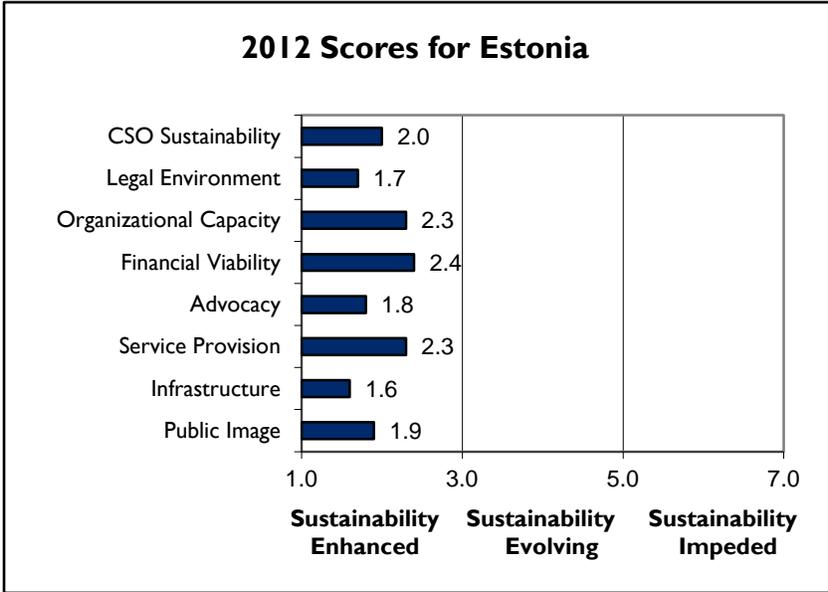
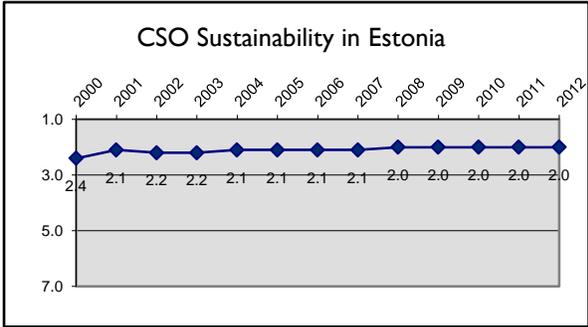


ESTONIA



Capital: Tallinn
Population: 1,266,375
GDP per capita (PPP): \$21,200
Human Development Index: 33

CSO SUSTAINABILITY: 2.0



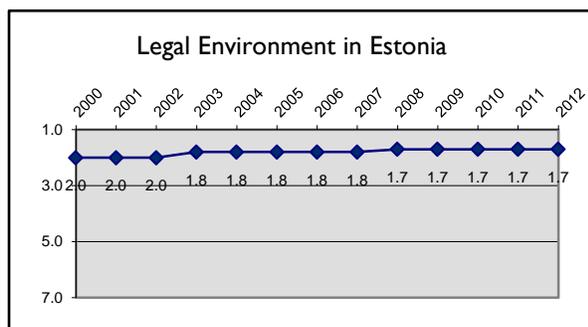
Civic activism in Estonia improved considerably in 2012. The *Dirty Money* controversy, in which the ruling Reform Party was accused of arranging for questionable donations to be made to the party, garnered widespread support for more transparency and openness within the political system. In addition, the media widely discussed civil society issues this year. Despite these improvements, some believe that the public sector’s willingness to respond to the needs and complexity of the CSO sector has decreased.

The Estonian economy continued to grow by 3.4 percent in 2012, making it the second fastest growing economy in the European Union. The unemployment rate returned to single digits for the first time since 2008. However, the CSO sector’s funding has been slow to recover in the aftermath of the global financial crisis.

Approximately 30,000 nonprofit associations and foundations are registered in Estonia. More than 2,000 new organizations were established in 2012 and nearly 3,000 defunct organizations were deleted from the registry. The large number of liquidated CSOs was largely due to the fact that organizations that failed to submit annual reports for two consecutive years were deleted from the registry this year. This change helps to align official data on CSOs with reality.



