4.5	4.4	5.0	5.3	5.3	5.3
Average	**3.8**	**4.4**	**4.7**	**4.8**	**4.5**	**4.3**	**4.3**	**4.4**	**4.4**	**4.4**	**4.4**

N/R=Country was not studied in that year

FINANCIAL VIABILITY

NORTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	N/R	N/R	2.0	2.0	2.0	1.9	2.7	2.8	2.7	2.8
Estonia	N/R	N/R	N/R	2.8	2.6	2.6	2.6	2.5	2.5	2.5	2.4
Hungary	2.0	2.0	2.5	3.0	2.8	3.0	3.3	3.3	3.4	3.3	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
Lithuania	4.0	3.0	3.5	4.0	3.0	2.9	2.9	3.0	2.9	2.9	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
Slovakia	3.0	4.0	3.0	3.0	3.0	3.0	3.2	3.5	3.5	3.3	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
Average	**2.8**	**3.2**	**2.9**	**3.0**	**2.8**	**2.8**	**2.9**	**3.2**	**3.2**	**3.1**	**3.1**

SOUTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	5.0	5.0	5.0	5.0	5.0	4.8	4.6	4.5	4.5	4.6	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
Bulgaria	5.0	5.0	5.5	5.2	4.5	3.8	3.7	4.1	4.2	4.2	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
Kosovo	N/R	N/R	6.0	6.0	6.0	6.0	5.6	5.3	5.2	5.2	4.8
Macedonia	5.0	5.0	5.0	5.0	4.0	4.6	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
Romania	4.0	4.5	5.0	5.5	4.5	4.5	4.3	4.3	4.3	4.2	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
Average	**4.7**	**5.2**	**5.6**	**5.6**	**5.1**	**5.0**	**4.8**	**4.8**	**4.7**	**4.7**	**4.6**

EURASIA	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	N/R	N/R	6.0	6.0	6.0	5.6	5.5	5.5	5.5	5.4	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
Belarus	N/R	N/R	N/R	6.0	6.0	5.7	6.2	6.2	6.4	6.5	6.6
Georgia	N/R	4.0	4.9	5.0	5.0	4.9	4.6	4.8	5.0	5.0	5.1
Kazakhstan	4.0	4.4	5.5	5.5	5.0	4.8	4.7	5.0	4.9	4.8	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
Moldova	N/R	N/R	N/R	5.5	5.3	5.2	5.3	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
Tajikistan	N/R	7.0	7.0	6.0	6.0	5.5	5.7	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
Ukraine	4.0	4.6	5.0	5.0	5.0	5.0	4.8	4.6	4.4	4.3	4.2
Uzbekistan	N/R	4.4	5.5	5.5	5.1	5.5	5.5	5.8	6.0	6.1	6.1
Average	**4.3**	**4.8**	**5.7**	**5.6**	**5.4**	**5.2**	**5.3**	**5.3**	**5.4**	**5.4**	**5.3**

N/R=Country was not studied in that year

DIMENSION SCORES 1997-2007

ADVOCACY

NORTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	N/R	N/R	2.0	1.8	1.8	2.0	2.2	2.2	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
Hungary	3.0	1.0	1.5	3.0	3.5	3.5	3.3	3.3	3.2	3.2	3.3
Latvia	4.0	4.0	N/R	3.0	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Lithuania	4.0	2.0	1.5	2.0	2.0	1.8	1.6	2.0	1.9	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
Slovakia	2.0	2.0	1.5	1.5	1.5	1.6	1.6	2.2	2.3	2.4	2.5
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.0	3.8	4.0	4.0	3.9
Average	**3.0**	**2.2**	**1.8**	**2.2**	**2.1**	**2.1**	**2.2**	**2.4**	**2.4**	**2.5**	**2.5**

SOUTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	4.0	4.0	4.0	4.0	3.0	3.9	3.6	3.4	3.3	3.3	3.3
Bosnia	N/R	6.0	5.5	4.5	4.2	3.9	3.6	3.3	3.3	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
Croatia	5.0	4.0	4.0	2.5	3.0	3.0	3.0	3.4	3.5	3.4	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
Macedonia	5.0	5.0	4.5	4.5	4.0	3.6	3.3	3.1	3.1	3.0	3.0
Montenegro	N/R	N/R	3.5	3.5	4.5	4.7	4.3	4.0	3.8	3.7	3.6
Romania	5.0	3.5	4.0	3.5	4.5	4.0	3.8	3.6	3.4	3.4	3.3
Serbia	5.0	6.0	6.0	4.0	3.5	3.3	3.2	3.8	3.8	4.0	4.0
Average	**4.5**	**4.5**	**4.4**	**3.8**	**3.9**	**3.7**	**3.5**	**3.4**	**3.3**	**3.3**	**3.3**

EURASIA	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	N/R	N/R	5.0	5.0	4.0	4.2	3.8	3.7	3.8	3.8	3.7
Azerbaijan	N/R	6.5	6.0	5.5	5.0	5.0	4.8	4.8	5.1	5.1	4.9
Belarus	N/R	N/R	N/R	6.0	5.5	5.4	5.7	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
Kazakhstan	5.0	N/R	4.5	4.5	4.3	4.0	3.6	3.6	3.8	3.8	3.7
Kyrgyzstan	5.0	3.5	3.5	3.5	3.0	3.3	3.8	4.0	3.8	3.6	3.8
Moldova	N/R	N/R	N/R	5.0	4.2	4.2	4.1	4.0	3.9	3.9	3.8
Russia	3.0	3.0	3.5	4.5	4.9	4.2	4.5	4.2	4.2	4.0	4.0
Tajikistan	N/R	6.5	6.0	5.5	5.0	4.5	4.5	4.6	4.6	4.9	5.1
Turkmenistan	N/R	N/R	6.5	6.3	6.3	6.1	6.1	6.1	6.1	6.1	6.1
Ukraine	4.0	4.4	5.0	4.0	4.0	3.5	3.4	3.1	3.1	3.0	2.9
Uzbekistan	N/R	4.6	5.5	5.2	5.1	4.9	5.1	5.6	5.8	5.9	5.9
Average	**4.3**	**4.6**	**4.9**	**4.8**	**4.6**	**4.5**	**4.5**	**4.5**	**4.5**	**4.5**	**4.5**

N/R=Country was not studied in that year

DIMENSION SCORES 1997*-2007

SERVICE PROVISION

NORTHERN TIER	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	2.0	2.0	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
Hungary	2.5	2.0	2.3	2.3	2.3	2.3	2.4	2.4	2.4
Latvia	2.5	N/R	2.4	2.5	2.5	2.4	2.4	2.4	2.4
Lithuania	3.5	3.5	4.0	3.8	3.4	3.7	3.7	3.6	3.4
Poland	2.0	2.0	2.0	2.1	2.0	2.3	2.3	2.3	2.3
Slovakia	2.0	2.0	2.0	2.2	2.2	2.2	2.2	2.2	2.2
Slovenia	N/R	N/R	N/R	N/R	3.0	3.6	3.6	3.5	3.5
Average	**2.5**	**2.3**	**2.4**	**2.5**	**2.5**	**2.6**	**2.7**	**2.6**	**2.6**

SOUTHERN TIER	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	5.0	5.0	5.0	3.9	4.0	3.9	3.9	3.9	3.9
Bosnia	5.0	4.5	4.2	4.5	4.4	4.3	4.2	4.1	4.1
Bulgaria	4.0	3.0	3.0	2.8	2.9	3.2	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
Kosovo	4.0	5.0	4.0	5.0	4.8	4.0	4.0	4.0	4.0
Macedonia	5.5	5.5	5.0	4.8	4.0	3.9	3.9	3.9	3.9
Montenegro	4.5	4.5	4.0	4.2	4.2	4.0	4.0	4.0	4.0
Romania	4.0	4.0	3.5	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
Average	**4.6**	**4.4**	**4.1**	**4.0**	**3.9**	**3.8**	**3.8**	**3.8**	**3.7**

