A map of Central and Eastern Europe and Eurasia, with the title text overlaid. The map shows the geographical outline of the region, with some countries highlighted in green and red. The text is in a large, bold, black font.

The 2000 NGO Sustainability Index For Central and Eastern Europe and Eurasia

Fourth Edition – January 2001



Developed by:
United States Agency for International Development
Bureau for Europe and Eurasia
Office of Democracy and Governance

The 2000 NGO
Sustainability Index
For Central and Eastern Europe
and Eurasia

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FORWARD

**Donald L. Pressley, Assistant Administrator
Bureau for Europe and Eurasia (E&E), USAID**

USAID's Bureau for Europe and Eurasia (E&E) is pleased to present this 2000 NGO Sustainability Index. The Index is USAID's premiere instrument for measuring the strength and overall viability of NGO sectors in the transition countries of Central/Eastern Europe and Eurasia. This 2000 Index is the fourth in the Office of Democracy and Governance's series of annual reports.

This edition of the Index is truly an international team effort. Its scores are based upon consensus observations made in expert discussion groups in every country in the region. In those countries where USAID has active programs, the discussion groups include USAID Mission staff and partner assistance implementers, international donor organizations, and local NGOs and NGO support centers. Beginning with this issue, for the first time, we have formed a series of partnerships with local NGOs in each of the countries that have graduated from traditional USAID assistance, enabling the Index to continue to follow their progress, and allowing our readers to use them as a basis for comparison and a source of ideas.

While the Index was primarily developed to meet USAID field Missions' need for qualitative indicators in the area of NGO development, it is also relevant to other donors, local intermediary support organizations, and indigenous NGOs as well.

The seven dimensions of sustainability examined in the Index provide a description of what a sustainable NGO sector should look like, as well as a tool for gauging the strength and overall viability of NGO sectors in the region. The Index assists in the identification of progress, constraints and trends, as well as needs and opportunities in sectoral development.

We hope that our readers will find the information in the Index highly useful, and that it will help to facilitate cross-fertilization among programs in the design of on-going assistance strategies.

THE 2000 NGO SUSTAINABILITY INDEX

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THE 2000 NGO SUSTAINABILITY INDEX

INTRODUCTION AND TRENDS ANALYSIS

INTRODUCTION

This Index began in 1997 as a study of five dimensions of NGO sustainability in 17 countries. With the assistance of USAID's Advisory Committee on Voluntary Foreign Assistance (ACVFA) and with input from USAID Missions, the methodology has been improved so that the study is both more rigorous and more comprehensive. This 2000 NGO Sustainability Index measures seven dimensions in twenty-seven countries in the region plus Kosovo. For the first time this year, the Index also includes the countries of the Northern Tier that have recently graduated from traditional USAID assistance, and Belarus and Moldova.

NGO Index Dimensions of Sustainability

- Legal Environment
- Organizational Capacity
- Financial Viability
- Advocacy
- Service Provision
- Infrastructure
- Public Image

In order to improve the usability of the Index, beginning with this edition, we have provided a new statistical section in each country report. This section includes the capital and population of each country, along with a set of basic economic indicators, to give the reader a sense of the economic and demographic context in which NGOs in each country operate and seek to sustain themselves. All economic statistics quoted are for 1999, unless otherwise noted. For the sake of consistency, all economic and population statistics used are quoted from Freedom House's "Nations in Transit 1999-2000".

OVERALL FINDINGS

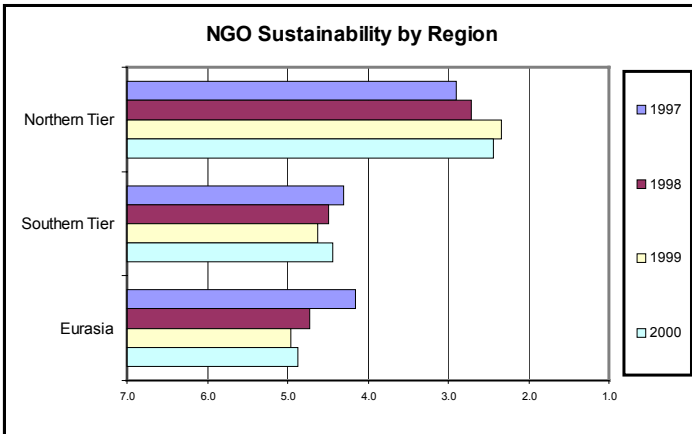
In the year since the last edition was published, dramatic events have taken place in the Balkan region that highlight the critical part played by civil society in the transition to democracy in former Eastern Bloc countries.

As the 1999 edition of this Index was going to press last year, indigenous NGOs were sharing lessons learned across borders and exploring new and expanded roles in the political process, playing a crucial part in the democratic process by monitoring, and providing civic education and voter mobilization programs in significant elections in Croatia and Ukraine.

As the 2000 edition of this Index comes together, a remarkable presidential election has just taken place in the Federal Republic of Yugoslavia, an election in which the

TRENDS ANALYSIS

Serb people, armed primarily with the tools of civil society, brushed aside an authoritarian dictator. Despite difficult conditions, due to the repressive tactics of the regime, the Serbian people took an extraordinary step toward democracy and re-joining Europe and the world community.

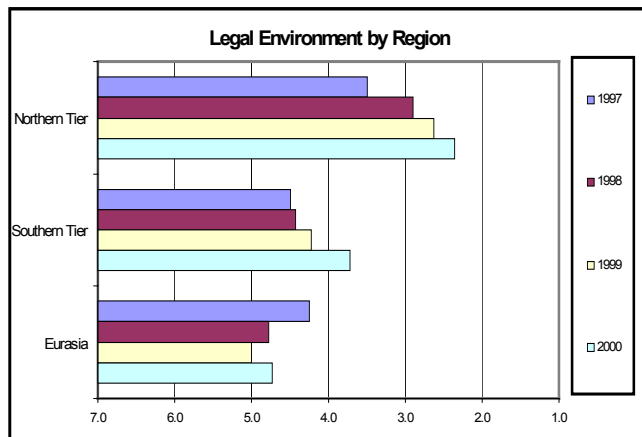


These stunning achievements represent new opportunities and new openings for NGOs and civil society in general. They are not, however, in and of themselves, evidence of the consolidation of democratic transitional progress, and underscore the need for international donors to continue to support the on going development of civil society in the countries of CEE and Eurasia.

Positive Regional Trends:

NGOs are expanding their role in democratic society throughout the region. Information collected in the 2000 NGO Index shows that the sector is maturing, and strong cross-border networks of indigenous NGOs, international NGOs and donors have developed.

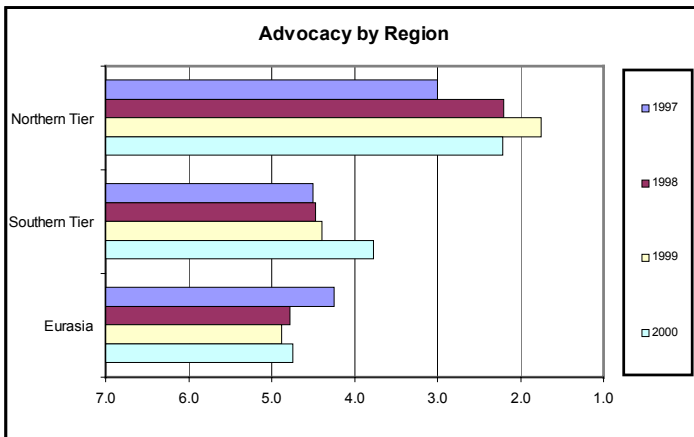
For example, though there is still need for improvement in many of the region's legislative structures, there are now sound legal and regulatory frameworks in place in a number of countries through-out the region, not just in the Northern Tier. In Macedonia, the Law on Citizen Associations and Foundations that was passed by the Parliament in 1998 has become a model that has been used in a number of countries. During 2000, implementation problems that had occurred during the year following



enactment of the law were dealt with in a manner generally thought to be satisfactory to the NGO community. Further, new NGO legislative frameworks that embody a substantial number of international best practices have been put in place within the past year in Azerbaijan, Bulgaria, Kosovo, Kyrgystan, Romania, and Tajikistan.

New draft NGO laws are currently under review and discussion, with the full participation of local NGOs, in legislative bodies in Albania, Bosnia and Croatia. In Russia, new pro-NGO legislation is being advanced on the local and regional levels by NGO sector activists, including legislation on government contracts and procurement. In Serbia, the newly elected government of Vojislav Kostunica has stated that a new NGO law will be one of his government's priorities.