LEGAL ENVIRONMENT: 1.7



The legal environment for CSOs continues to be generally favorable, although it does not always respond to the growing needs and complexity of the quickly developing CSO sector. For example, some organizations feel that the status of volunteers needs to be clarified in the law to avoid issues regarding the reimbursement of costs and provision of insurance to volunteers, among other matters. In addition, a growing number of social enterprises - organizations that use market-based strategies to achieve social goals – is emerging despite the fact that there is not yet a

specific legal form governing such organizations. The law permits nonprofits to engage in economic activities unless such activities are the organization's main objective. An organization violating this article can be dissolved by court, although this has never happened. The Social Enterprise Advocacy Network, formed in 2011, continues to work on these issues.

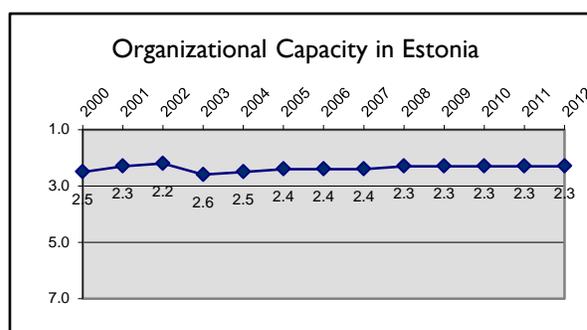
CSOs and the public sector continue to have different interpretations of CSO eligibility for tax benefits. According to the law, an organization has to be charitable and operate in the public interest to be included on the government's list of CSOs eligible to receive tax benefits. The approximately 2,000 organizations on the official list have the right to waive taxes on certain goods and services, and individuals are allowed to deduct donations to these CSOs from their taxable income up to a certain amount. CSOs advocate to remove the charity clause from the requirements, since the Tax and Customs Board interprets this term narrowly, rejecting organizations that charge fees for their goods or services. No progress has been made towards resolving this issue thus far.

The legal environment generally supports civic activism and does not impose undemocratic restrictions on organizations. CSOs are able to register easily and can do so online. Completing the registration documents takes a few minutes and if all the documents are correct, a CSO gets registered in a few days. Registered organizations have to submit annual reports to the public registry. Annual reports are available to the public for a small fee. CSOs have advocated to make this data available free-of-charge to increase the sector's transparency, and the government has agreed to implement this recommendation in 2014.

There are a very limited number of lawyers that specialize in nonprofit law. CSOs generally turn to regional development centers and umbrella organizations for legal advice.

ORGANIZATIONAL CAPACITY: 2.3

The number of capable CSOs, both advocacy and service delivery groups, is growing slowly but steadily. There is great variation in the level of professionalism among CSOs. While professional CSOs employ paid staff members, others rely entirely on volunteer efforts. Capable CSOs set the standard for other organizations and shape the image of the sector for the media and public. They are dedicated to increasing their impact by adopting both domestic and international best practices and by engaging in intersectoral partnerships. The vast majority of CSOs, however, operate on a project-to-project basis with very limited resources for relatively small groups of beneficiaries.



While the number of new organizations grows by approximately 1,500 to 2,000 a year, the number of people involved in the sector has remained more or less stable at around one-third of the population. This means that the average CSO has become smaller every year. As a result, CSO leaders often juggle huge workloads. One-third of CSOs in Estonia have fewer than ten members and only one-fifth have over fifty members.

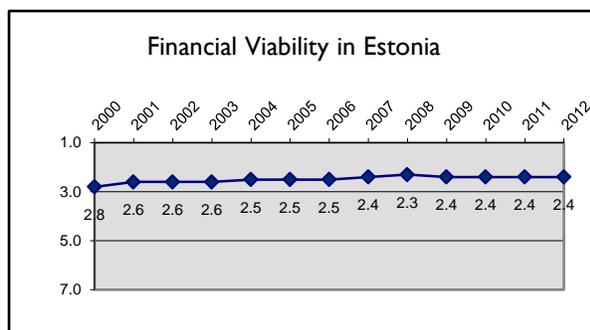
Approximately 40 percent of the population participates in organized volunteer activities. For example, approximately 30,000 people participate in the popular Let's Do It! community work day at the beginning of May each year. However, only 6 percent of the population volunteers on a regular basis.