EURASIA	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	5.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	3.9
Azerbaijan	4.5	4.5	5.0	5.0	4.8	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
Georgia	4.0	5.0	4.0	4.2	4.4	4.1	4.1	4.0	4.1
Kazakhstan	4.5	4.7	4.0	4.0	3.9	4.1	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
Moldova	N/R	5.0	4.5	4.4	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
Tajikistan	5.5	5.5	5.0	4.5	4.3	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
Ukraine	2.5	4.0	3.0	3.0	3.3	3.3	3.3	3.3	3.3
Uzbekistan	4.5	4.5	4.0	4.4	4.6	5.2	5.3	5.4	5.3
Average	**4.5**	**4.7**	**4.3**	**4.3**	**4.3**	**4.3**	**4.4**	**4.4**	**4.4**

N/R=Country was not studied in that year

*Service Provision was not a dimension studied in 1997 or 1998

DIMENSION SCORES 1997*-2007

INFRASTRUCTURE

NORTHERN TIER	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Estonia	N/R	2.5	2.0	1.9	2.0	1.7	1.7	1.7	1.7
Hungary	2.5	2.0	2.5	2.5	2.4	2.3	2.3	2.2	2.2
Latvia	3.0	N/R	3.0	3.0	2.8	2.7	2.7	2.6	2.5
Lithuania	3.0	3.0	2.5	2.3	2.2	3.0	3.1	3.0	2.9
Poland	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.8	1.8
Slovakia	1.5	1.5	1.5	1.7	1.9	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
Average	**2.4**	**2.3**	**2.4**	**2.3**	**2.5**	**2.6**	**2.6**	**2.6**	**2.5**

SOUTHERN TIER	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	5.5	5.0	5.0	4.6	4.4	4.2	4.1	3.9	3.9
Bosnia	5.0	5.0	4.8	4.5	4.5	4.4	4.3	4.1	4.1
Bulgaria	3.0	3.0	3.0	2.5	2.5	2.9	3.0	3.0	3.0
Croatia	4.0	4.0	4.0	3.9	3.6	3.2	3.1	2.9	2.8
Kosovo	5.0	5.0	4.0	3.7	3.5	3.4	3.6	3.5	3.4
Macedonia	5.0	5.0	4.5	3.7	3.3	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
Romania	4.0	4.0	4.0	3.6	3.6	3.5	3.4	3.4	3.3
Serbia	5.0	4.0	3.0	3.4	3.4	3.7	3.7	3.8	3.7
Average	**4.6**	**4.4**	**4.1**	**3.8**	**3.7**	**3.6**	**3.6**	**3.5**	**3.5**

EURASIA	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	5.5	6.0	4.5	4.2	4.0	3.9	3.7	3.7	3.6
Azerbaijan	5.5	4.5	3.0	4.6	4.7	4.6	4.6	4.6	4.4
Belarus	N/R	5.0	4.5	4.5	4.8	5.0	5.3	5.5	5.6
Georgia	3.5	3.0	3.0	4.0	3.8	3.9	4.0	4.0	4.3
Kazakhstan	5.0	4.5	4.1	3.9	3.6	3.6	3.5	3.5	3.6
Kyrgyzstan	4.5	4.0	3.8	3.7	3.8	3.6	3.6	3.6	3.6
Moldova	N/R	4.0	3.8	3.8	3.8	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
Tajikistan	6.0	5.0	4.8	4.1	4.1	4.3	4.2	4.2	4.5
Turkmenistan	6.5	5.7	5.5	5.2	5.0	4.6	4.8	5.0	5.0
Ukraine	3.5	4.0	4.0	3.5	3.5	3.8	3.6	3.5	3.5
Uzbekistan	5.0	5.0	4.6	4.7	4.5	4.5	5.5	5.6	5.6
Average	**4.9**	**4.5**	**4.1**	**4.1**	**4.1**	**4.1**	**4.2**	**4.2**	**4.3**