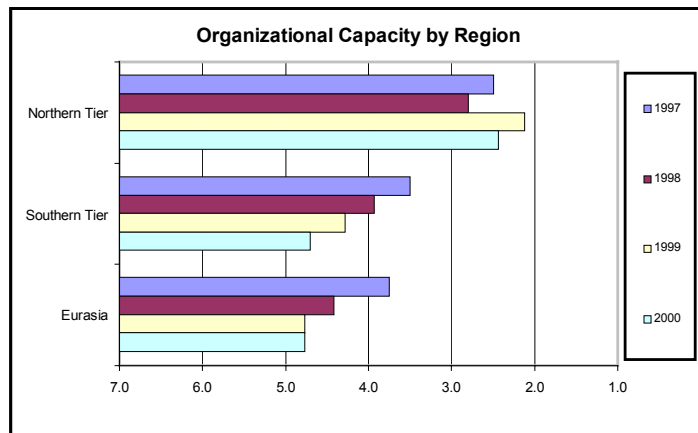
2000 NGO Sustainability Index



In both the Southern Tier of Europe and in Eurasia there is new excitement in much of the NGO sector. NGOs are making substantial progress in establishing good working relationships with local governments and State Ministries, playing an active role in policy development and public debate, and forming partnerships to deliver community services. In Albania, NGOs have been invited by local authorities to participate in the

drafting of regional economic strategies. In Tajikistan, the government has approached a group of NGOs to draft the Republic's gender equality strategy. In Azerbaijan, the NGO community was involved in reviewing and commenting on draft NGO legislation eventually signed by the President in September 2000, that provides NGOs with recognition from the government and a legal basis to conduct their work. In the Federal Republic of Yugoslavia, the new government has accepted the economic platform of an NGO, G17 Plus, "as a well-conceived plan for getting out of the [economic] crisis."¹

NGO infrastructures are also beginning to mature. Well-trained cadres of indigenous trainers are in place throughout the region, particularly in Northern Tier countries, but also in Azerbaijan, Bosnia, Russia, Tajikistan, Ukraine and others. NGO Resource Centers are well established in the Northern Tier, despite their continued financial dependence on international donors. Throughout the region, NGO



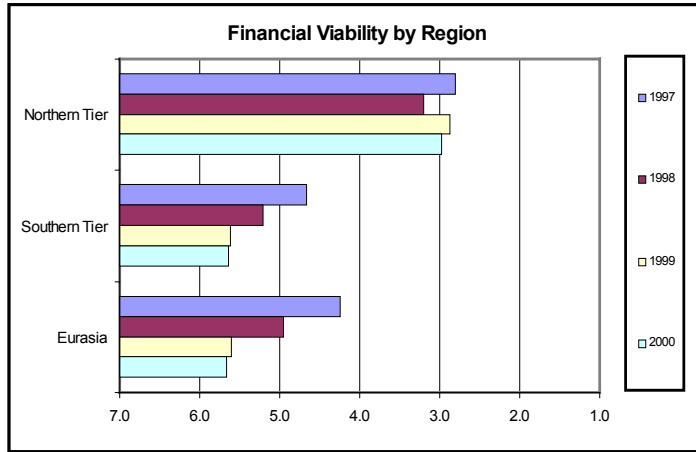
resource centers are making major contributions to the development of the sector and reaching beyond the capital cities in Albania, Azerbaijan, Kyrgyzstan, Moldova, Turkmenistan, Ukraine and in a number of regions throughout the Russian Federation.

Strong NGO coalitions have emerged out of NGO election monitoring, civic education and voter mobilization campaigns in Slovakia in 1998, Croatia and, Ukraine in 1999 and Serbia in 2000. In Ukraine, the Freedom of Choice Coalition has been able to sustain itself following the November 1999 presidential election and seeks new avenues to express its civic concerns, including a focus on NGO-led anti-corruption campaigns. In Georgia, effective NGO coalitions are providing services to children and youth, the dis

¹ Vojislav Kostunica, in a telephone interview with Belgrade NGO Resource Center "Civic Initiatives", published in "Exit 2000", a voter information supplement to four Saturday editions of the independent daily newspaper "Danas".

TRENDS ANALYSIS

abled and IDPs. Strong regional cross-sectoral coalitions have emerged in Georgia's Zugdidi and Samegrelo regions.

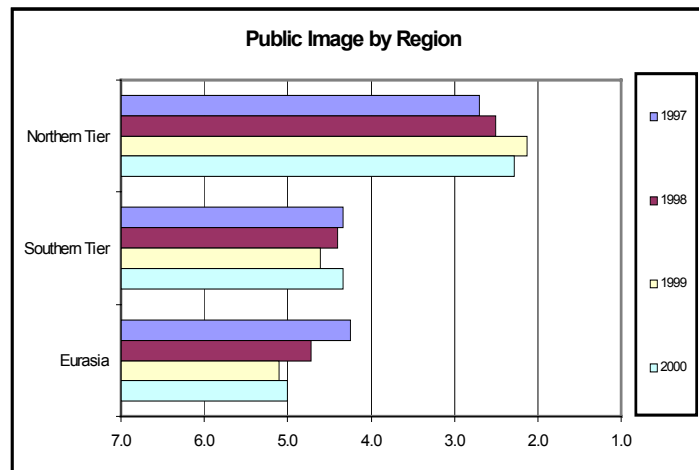


Cross-border NGO networks and partnerships are emerging. Many of the core NGOs from Slovakia's very successful OK '98 civic education and voter mobilization campaign have shared their experiences and helped NGO coalitions in Croatia, Ukraine and Serbia apply the lessons learned to their unique situations and circumstances. The Orpheus Civil Society Network, established by the European Foundation

Center, has grown to connect 27 NGO information and support centers throughout Central and Eastern Europe and Eurasia, sharing information about private foundation and corporate funding, training and educational programs, advocating for the sector, and building partnerships throughout the sector.

Constraints to Progress:

Despite impressive progress, serious threats to NGO sustainability remain, even in the Northern Tier countries that have graduated from traditional USAID support. NGO organizational capacity is still limited, particularly in the Southern Tier and Eurasia. NGOs across the region lack crucial elements of organizational capacity such as strategic planning skills and an understanding of the appropriate role of boards of directors.



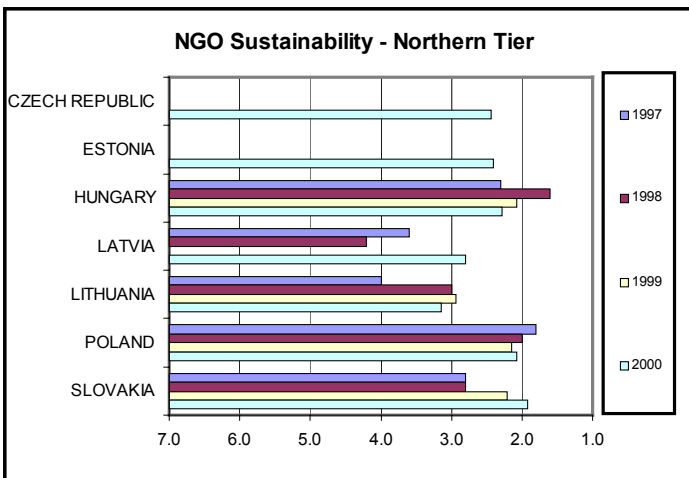
In the Southern Tier, despite large amounts of international donor money being spent in the Stability Pact countries, much of that investment is not being used in ways that sufficiently empower indigenous NGOs to build their constituencies and respond to the needs and priorities of their communities. In Bosnia, the lack of donor funds to address local priorities has contributed significantly to what many observers describe as an "ownership gap" where NGOs receiving donor grants often suffer from a weaker sense of mission and commitment than those who formed independently in response to community needs.

In the Southern Tier and Eurasia, NGO financial sustainability remains in the distant future. Even in the Northern Tier, financial viability remains a serious problem for most NGOs. Only a few economies approach GDP levels of 1989, and societal traditions of

philanthropy and voluntarism have not yet begun to take root. Sectoral infrastructure, regional cooperation and indigenous philanthropy still need substantial support, development and investment from international donors. The Orpheus Civil Society Network, for example, reports that its member NGO support centers remain deeply reliant on international donor funds, despite the intentions of most international donors to phase out grantmaking in many countries in the region. On average, only 10 to 20% of support center financial resources come from local government or corporate support, or from the Centers' own income-generating activities.²

REGIONAL TRENDS

The Northern Tier:



The gap in overall sustainability between the Northern Tier, and the Southern Tier and Eurasia remains. NGOs in the Northern Tier retain substantial advantages in each of the seven dimensions of sustainability, relative to their counterparts elsewhere in the region. In Slovakia, for example, during the past year the National Council of the Slovak Republic passed amendments to the income tax laws that will permit individuals to donate 1% of their income tax

payment to support public interest organizations. The amended laws also exempt NGOs from income tax on activities connected to the organization's purpose. Further, a coalition of 120 NGOs formed the Civic Initiative for a Competent Act on Information Access, working closely with Members of Parliament to prepare and pass a broad Freedom of Information Act in Slovakia. In Poland, public advocacy activities of NGOs are increasing. Coalitions and umbrella groups are working on issues related to childrens' rights, rights of the disabled, reproductive rights, human rights and environmental protection.