CSOs generally do not have sophisticated strategic planning, accountability, or governance structures. While most organizations can articulate their goals and objectives, their activities tend to be driven primarily by the availability of funding and time constraints. Active and visible CSOs usually have well-defined mission statements that guide the planning and implementation of their activities. These CSOs usually have divided responsibilities appropriately between boards and management. Board members are generally elected by the organization's members and are responsible for strategic management and supervision, while the staff is charged with implementing daily activities.

Most CSOs evolve from the groups they represent and therefore have well-established constituencies. Nevertheless, CSO leaders need to make more effort to improve communication with stakeholders. In some cases, communication channels function well, while in others the members and beneficiaries leave the decision making to the leaders and become active only when they are unsatisfied with the organization's work.

CSOs generally have sufficient technical equipment to work efficiently.

FINANCIAL VIABILITY: 2.4



The majority of CSO funding comes from domestic sources such as local governments and national foundations. Every year, the state directly allocates approximately €7 million of budget funds to different nonprofit organizations in the form of project grants and institutional support, including €1.1 million to the National Foundation for Civil Society (NFCS). CSOs can also apply for funding from various competitive grants, with a total value of approximately €60 million. Some of these competitions are only open to CSOs, while others are open to CSOs, private companies, and

public sector organizations.

A working group comprised of both public sector and CSO representatives developed new guidelines to harmonize the principles of public funding for CSOs, including both project support and institutional funding. The draft concept was published in fall 2012 for comment. The draft guidelines will be piloted at the local level before being presented to the government for approval. A series of training sessions for national and local public officials about the funding guidelines was launched at the end of the year.

While most funding is in the form of project grants, institutional grants are more common on the local level and in some ministries, including those for youth and cultural organizations. Most funders focus on certain sectors, for example the Council of Gambling Tax supports activities in the fields of youth work, sport, culture, and social services, and the Environmental Investment Center supports CSOs that work on environmental issues. Two foundations – the NFCS and the NGO Fund (financed by Iceland, Liechtenstein, and Norway) - focus specifically on CSO capacity building and civil society development. The latter launched a new four-year funding period at the end of 2012.

As public funding has not yet recovered to pre-financial crisis levels, many CSOs seek alternate sources of support. CSOs increasingly collect donations and explore social entrepreneurship and other economic activities. Training and support is available to organizations wishing to engage in such activities.

The total amount of private donations to CSOs from both individuals and companies has been around €20 million annually for the last few years. Children's charities and animal shelters are particularly successful in getting private donations. Membership fees are mostly symbolic and provide limited revenue.

Estonian CSOs generally tend to rely on the funding sources they have received in the past, and only seek alternatives when pressed to do so. According to 2010 data, approximately half of Estonian CSOs receive funds from three or more sources, while roughly one-fifth are funded from a single source. Organizations that operate on a project-to-project basis usually cease their activities when funding becomes unavailable.

Active organizations have financial management systems in place. All CSO annual reports, including financial reports, are available from the public registry for a small fee. Many organizations also publish their reports on their websites. Foundations are legally required to undergo independent audits. Some associations also engage in independent audits to increase their credibility.

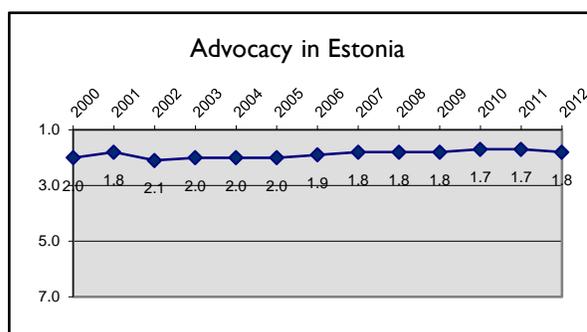
ADVOCACY: 1.8

While the Estonian civil sector has become more actively engaged in advocacy, some civil society representatives feel that the public authorities have become less responsive to advocacy, especially on the national level and in Tallinn, the capital and largest local government in the country.