N/R=Country was not studied in that year

*Infrastructure was not a dimension studied in 1997 or 1998

DIMENSION SCORES 1997-2007

PUBLIC IMAGE

NORTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Czech Republic	N/R	N/R	N/R	3.0	2.5	2.3	2.1	2.5	2.5	2.5	2.5
Estonia	N/R	N/R	N/R	2.5	2.0	2.0	2.2	2.1	2.1	2.1	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
Latvia	3.0	4.0	N/R	2.0	2.7	3.0	2.8	2.9	2.9	2.9	3.1
Lithuania	4.0	3.0	2.5	3.0	4.0	3.8	3.3	3.0	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
Slovakia	3.0	1.5	1.0	1.5	1.5	1.8	2.0	2.6	2.6	2.5	2.3
Slovenia	N/R	N/R	N/R	N/R	N/R	N/R	3.6	4.1	4.2	4.1	4.0
Average	**2.7**	**2.5**	**1.9**	**2.3**	**2.5**	**2.6**	**2.7**	**2.8**	**2.8**	**2.8**	**2.8**

SOUTHERN TIER	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Albania	5.0	4.0	5.0	4.5	5.0	4.6	4.5	4.2	4.0	3.9	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
Bulgaria	4.0	2.8	4.5	4.0	4.0	3.5	3.4	3.3	3.2	3.1	3.0
Croatia	5.0	4.0	4.0	4.0	3.8	3.5	3.4	3.3	3.2	3	2.9
Kosovo	N/R	N/R	3.5	4.0	4.5	3.9	3.9	3.7	3.7	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
Montenegro	N/R	N/R	5.0	5.0	5.0	4.8	4.7	4.6	4.6	4.6	4.5
Romania	3.0	4.0	4.0	3.5	4.0	3.8	4.0	3.8	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
Average	**4.3**	**4.4**	**4.6**	**4.3**	**4.3**	**4.0**	**3.9**	**3.9**	**3.8**	**3.8**	**3.7**

EURASIA	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Armenia	N/R	N/R	5.0	5.0	4.0	4.0	3.9	3.9	4.0	4.0	3.9
Azerbaijan	N/R	N/R	6.0	4.5	5.0	5.5	5.3	5.1	5.1	5.0	5.0
Belarus	N/R	N/R	N/R	6.0	5.5	5.2	5.6	5.6	5.8	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
Kazakhstan	5.0	4.0	4.5	4.5	4.1	3.9	3.9	4.2	4.2	4.2	4.1
Kyrgyzstan	4.0	3.8	4.1	4.5	4.5	4.1	4.1	4.3	4.1	4.0	4.1
Moldova	N/R	N/R	N/R	5.0	4.3	4.3	4.2	4.2	4.0	4.2	4.2
Russia	4.0	4.0	5.0	4.5	4.5	4.4	4.0	4.5	4.7	4.7	4.7
Tajikistan	N/R	7.0	6.0	5.0	5.0	4.5	4.4	4.4	4.3	4.4	4.4
Turkmenistan	N/R	N/R	7.0	6.2	6.0	6.0	5.9	5.8	5.7	5.7	5.6
Ukraine	4.0	3.9	4.0	5.0	5.0	5.0	4.4	4.1	4.0	4.0	3.9
Uzbekistan	N/R	4.8	5.0	4.8	4.5	4.4	4.3	5.4	5.7	5.7	5.7
Average	**4.3**	**4.2**	**5.1**	**5.0**	**4.7**	**4.6**	**4.5**	**4.6**	**4.6**	**4.6**	**4.6**

N/R=Country was not studied in that year