Cross border activities that share experience and expertise are growing in importance for NGOs in the Northern Tier. These activities not only transfer ideas and practices, but have been successful in facilitating the development of creative indigenous ideas and practices.

Polish NGO trainers are providing services to DemNet/Croatia, and mentoring partner NGOs under the Polish-America-Ukraine Cooperation Initiative (PAUCI). Slovak NGOs, particularly those that were active in OK '98, the civic education, election monitoring and

² *Ten Years of Civil Society Support in Central and Eastern Europe: Challenges for Building Support Infrastructure in the Region*, Orpheus Civil Society Network, European Foundation Centre, Orpheus Civil Society Project. November 2000. Page9.

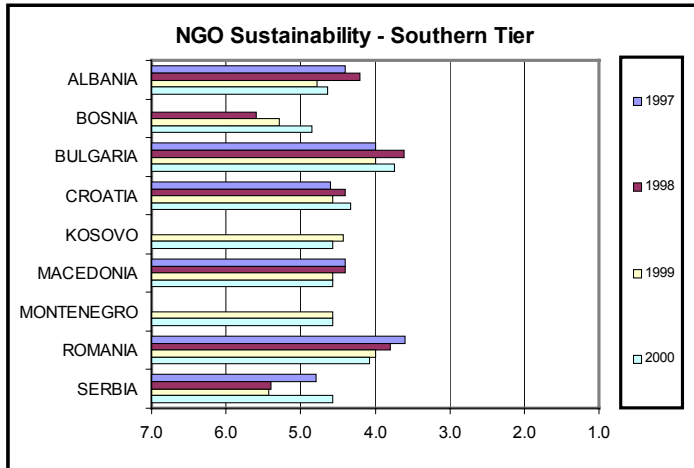
TRENDS ANALYSIS

voter mobilization coalition, shared their experience and skills with civic action NGO coalitions in Ukraine, Croatia and Serbia.

A degree of frustration, however, is becoming very apparent in the attitudes and perceptions of Northern Tier NGOs. This was particularly evident in the initial results of the expert groups empanelled in Poland, Hungary and the Czech Republic, Slovakia and the Baltics, as NGO activists compare themselves more and more with their counterparts in the European Union, rather than with those in the other transitional countries of the region. Where possible, we have tried to take this into account in arriving at final scores for each of these countries.

Nevertheless, the most intractable obstacles to sustainability continue to plague the sector. In the Czech Republic, there is a chronic lack of finances and Government support has been decreasing over the past few years. Further, the government's proposal for a new Law on Civic Associations, which was supposed to replace the Law on Associating of Citizens, was rejected by the Czech Parliament in May 2000. In Estonia, the general public is still largely indifferent to the activities of NGOs and media coverage is largely passive. In Latvia, NGOs still find it impossible to work together in coalitions and umbrella groups, because they believe that they are competing against each other for limited resources, and are therefore often uninterested in co-operating for the common good.

The Southern Tier:



Clearly, it is civil society in the Southern Tier region that has had the most challenging year, following the dramatic political changes in the Balkans. NGO coalitions and other civil society organizations were crucial to the dramatic political changes that took place, and will remain essential to consolidation of democratic progress as monitors and watchdogs of government policy and actions, and as providers of community services, in the absence of government resources.

One of the most important challenges ahead for NGOs in formally authoritarian countries will be the need to learn how to work "with" rather than "against" the government, while continuing to monitor and challenge their new governments.

Throughout the Southern Tier, NGOs are increasing their advocacy capacity, forming coalitions and umbrella organizations, and improving their contacts with other NGOs throughout the E&E region.

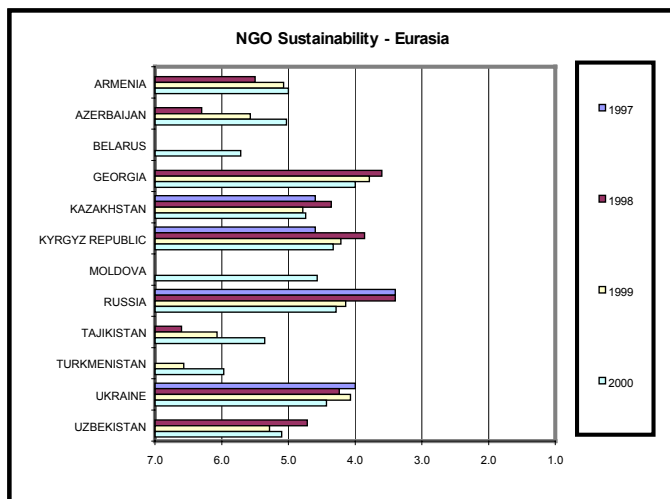
New NGO laws are in place in Bulgaria and Romania. The Bulgarian law, for example, introduces the concepts of public benefit organizations (PBOs) and mutual benefit organizations (MBOs) for the first time in the region. The law specifies categories of public benefit activities, and provides State benefits exclusively to PBOs.

Nevertheless, serious constraints still hamper NGO sustainability. The financial viability of the sector is very poor, strategic planning and constituency development skills are weak, board development is virtually unheard of, and many societies are still plagued by ethnic rivalries, exceedingly weak economies and the aftermath of war.

Traditions of philanthropy and voluntarism are rare throughout the subregion. Government agencies, while generally becoming less hostile to NGOs, still tend to have little understanding of the merits of third sector activities. Most NGOs do not have a media strategy, and relations with the media are haphazard and ad hoc at best. In general, the public is not well informed about NGO activities.

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Eurasia:



Interestingly, while NGOs in the Northern Tier show increasing signs of frustration, the NGO experts that participated in the initial stages of scoring the Index in several Eurasian countries exhibited a great deal of unbridled enthusiasm over the first signs of improvement in the legal environments, infrastructures, and public image of NGOs in their countries. In Tajikistan, the government has slowly begun to implement a generally progressive NGO law passed in 1998, and the Ministry of Justice has begun to

actively solicit NGO participation in the development of further NGO legislation. In Turkmenistan, small improvements in the number and availability of NGO Resource Centers, and the first joint NGO-Government activities in the areas of environmental curriculum reform and AIDS, have generated a good deal of excitement and enthusiasm for the initial signs of sectoral development.

Unfortunately, elsewhere in the region many governments remain hostile and suspicious of NGOs. In Belarus, the government required that all NGOs be re-registered in a campaign aimed largely at creating obstacles for sectoral development. In Kazakhstan, tax-police harassment of NGOs with international partners increased in 2000. Further, proposed changes to the Kazakhstani tax code could result in government interference and control over NGO programs by requiring international grants to be channeled through the Ministry of Press and Social Harmony in order to receive tax privileges. The proposed changes also roll back existing tax exemptions on NGO revenue generating activities. In Turkmenistan, the existing NGO law is not implemented at all, and government continues to harass NGOs that express criticism of national or local government. In Russia, government interference with the re-registration of politically controversial NGOs has increased.

NGOs remain heavily dependent upon international donor funds and new NGOs and NGO coalitions most often emerge around issues of importance to international donors, rather than issues of importance to local communities. There are some hopeful signs however. In Russia, NGO sector experts continue to find that Russian regional and local government agencies are the most likely sources of financial support. At least 40% of Russia's NGOs receive some form of government assistance. During 2000, legislation on government grants to NGOs for the provision of social services was passed in the cities of Stavropol, Novosibirsk, Kemerovo and Krasnoyarsk.

CONCLUSIONS

2000 NGO Sustainability Index

The 2000 NGO Sustainability Index continues to document profound changes that are taking place throughout Central and Eastern Europe and Eurasia. It is clear, however, that continued international donor support and capacity-building programs remain essential for indigenous NGO sectors in the Southern Tier and Eurasia. Even in the more sophisticated civil societies of the Northern Tier, partnerships and networks with western NGOs, and continued availability of international donor grants remain important to support financial sustainability.

A number of the key elements of civil society are coming into place. There is clear evidence of maturing legal and regulatory environments throughout the Europe and Eurasia region. Though still somewhat weak, steady progress is being made in the areas of public image and advocacy. With the support of international donors, there is a growing corps of NGO professionals and a substantial indigenous training capacity. And NGOs, particularly in the Southern Tier, are showing an impressive capacity to form coalitions and participate in nonpartisan political activities that support the strengthening of democratic roots.

Significant challenges remain. The most important of these are financial viability and continued improvement in credibility, public image and constituency building. In general, the new middle class is still too weak and unfamiliar with the role and capacity of NGOs to involve itself in charitable activities. Local economies are too weak to support robust civil society sectors without outside donor assistance.

NGOs will need more than money, training and technical assistance to establish healthy and strong community roots that can sustain them. Donor assistance needs to go beyond technical skills and financial assistance, and encourage NGOs to focus on their missions and their customers, public accountability and transparency.

Where government is highly hostile and suspicious of NGOs, major efforts may be needed to affect attitudes, practices and behaviors of the citizenry. In other cases, where citizens question the value of voluntarism or NGOs are perceived as little more than a means of avoiding taxes, NGOs and their international partners may need to focus on building credibility based upon NGO expertise and quality of services.