CSOs enjoy more or less functional consultation channels with government officials in the form of joint working groups and public consultations over draft laws. Collaboration between civil society and local governments varies significantly. In some places, cooperation is very natural, while in others relationships are non-existent or even hostile. Some CSOs do not criticize authorities for fear of compromising their main source of funding.

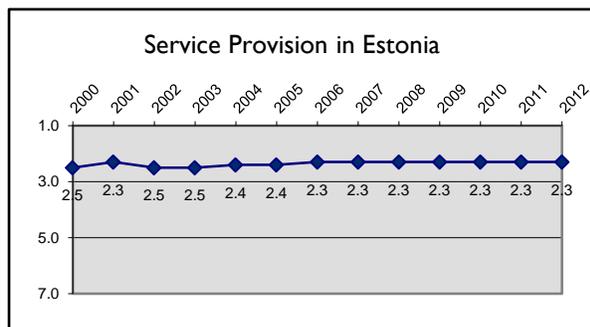
Increased activism is especially visible in the form of ad hoc networks focused on issues of common interest. For example, the Estonian Internet Community organized a widespread protest against the Anti-Counterfeiting Trade Agreement (ACTA), a multinational treaty that it viewed as breaching the freedom of expression and privacy.

The Anti-Deceitfulness movement is another example of increased civic activism. In May 2012, a political scandal surfaced when a former MP and member of the ruling Reform Party claimed that the current Minister of Justice asked him to donate €7,600 of unknown origin to the party in 2009 and 2010. He claimed that dozens of members, including other MPs, had donated funds to the party in a similar fashion. Although the party denied the accusations and the subsequent criminal investigation ended after five months due to a lack of hard evidence, the public did not find the party's denials convincing. The incident resulted in an eruption of demonstrations in several Estonian towns and petitions demanding greater transparency in party financing as well as further dialogue and openness within the political system. As a result, the Minister of Justice resigned in December. In early 2013, CSOs, political parties and a number of scholars launched a crowd-sourcing initiative to amend Estonia's electoral laws, political party law, and other issues related to the transparency of the political system and public participation.



In January, the think tank Praxis, the Open Estonia Foundation, and Estonian Public Broadcasting established the Government Guards network. The purpose of the network is to monitor the government's progress in fulfilling its action plan for the current four-year term. CSOs and experts from diverse fields evaluate the execution of the 536 pledges in the government's coalition agreement and publish their findings regularly on the www.valvurid.ee website.

SERVICE PROVISION: 2.3



The majority of public services in Estonia fall under the purview of local governments that either provide social services directly or contract CSOs and businesses to do so. A 2009 study showed that more than two-thirds of Estonia's 226 local governments outsource at least some of their public services to CSOs, mostly in the fields of social services, culture, sport and other hobby-related activities, and youth work.

CSOs have introduced new services to address sensitive issues, including the care of orphans by SOS Children Villages and the care of persons with mental disabilities by Maarja Village. CSOs have also raised awareness on issues such as HIV and domestic violence by providing services for victims.

As a rule, CSOs evolve from the groups they represent. Hence the services are in accordance with the needs and priorities of constituencies. CSOs generally cover the costs of services through grants or contracts, although in some cases users pay directly for services.

Local governments express the desire for CSOs to assume greater responsibility for providing services for traditionally marginalized communities. At the same time, however, they lack confidence in CSOs as reliable partners and are unwilling to invest in capacity building for potential service providers or to involve them in broader discussions about community needs.

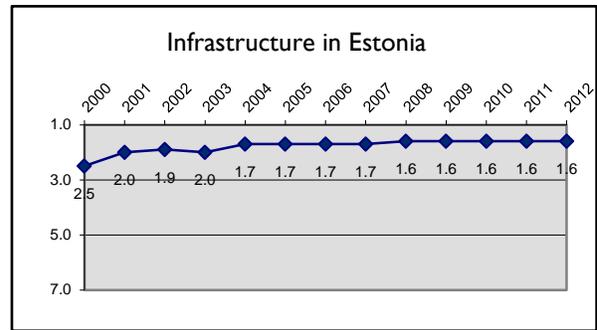
The current officials in power generally set the goals and practices of social contracting, which results in a wide variation of practices throughout the country. A number of trainings on social contracting are organized every year both for public and nonprofit representatives, but there is still no verifiable improvement in outsourcing practices.