- Mark Levinson, Editor

METHODOLOGY

The 2000 NGO Sustainability Index For Central and Eastern Europe and Eurasia

How is it measured?

Seven different dimensions of the NGO sector are analyzed in the Index: legal environment, organizational capacity, financial viability, advocacy, service provision, NGO infrastructure and public image. Individually, these dimensions can provide USAID Missions and partners, indigenous umbrella groups and intermediary support organizations, and other international donors with a reasonable measure of impact over time, and a basis for identifying both needs and opportunities in a strategic planning process.

In the Index, each of these seven 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 the local actors have a strategy and the capacity to address these challenges?

A brief explanation of the criteria used to evaluate each aspect 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 fund-raising 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? 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? Do NGOs receive any sort of tax exemption? Do individual or corporate donors receive tax deductions? Do NGOs have to pay taxes on grants? 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 NGOs have a clearly

defined Mission? Does the sector have a core of professionals who are experienced practitioners and trainers of NGO management? Does a core group of mature NGOs exist in a variety of sectors and geographic areas with well-developed missions, structures and capacity, including a recognized division between the Board of Directors and staff members? Do NGOs actively seek to build constituencies for their initiatives?

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, although this overlaps with organizational capacity, described above.

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 have sound financial management systems? Do NGOs engage in membership outreach and constituency development programs? Do revenues from services, products, or rent from assets supplement the income of NGOs?

Advocacy

The political and advocacy environment must support the formation of coalitions and networks, and offer NGOs the means to communicate their message 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? Are NGOs able to

METHODOLOGY

influence public policy? Have NGOs formed issue-based coalitions and conducted broad-based advocacy

campaigns? Are there mechanisms and relationships for NGOs to participate in the political process?

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 the goods and services that NGOs produce reflect the needs and priorities of local donors and the community, as well as foreign donor grants and the

government? Do NGOs have knowledge of the market demand? Do they have knowledge of the ability of the consumers of their services to pay for their products and services? 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?

Sectoral Infrastructure

A strong sectoral infrastructure is necessary that can provide NGOs with broad access to Intermediary Support Organizations (ISOs) that provide local NGO support services. 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: Is there an indigenous infrastructure, including ISOs that

supports NGOs? Do local community foundations or ISOs provide grants from either locally raised funds or by re-granting international donor funds? Do ISOs have an available body of information and curricula on the not-for-profit sector? 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?

Public Image

For the sector to be sustainable, government and communities should appreciate 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.

have a positive public image of NGOs, including a broad understanding and Typical questions in this section include: Do NGOs enjoy positive media coverage? Does the media provide positive analysis of the role that NGOs play in civil society? Does the general public have a positive image of NGOs? What about the business sector and government? Have NGOs adopted a code of ethics or tried to demonstrate transparency in their operations?

METHODOLOGY

Ratings: What they mean in general terms

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:

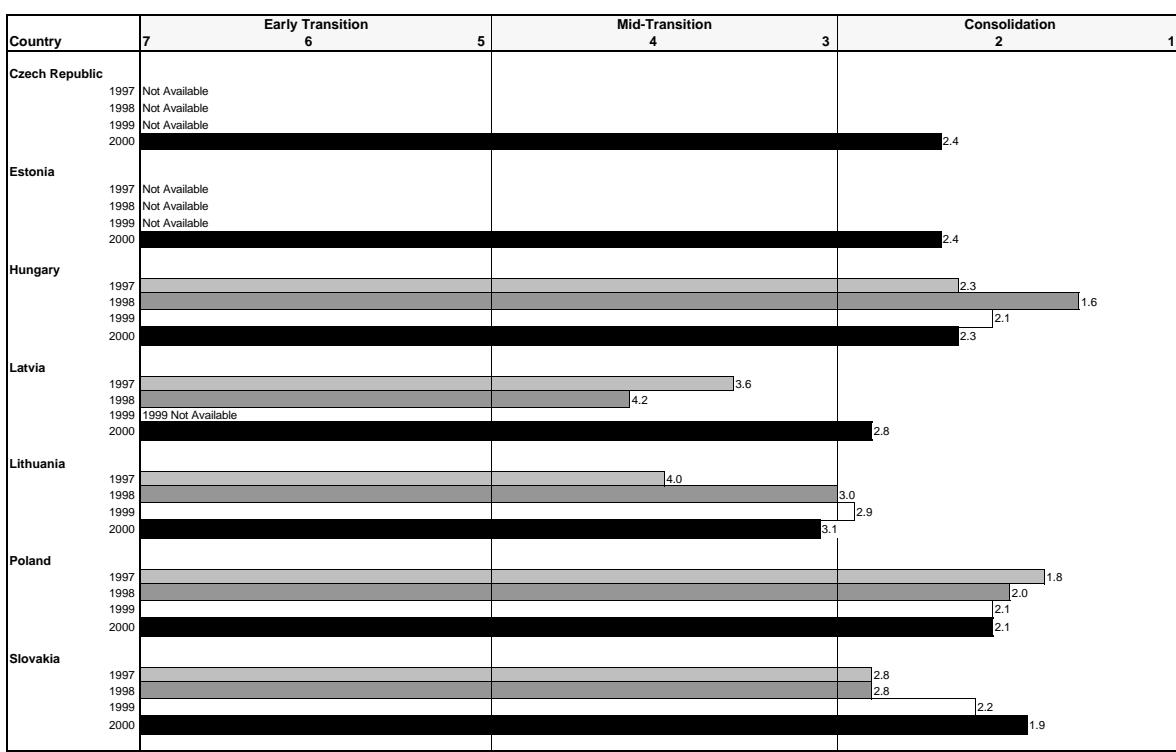
- 7 Erosion or no change since the Soviet era. A war, with its human and material costs, depleted economy, highly divided society or totalitarian regime and the like, has set the development of the sector back.
- 6 Little progress since Soviet era, one problem or constraint has replaced another. Facilitating the development of local capacity is severely limited by a hostile authoritarian regime, state-controlled media; brain drain; and/or a small or highly fractured community of activists with very little capacity or experience in organizing and initiating activities, running organizations, and/or little interest in doing so.
- 5 Programmatic success in developing the local capacity or facilitating progress in the aspect in question is hampered by a contracting economy; an authoritarian leader; highly centralized governance structure; a controlled or reactionary media; or a low level of capacity, will, or interest on the part of the NGO community. The absorptive capacity of the NGO sector is limited -- perhaps limited geographically to the capital city, or sectorally to two or three areas of activity or policy issues.
- 4 Progress in the aspect in question is hampered by the factors cited above, but to a lesser degree: perhaps by a stagnant rather than a contracting economy, a passive rather than hostile government, a disinterested rather than controlled or reactionary media, or a community of good-willed but inexperienced activists. While NGOs in the capital city or in three or four sectors are progressing, others lag far behind.
- 3 Foreign assistance is able to accelerate or facilitate reform because the environment is generally enabling and/or local progress and commitment to developing the aspect in question is strong. An enabling environment includes a government open to reform (legal), a growing economy (financial), some decentralization of governing structures (advocacy), or an independent media (image). NGOs in regional centers and in four or five sectors are beginning to mature.
- 2 The environment is enabling and the local NGO community demonstrates a commitment to pursuing needed reforms and to developing its professionalism. Foreign assistance continues to accelerate or facilitate these developments. Model NGOs can be found in most larger cities, in most regions of a country, and in a variety of sectors and issues.
- 1 While the needed reforms and/or the NGO sector's development is not complete, the local NGO community recognizes which reforms or developments are still needed, and has a plan and the ability to pursue them itself. Model NGOs can be found in cities and towns, in all regions of a country, in numerous different sectors.