In 2011, the National Foundation for Civil Society (NFCS) launched a Swiss NGO Fund that aims to build CSO capacity to provide services and target problematic social issues. In 2012, this Fund awarded €1.3 million to more than fifty CSOs. NFCS also provides financial support for the establishment of social enterprises.

INFRASTRUCTURE: 1.6

Regional development centers financed by the state budget operate in every Estonian county. These centers provide CSOs with free consulting services and affordable training. Training and mentoring programs are available for beginners as well as more advanced civic activists. Online consulting is provided through a common website. There are also other news and advice portals focusing on civic activities both in Estonian and in Russian, for example www.ngo.ee. Many CSOs organize trainings and publish newsletters for their members and target groups.

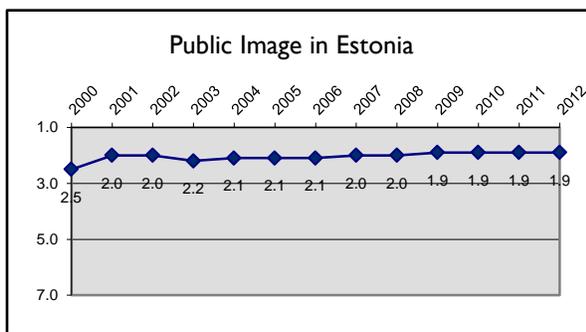
Estonian CSOs are fairly well-connected with each other, in part because the country is small and Internet is widely used, and have displayed interest in inter-organizational cooperation and learning. The Network of Estonian Nonprofit Organizations (NENO) acts as the primary umbrella and advocacy body on behalf of public benefit CSOs, focusing on cross-sectoral issues such as the legal environment, funding, and involvement in policy making. As in many other countries, informal networks have emerged through which people and organizations share information and coordinate activities without establishing a formally registered organization. Cooperation with businesses is less common but also steadily emerging.



Community foundations operate only in a few areas, mostly due to the existence of other funding opportunities such as national foundations, local governments, donations from businesses and individuals, and other funding programs.

The Estonian Civil Society Development Concept (EKAK), initiated by CSOs and adopted by the parliament in 2002, lays out the cooperation principles between civic initiatives and public authorities. The government’s strategy to improve civil society is spelled out in the Civil Society Development Plan, an action plan that is renewed every few years. The government reports on progress in implementing the plan every year, and every two years a public hearing is organized in parliament about civil society development. However, its implementation faces challenges, as sometimes the government and parliament do not follow the steps agreed to in the action plan.

PUBLIC IMAGE: 1.9



Both national and local media cover CSOs’ activities and refer to CSO experts on specific issues. In addition to news coverage and reader-friendly materials, media outlets have also published a growing number of analytical articles on the importance of civil society, for example by analyzing CSOs’ annual reports and funding sources.

Quasi-CSOs established and run by public sector institutions and public funders have received some negative media coverage because of some questionable practices. However, even this type of coverage does not question the need for CSOs or public funding, but rather raises concerns on how to strengthen transparency and accountability within the sector. The Russian-language media is generally less informed than the Estonian-language media about civil society work, and is more likely to display negative attitudes towards CSOs.

Many CSOs take advantage of social media, particularly Facebook and Twitter, to promote their goals and activities. However, smaller CSOs lack the resources to generate awareness and promote their work in an effective manner.

The public continues to be supportive of CSOs and civic activism. Most leading businesses have complex corporate social responsibility (CSR) programs in place and many smaller businesses provide goods and services to CSOs free-of-charge. The public sector’s attitude towards CSOs is mixed and often depends on

the individuals involved. Some CSOs are taken seriously as partners and reliable sources of information, while others are seen as troublemakers or even as competitors, particularly at the local level.

All CSOs submit annual reports to the public registry, where they are available to the public for a small fee. A growing number of CSOs also publish their annual reports on their websites.

Estonia adopted a Code of Ethics for CSOs in 2002, which serves as a tool for CSOs, their stakeholders, and the wider public to evaluate whether CSOs are operating in accordance with agreed-upon standards. Organizations applying for funding from the NFCS have to declare and demonstrate their adherence to the Code's standards.