The 2000 NGO SUSTAINABILITY INDEX

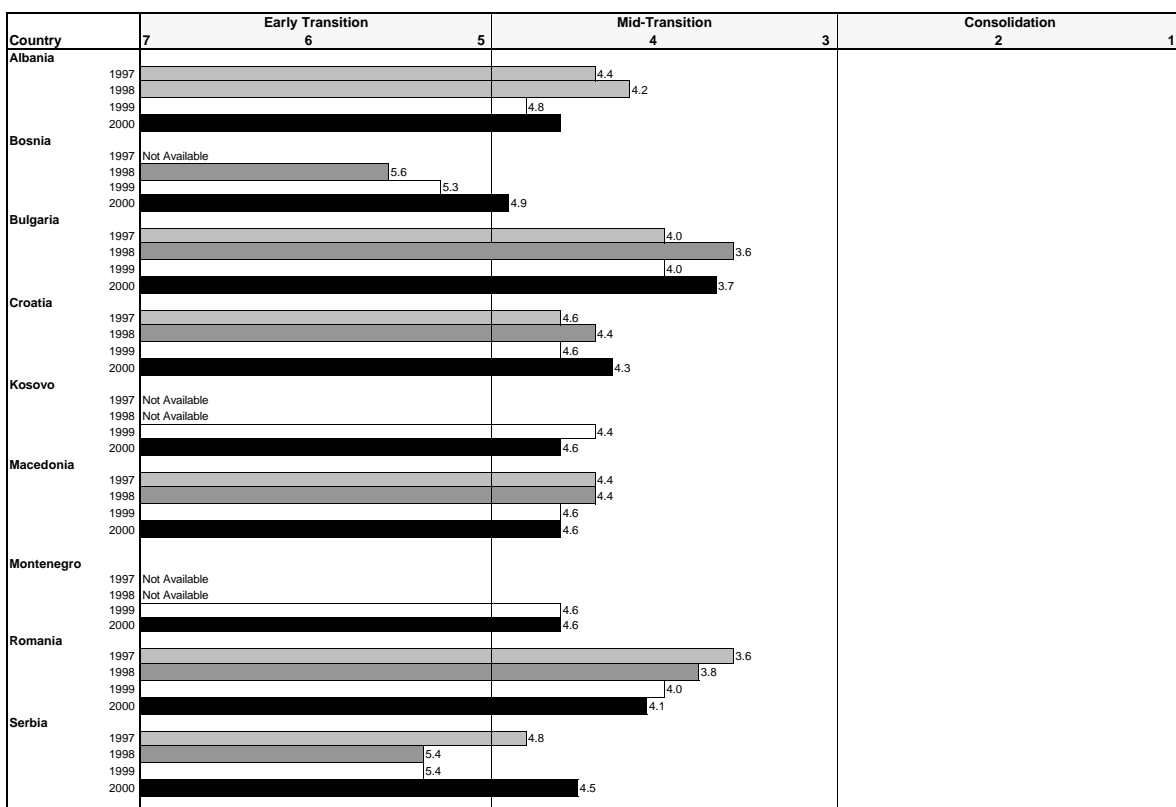
COUNTRY	LEGAL ENVIRON	ORG CAPACITY	FINANCIAL VIABILITY	ADVOCACY	SERVICE PROVISION	INFRA-STRUCTURE	PUBLIC IMAGE	OVERALL SCORE
NORTHERN TIER								
Czech Republic	2.0	3.0	2.0	2.0	2.0	3.0	3.0	2.4
Estonia	2.0	2.5	2.8	2.0	2.5	2.5	2.5	2.4
Hungary	1.0	3.0	3.0	3.0	2.0	2.0	2.0	2.3
Latvia	3.0	2.6	3.5	3.0	2.5	3.0	2.0	2.8
Lithuania	4.0	2.5	4.0	2.0	3.5	3.0	3.0	3.1
Poland	2.0	2.0	2.5	2.0	2.0	2.0	2.0	2.1
Slovakia	2.5	1.5	3.0	1.5	2.0	1.5	1.5	1.9
<i>Regional Average</i>	2.4	2.4	3.0	2.2	2.4	2.4	2.3	2.4
SOUTHERN TIER								
Albania	4.0	5.0	5.0	4.0	5.0	5.0	4.5	4.6
Bosnia	4.5	4.5	6.0	4.5	4.5	5.0	5.0	4.9
Bulgaria	3.5	4.5	5.2	3.0	3.0	3.0	4.0	3.7
Croatia	4.0	4.8	6.6	2.5	4.4	4.0	4.0	4.3
Kosovo	3.0	4.5	6.0	4.5	5.0	5.0	4.0	4.6
Macedonia	3.0	4.0	5.0	4.5	5.5	5.0	5.0	4.6
Montenegro	3.5	5.0	5.5	3.5	4.5	5.0	5.0	4.6
Romania	3.0	5.0	5.5	3.5	4.0	4.0	3.5	4.1
Serbia	5.0	5.0	6.0	4.0	4.0	4.0	4.0	4.6
<i>Regional Average</i>	3.7	4.7	5.6	3.8	4.4	4.4	4.3	4.4
EURASIA								
Armenia	4.0	5.0	6.0	5.0	4.0	6.0	5.0	5.0
Azerbaijan	5.0	5.2	6.0	5.5	4.5	4.5	4.5	5.0
Belarus	7.0	5.0	6.0	6.0	5.0	5.0	6.0	5.7
Georgia	3.0	4.0	6.0	2.0	5.0	4.0	5.0	4.1
Kazakhstan	4.5	5.0	5.5	4.5	4.7	4.5	4.5	4.7
Kyrgyz Republic	4.3	4.0	5.5	3.5	4.5	4.0	4.5	4.3
Moldova	3.0	4.5	5.5	5.0	5.0	4.0	5.0	4.6
Russia	4.0	4.0	5.0	4.5	4.5	3.5	4.5	4.3
Tajikistan	5.0	5.5	6.0	5.5	5.5	5.0	5.0	5.4
Turkmenistan	6.5	5.8	6.0	6.3	5.3	5.7	6.2	6.0
Ukraine	5.0	4.0	5.0	4.0	4.0	4.0	5.0	4.4
Uzbekistan	5.4	5.3	5.5	5.2	4.5	5.0	4.8	5.1
<i>Regional Average</i>	4.7	4.8	5.7	4.8	4.7	4.6	5.0	4.9

USAID - BUREAU FOR EUROPE AND EURASIA
OFFICE OF DEMOCRACY AND GOVERNANCE
NGO Sustainability Index: 1997 - 2000

NORTHERN TIER



SOUTHERN TIER



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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: Early Transition, Mid-Transition and Consolidation. The Early Transition stage corresponds to a score of 5 to 7 points on the scale, the Mid-Transition stage corresponds to a score between 3 and 5 points, and the most advanced stage, Consolidation, corresponds to a score between 1 and 3 points.

Legal Environment

Early Transition (5-7):

The absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation) on non-governmental organizations (NGOs) make it difficult to register and/or operate (i.e., regulation to the point of harassment). Assistance programs address status laws pertaining to

registration, internal management/governance, scope of permissible activities, reporting, dissolution, and other topics; as well as the degree of bureaucratic and administrative impediments to NGO formation and operation; degree of state regulation, harassment of or violence toward NGOs.

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 NGOs' operation 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 CSOs, 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.

Consolidation (1-3):

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The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives not-for-profit NGOs special advantages such as: significant tax deductions for business or individual contributions, significant tax exemptions on CSOs, open competition among NGOs to provide government-funded service, 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, as well as availability of legal services and materials, on the NGO legal framework exists.

Note: The International Center for Not-for-Profit Law (ICNL) contributed to defining these stages of development. ICNL's web site (www.icnl.org) provides comparative analyses of NGO laws.

Organizational Capacity

Early Transition (5-7):

NGOs are "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. They lack organizational skills and procedures for budg-

eting and tracking expenditures; and they lack the ability to monitor, report on, and evaluate programs. Organizations rarely have a board of directors, by-laws, staff, or more than a handful of active members. Programs provide basic organizational training to NGO activists.

Mid-Transition (3-5):

Individual NGOs, or a number of NGOs in individual sectors (women, environment, social services, etc.), demonstrate enhanced capacity to govern themselves and organize their work. Individual NGOs in at least the major sectors -- environment, business, social sector, human rights/democracy -- maintain full-time staff members and boast an orderly division of labor between board members and staff. Local NGO support centers are founded to inform, train, and advise other NGOs. Activities include

newsletters, libraries, consultations or other services. NGO activists may demand that training be at a more advanced level. Programs train local trainers and develop local language materials and locally sponsored courses to teach organizational skills. Local trainers learn how to facilitate: strategic planning exercises and program development, financial management structures, appropriate communication channels both within and outside an organization, and team building.

Consolidation (1-3):

A few transparently governed and capably managed NGOs exist across a variety of sectors. Essential organizational skills are demonstrated, and include

how to recruit, train, and manage a volunteer network. A professional cadre of local experts, consultants and trainers in non-profit management exists. An ac

Financial Viability

METHODOLOGY

cessible network for identifying trainers and consultants exists. NGOs recognize the value of training. The lack of financial resources may remain a constraint for NGOs wanting to access locally provided NGO management training. Top-

ics 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.

Early Transition (5-7):

New NGOs survive from grant to grant and/or depend financially on one (foreign) sponsor. NGOs at this stage lack basic fundraising skills, such as how to write a proposal. Programs seek to teach fundraising skills in order to diver-

sify funding sources. Even with a diversified funding base, donors remain overwhelmingly international. A depressed local economy may contribute to this dependency.

Mid-Transition (3-5):

NGOs pioneer different approaches to financial independence and viability. Some might survive and continue to grow modestly, by reducing foreign funding and sticking to a minimal, volunteer-based operation. 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. NGOs begin to pool resources by sharing overhead costs, such as hiring one accountant for several NGOs. Efforts are made to sim-

plify and/or establish uniform grant application procedures undertaken by donors or governmental agencies. A depressed local economy may hamper efforts to raise funds from local sources. Training programs accelerate financial viability by offering strategic planning, revenue raising and advanced fundraising skills through indigenous trainers and NGO support centers. NGOs begin to understand the importance of transparency and accountability from a fundraising perspective. NGO centers may provide "incubator" services to decrease administrative costs for fledgling NGOs.

Consolidation (1-3):

A critical mass of NGOs adopt rules on conflict of interest, prohibitions on self-dealing and private procurement, appropriate distribution of assets upon dissolution, etc., to win potential donors' confidence. In a conscious effort, the local NGO sector may lay the groundwork for financial viability by cultivating future sources of revenue for the sector. This might include lobbying for government procurement reform for NGO-

delivered services, tax reform to encourage revenue-generating activities, providing exposure through NGO trainers and NGO support center to successful domestic precedents, cultivating a domestic tradition of corporate philanthropy, or cultivating international donors. There is also a growing economy, which makes growth in domestic giving possible.

Advocacy

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 concept of "public policy". Programmatic activities begin to introduce the importance of collecting empirical data and first-hand information in order to share facts rather than opinions with officials or concerned citizens.

Mid-Transition (3-5):

Narrowly defined advocacy organizations emerge and become politically active in response to specific issues, including issues that emerge during the transition: human rights, abortion, opportunities for the disabled, environment, etc. Organizations at Mid-Transition 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. The beginnings of information sharing and networking between NGOs, and the existence of an NGO support center to inform and advocate its needs within the government may develop. Programmatic initiatives include training in advocacy techniques, coalition building, communication techniques, and policy analysis.

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, such as children's rights or handicapped care; 2) monitor and lobby political parties; 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 stage three 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 non-profit, non-governmental organizations.

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Service Provision

Early Transition (5-7):

A limited number of NGOs are capable of providing basic social services--such as health, education, relief, housing, water or energy. Those who 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. Attempts to charge fees for goods and services are limited, and often fail. The volume of services to the poor is limited since there is little local private sector financial support and no cross-subsidization from services to better off constituencies.

Mid-Transition (3-5):

The contribution of NGOs to covering the gap in social services is recognized by government, which may on occasion subsidize or contract for these "public goods." 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 recover their costs. The constituency for NGO expertise, reports and documents expands beyond their own members and the poor to include other NGOs, academia, churches, and government.

Consolidation (1-3):

Many NGOs provide goods and services, which reflect community and/or local donor priorities. Many NGOs produce products beyond basic social services to 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.

Infrastructure

Early Transition (5-7):

There are few, if any, active NGO Intermediary Support Organizations (ISOs), 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.

Mid-Transition (3-5):

ISOs are active in most 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 are formed to facilitate net-

working 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.

Consolidation (1-3):

ISOs are active in all areas of the country and provide advanced training, legal support and advice, and philanthropic development activities. Efforts are underway to found and endow community

foundations, indigenous grant-making institutions, and organizations to coordinate local fundraising. Local trainers are capable of providing high level training to NGOs throughout the country.

TRENDS ANALYSIS

Public Image

Early Transition (5-7):

The general public and/or government are uninformed or suspicious of NGOs as institutions. Most the population does not understand the concept of "non-governmental" or "not-for-profit", 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. 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.

Mid-Transition (3-5):

The media generally does not tend to cover NGOs because it considers them weak and ineffective. Individual NGOs realize the need to educate the public, to become more transparent, and to seek out opportunities for media coverage. Individual local governments dem-

onstrate 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.

Consolidation (1-3):

This stage is characterized by growing public knowledge of and trust in NGOs, and increased rates of voluntarism. NGOs coalesce to mount a campaign to win 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. Increased accountability, transparency, and self-regulation exist within the NGO sector to win public trust, including existence of a generally accepted code of ethics or a code of conduct.

Field Instructions

Although the degree of expert vetting varied somewhat from country to country, the following instructions, given to USAID field officers for gathering data and drafting a country report, were followed:

1. Collect relevant information for each of the seven aspects included in the index and update your country overview statement.
2. Convene a group of 6-10 observers of the sector--drawing on donors, your NGO assistance implementers, representatives of NGO support centers, and representatives of the chief sub-sectors, such as women's, environmental, or human rights groups.
3. Share a draft of your updated overview statement with this "NGO Expert" group for its comments and additions. You may want to have a longer description for your own in-country usage and a more concise overview statement for our regional document. Two to four pages (2-4 pp.) per country are more than enough for the regional piece.
4. With the NGO expert group discuss each indicator within each dimension, on the score sheet provided, separately and rate it on the following scale:
 - (1) The indicator in question is lacking or not implemented/utilized, posing a serious constraint on NGO sectoral sustainability.
 - (2) The indicator in question is lacking or not implemented/utilized, constraining the NGO sector's sustainability to some degree.
 - (3) The indicator in question is present and implemented/utilized to the degree that it has a somewhat positive impact on the NGO sector
 - (4) The indicator in question is present and well enough implemented/utilized to nurture the NGO sector.
5. For each dimension, add up all of the indicator scores – yielding your raw sum.
6. Average the indicator scores for that dimension by dividing your working sum by the number of indicators you scored. Round if necessary to the nearest one tenth. (This step is necessary, you may notice, because the various dimensions have different numbers of indicators.)

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7. For each dimension, convert your average score into the final seven-point Index rating scale by looking it up on the following table:

Average Score	Dimension Rating*
3.6 to 4.0	1
3.2 to 3.5	2
2.8 to 3.1	3
2.4 to 2.7	4
1.9 to 2.3	5
1.5 to 1.8	6
1.0 to 1.4	7

*Note: The final index scale, on which the lower the number the “higher” the rating, inverts the more common sense score sheet scale, on which the lower the number the lower the rating.

8. After using the four new steps to systematically derive your rating for each of the seven dimensions of sector sustainability, simply average those ratings to get the final country Index number. (Note: You may wish to ask those members of your group whose scores differ markedly with the others' rankings ("outliers") to explain the reasoning behind their rankings.)

The methodology used by the committee at USAID/Washington to review the Index was as follows:

1. After USAID field officers of each country submitted a draft report, a member of the reviewing committee checked each country report for comprehensiveness. A first round of additions and clarifications were requested.
2. The USAID/Washington committee reviewed the overview statements, and discussed both the overall and individual sector rankings.
3. Any discrepancy between the field report and committee opinion was forwarded to the field. Field officers were asked to justify their original rankings.
4. After considering explanations from the field, the committee agreed upon final scores, which are the basis of this Index.

ALBANIA

Capital: Tirana
 GDP per capita: \$1,080
 Population: 3,500,000

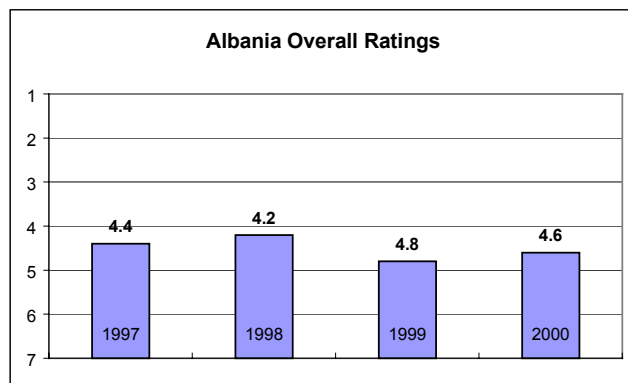
Inflation: 18%
 Unemployment: 17.7%
 Foreign Direct Investment: \$43,000,000

OVERALL RATING: 4.6

Over the last year, Albania has made positive strides towards normalcy. With the end of the Kosovo crisis, a strengthening of public order, and a peaceful round of local elections in October 2000, the country is less tense and polarized than it has been in some years.

It is believed that there are currently between 400 and 800 NGOs in Albania, approximately 200 of which are active. The strongest NGOs are those engaged in advocacy, youth issues, and civic education, as well as women's organizations.

The overall outlook for the sector is mixed. While there was a broadening of participation in the NGO community during the Kosovo crisis, little has been done to strengthen the sector's capacity to serve a broader constituency since then. Though there is more activity beyond the Tirana-Durres corridor, even the stronger NGOs remain donor driven and dependent. This dependence is related to the constricted Albanian economy, as well as a lack of continued technical assistance in organizational development.



The development of the NGO sector has also been severely impeded by the failure of the GoA to pass a new NGO law. Draft laws focus on two major issues: creating solid definitions of foundations, associations, and centers; and clarifying what types of NGOs may provide services, of what sort, and for what (if any) fees. Despite its failure to pass the current draft, efforts to redraft and refine the law continue.

Thus, while Albanians are more confident of their physical safety due to progress in the rule of law, the economy has not improved, and the strengthening of civil society seems stalled. It is hoped that programs beginning at the end of 2000 will help the sector move ahead. Key activities will include continuing work to build an NGO coalition to reduce corruption, and broadening voter education efforts for the national election in 2001. An emphasis will be put on strengthening organizations and associations within the justice system, the media, the health care sector, small businesses, agriculture and the social services sector.

ALBANIA

LEGAL ENVIRONMENT: 4.0

Despite gaps and ambiguities, the current legal environment in Albania does not generally restrict the development of the NGO sector. For the most part, NGOs can register fairly easily and face little control in terms of their internal management. The law would benefit from additional provisions promoting democratic governance structures. NGOs, at present, are allowed to engage in a broad range of activities, with the exception of economic activities by associations. Foundations are nominally subject to control by relevant ministries, though the ministries have tended not to exert this control. The operation of NGOs is loosely described by law, which sometimes leads to abuses by NGOs, such as intentional mismanagement of funds.

On the whole, NGOs and their representatives are able to operate freely within the law, and are free of harassment from the central and the local gov-

ernments. Reports of enforcement actions by the tax police may be due more to ambiguity in the tax laws themselves than actual “harassment.” NGO members can freely address matters of public debate and express criticism.

There are a large number of local lawyers, government officials and judges who are familiar with the NGO law. However, these resources are concentrated in Tirana and much work needs to be done to spread legal advice outside the capital.

The tax law contains a list of categories of public benefits to which NGOs are entitled, including a profit tax exemption. NGOs do not pay taxes on grants, but individuals on a wage contract may not receive deductions for contributions. The primary concern is that the law is confusing and few people understand the governing rules.

ORGANIZATIONAL CAPACITY: 5.0

On the whole, there has been little change in terms of organizational capacity in the NGO sector over the past year. However, programs aimed at filling the gaps in training and organizational development are in the planning stages.

With few exceptions, Albanian NGOs remain donor driven, which results in organizations changing their mission to be eligible for grants rather than using their mission as a tool to build a constituency.

2000 NGO Sustainability Index

Although most citizen efforts to support the flow of refugees into the country were channeled through NGOs, these organizations are still characterized by limited use of volunteers. There is little to offer in the way of training for the volunteers or for those who recruit and manage them.

Most NGOs are mission-specific membership organizations, such as groups serving the handicapped, as opposed to broad-based community organizations. The new orientation of the NGO sector towards service provision has highlighted the importance and effectiveness of community-based organizations. There is very little understanding of ways to involve and work in communities. Among the donors in Albania, there is little offered in terms of training and technical assistance to develop community development capacity of NGOs.

Albanian NGOs are still weak in management structure and tend to have board members who have little preparation for their role. Many are there simply because they are paid. A limited number of more mature and active NGOs are becoming aware of the important role of a volunteer board. A few Albanian NGOs are seeking specialized training from donors to set up new boards or train the existing ones to work on volunteer principles. However, most organizations have little understanding of their relationship with an executive staff, and still tend to revolve around a single strong leader. In turn, a few Tirana-based NGO leaders have begun to delegate some management responsibilities, but these leaders are still in the minority. Again, it is only the organizations in Tirana that are able to access the Internet, though there are plans for the network to be spread to other municipalities in the near future.

FINANCIAL VIABILITY: 5.0

The NGO sector remains highly dependent on the donor community, both for grants and as customers for their services. However, donor funding shrunk as the Kosovar refugees left, reducing the level of funding available to NGOs. There are few possibilities to raise funds locally. Business is still at an early stage of development, and the government continues to face major financial, infrastructural and social problems with few resources. Furthermore, the current legal framework provides little

incentive for businesses to support charitable activities. Given this situation, as long as the legal framework prevents NGOs from engaging in income generating activities, financial viability remains in the future.

The creation of sound financial management systems and reporting formats, as well as the training of finance personnel is still widely lacking in the sector. Donors offer little oversight of their grants, which

ALBANIA

in itself could serve as a training period. In turn, financial mismanagement is

fairly widespread.

ADVOCACY: 4.0

Over the last two years, Albanian NGOs have continued to establish good working relations with various ministries and local governments and to play an active role in policy formulation. After the Kosovo crisis, they began to increase their involvement in the development of regional policy, as part of the Stability Pact. Local NGOs have representatives on the Democracy Roundtable, which, in turn, has increased their interaction and dialog with the central government. On a regional level, NGOs have also increased their efforts to work with the business sector as part of the Stability Pact work to improve Albanian infrastructure. These recent developments have strengthened the NGO sector's role in advocacy and have been important factors in fostering

stronger NGO-government relationships.

Although there is considerable work taking place to strengthen local governments, finances are still managed centrally, limiting the opportunities for financial partner-ships. However, NGOs have worked with local authorities in other capacities, including drafting regional economic strategies, prioritizing local development needs, raising environmental consciousness, and providing health services and leisure facilities. Another promising local effort is the formation of NGOs by parents to improve their childrens' schools. The trend is likely to grow as the decentralization process continues.

SERVICE PROVISION: 5.0

In Albania's transitional economy, the government is unable to provide a sufficient level of basic services to its citizens. The role NGOs can play in this area is still little understood by the central government, though there has been some progress made at local levels, where administrations are more open to NGO participation. Earlier drafts of the NGO law enabled NGOs to engage in providing services, but

more recent drafts have removed this provision.

Lack of service provision also reflects donor policy. Few international donors offer grants or technical assistance to support Albanian NGOs in providing services to their membership or to the general public.

The Kosovo crisis was the turning point for NGOs' involvement in service

2000 NGO Sustainability Index

delivery. Since then, the number of NGOs working in service delivery has increased, though it is still not sufficient to meet demands for services. Interestingly, most of these new social services NGOs come from outside Tirana. The services they provide, like community kindergartens, counseling for women and children, family planning, and informal training, are very important in compensating for what the government is unable to do. Still, these

are short-term projects with very little community involvement, which makes them difficult to sustain. Since most of these NGOs are new and have little experience in project and financial management, donors are reluctant to substantially fund long-term projects. The services now being provided are unlikely to amount to more than temporary relief, unless the decentralization process of local government accelerates.

INFRASTRUCTURE: 5.0

After the Kosovo crisis, the donor community became more interested in building up local training and technical assistance capacity. There was considerable discussion among umbrella or coordination groups (Albanian NGO Forum, Women Center, Albanian Youth Council) and donors (OSCE, SNV, NOVIB, Albanian Civil Society Foundation) about establishing resource centers outside Tirana. Unfortunately, services provided by these centers are largely limited to access to computers, photocopying, and in some, language training. Organizational development services,

still very much a need in the NGO sector, are not widely available. ANTARC is the only organization offering such training, but it contracts its work to international NGOs and does most of its workshops in Kosovo.

A lack of access to information is the main reason that the NGO sector is not well developed outside of Tirana. The few resource centers that do exist outside the capital compete for information and have no network through which to distribute the information.

PUBLIC IMAGE: 4.5

The recent involvement of NGOs in service provision has somewhat improved the public image of the sector. At the same time, it has exposed local NGOs to more public scrutiny than they have experienced before, which could increase NGO

accountability in the future. The recent law on broadcast licensing rules has permitted NGOs to explore the use of publicity campaigns and public service announcements. Still, training for both the NGO sector and media is needed. On one side, media lacks knowledge

ALBANIA

and understanding of NGOs' work and the role NGOs play in a civil society. On

the other hand, NGOs have very little experience in working with the media.

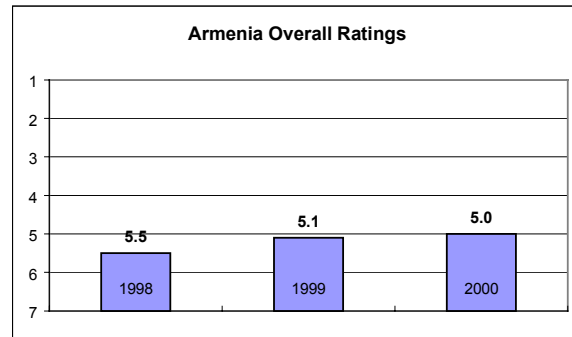
ARMENIA

Capital: Yerevan
 GDP per capita: \$472
 Population: 3,800,000

Inflation: 10%
 Unemployment: 9.3%
 Foreign Direct Investment: \$150,000,000

OVERALL RATING: 5.0

There are over 2,000 registered NGOs in Armenia, approximately half of which are active. Although a number of NGOs have made some progress over the past year in areas such as financial viability, advocacy, and service provision, overall the sector has not changed significantly. The poor economic situation hampers NGOs' ability to become financial viable or pay for services necessary to sustain themselves. NGOs still rely almost exclusively on the international community for financial support, although several NGOs have launched revenue-raising programs as a way to generate extra income. Most NGOs are relatively small organizations that receive no support from a larger constituency, although there are examples of NGOs reaching out to broad segments of the population to achieve short-term goals. While NGO activities have increased in visibility throughout the country, the government still does not utilize them to carry out public services. There have been instances when NGOs have successfully lobbied for provisions in draft legislation or made government officials aware of problems, but these remain isolated events.



LEGAL ENVIRONMENT: 4.0

Although NGOs can register freely with the Ministry of Justice, they often face bureaucratic hurdles that make the registration process take several months. All NGOs must register in Yerevan, which poses additional burdens for NGOs located in the regions. The Civil Code, enacted in January 1999, clarifies the classifications of NGOs and the procedures for registering. However, all NGOs must re-register by January 2001 in order to have their legal status comply with the Civil Code. This re-registration period was to originally end in January 2000, but was extended for one year to

allow ample time for NGOs to re-register. The re-registration process is unclear for many NGOs.

The current NGO law allows the Ministry of Justice to attend NGO meetings, however, there is no evidence that the Ministry is using this as a way to control NGO activities. The law exempts all grants from taxation, but individuals who donate to NGOs receive no exemptions. The law is unclear about whether or not NGOs that earn income are required to pay taxes on that income. NGOs with funding from international organizations

ARMENIA

that are exempt from paying Value Added Tax (VAT), face bureaucratic hurdles with the Humanitarian Assistance Coordination Committee when

trying to get the VAT waived. One local NGO, the Young Lawyers' Union, provides legal advice, including assistance for registration, to local NGOs for a fee.

ORGANIZATIONAL CAPACITY: 5.0

The most advanced NGOs work actively with their members and constituents in order to tailor programs to meet constituents' needs. However, most NGOs have overly broad mission statements and pursue grants in a variety of areas. This weakens their ability to develop programs responsive to constituents.

Few NGOs make a clear distinction between the Board of Directors and the staff; furthermore, most NGOs do not have paid permanent staff. Managers

receive salaries when they have grants, and work as volunteers when there is no grant funding. Some NGOs are able to recruit volunteers for specific programs, but there is generally no core of volunteers continually available to support NGO activities.

Many organizations have basic office equipment such as computers and fax machines, but this equipment is usually obtained through grants from donors.

FINANCIAL VIABILITY: 6.0

Both the poor economy and the lack of legal incentives for philanthropic donations have greatly hampered the ability of NGOs to generate financial support from local sources. NGOs have developed good proposal writing skills that enable them to get funding from multiple international donors. Few receive funding from other sources, such as revenue-generating activities.

NGOs have improved their financial management skills in order to both re-

spond to donor requirements and to comply with Armenian law. Some NGOs, such as business associations, are able to collect membership dues, but these NGOs tend to have relatively wealthy members. Some NGOs also generate revenue by renting out conference space or by producing and selling goods, but the majority does not engage in such activities. The government and business communities rarely contract with local NGOs to provide services.

ADVOCACY: 5.0

Many NGOs have good contacts with government at both the national and local levels. However, their ability to advocate for change is limited because government officials either do not understand or do not believe in the benefits of working with NGOs. Some issue-based coalitions have formed around particular topics such as human rights, but they have focused primarily on drawing public attention to the issue at hand, rather than staging a long-term

advocacy campaign to influence policy change. NGOs freely engage in the political process, including monitoring elections and conducting voter education campaigns.

NGOs are becoming increasingly comfortable with lobbying efforts, and there are examples where legislative changes have occurred as a result of NGO advocacy. However, these successes are limited to a small number of NGOs.

SERVICE PROVISION: 4.0

NGOs provide a range of goods and services that are responsive to community needs. Due to limited financial resources, however, NGOs can rarely provide sufficient levels of service to meet the needs of their communities. NGOs are able to offer an assortment of services to constituencies beyond their membership. These services include health care, food, and clothing for socially vulnerable groups including refugees and elderly and disabled people. However, when NGOs conduct seminars or produce publications, they tend

to be directed toward a more exclusive group—such as NGOs working on similar issues—and are not inclusive of a broader segment of the population. When NGOs provide a good or service, they rarely recover any costs. The exception is business associations.

The government recognizes that NGOs can fill gaps by providing services that it is unable to provide, nevertheless, they rarely work closely with NGOs or contract services out to them.

INFRASTRUCTURE: 6.0

Intermediary support services are funded exclusively by the international donor community. Even donor-funded ISOs, however, do not exist throughout the entire country, leaving NGOs in some regions with little support. ISOs utilize local trainers—so local training capacity exists—but NGOs do not have resources to hire trainers as needed. Occasionally, NGOs are able to form informal coalitions around specific issues, which more often than not dis-

solve soon after the issue is addressed.

NGOs' willingness to share information in order to achieve common goals has increased, but competition for limited funds stills exists. Due to all of these limitations, the infrastructure score for this year indicates little progress since the Soviet era. However, these conditions do not represent a change from last year; rather, last year's score (5.5) was overly optimistic.

ARMENIA

PUBLIC IMAGE: 5.0

Despite limited improvements, the public image of the NGO sector remains essentially the same as last year. To a small extent, the media is able to cover NGO activities more frequently than in the past. The coverage, however, is unsubstantial—it tends to be neutral and does not promote the sector. Many stations provide air time for free or reduced cost for NGOs or other organizations, but this is also very limited because the stations devote most of their time to paid corporate advertising. Only a small segment of the population understands the role that NGOs can play in society

beyond service delivery. The government and the business communities usually maintain a neutral attitude toward NGOs. They do not feel that NGOs impede their activities, but they also do not realize the benefits of working with NGOs. Individual NGOs usually do not have a code of ethics, nor is there any sort of NGO watchdog group that could produce a general code of ethics for the sector. In general, NGOs comply with Armenian law and publish annual reports, but these are not widely distributed.

Azerbaijan

Capital: Baku

GDP per capita: \$572

Population: 7,700,000

Inflation: 4%

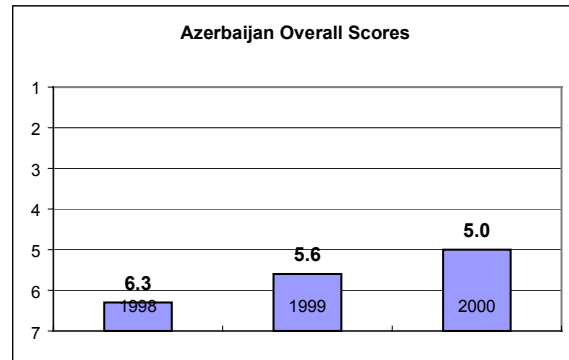
Unemployment (1997): 19.3%

Foreign Direct Investment: \$780,000,000

OVERALL DESCRIPTION: 5.0

The local NGO sector in Azerbaijan has experienced significant growth in the last few years in both size and capacity. Approximately 300 active organizations now work in a wide range of sectors. NGOs have increasingly focused on providing basic social services in their communities; however, human rights groups and election education/monitoring NGOs also operate and are developing their capacity. While Baku-based NGOs remain significantly more developed than NGOs in the regions, there has been an increased focus on developing the capacity of organizations outside of the capitol over the past year.

The legal environment in which NGOs operate improved significantly over the past year. The President signed a new NGO law in September 2000. While the new legislation fails to address all issues important to the development of the NGO sector, it does provide NGOs with recognition from the government and a legal basis to conduct their work. The government still does not provide open support to the NGO sector and limits political activity by NGOs. However, a tolerance for the sector has developed to some degree over the past year, in part due to international pressure.



NGOs in Azerbaijan are becoming more dynamic and are increasing their capacity to program effectively. Volunteerism in organizations is growing and the stronger organizations see the value of clear management structures. In addition, some of the more advanced organizations have begun to diversify their funding sources. But local business and government still provide limited financial support.

While competition for funds still exists among NGOs, organizations are beginning to share information with each other more readily than they have in the past. NGOs working on issues pertaining to children, environment, health, human rights, and migration meet regularly. Finally, public awareness of NGOs is slowly increasing. NGOs are developing better working relationships with the mass media, which reports almost daily on their activities. NGOs are also beginning to understand the value of promoting their activity more widely to garner support in terms of volunteers, understanding and funding.

LEGAL ENVIRONMENT: 5.0

The legal environment for NGOs in Azerbaijan has improved considerably over

the past year. In September 1999, the Constitutional Court confirmed that the

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law on grants passed in April 1999 exempts all grant recipients from taxation on grant monies except on salaries paid to staff with these funds. In September 2000, the President signed new NGO legislation. While the legislation does not address all key issues, it is a positive first step in a country that has not previously recognized NGOs. The new legislation makes some progress in defining permissible activities, internal management, reporting, and dissolution of NGOs, but does not preclude state control over NGOs. In addition, the legislation restricts the ability of NGOs to monitor elections if they receive more than 30% of their financing from foreign entities or individuals.

The government of Azerbaijan has become more tolerant of NGOs recently. Registration has become more straightforward, with fewer delays. In

addition, politically suspect groups have had greater success in getting registered. For example, in January 2000, the government finally registered a number of human rights groups after a three-year wait. However, despite the increased tolerance of NGOs, most organizations still remain hesitant to directly criticize the government.

Taxation remains a problem for some NGOs as a result of deep-rooted corruption. In addition, some tax collectors are not familiar with new laws exempting NGOs from certain taxes. No tax exemptions or deductions exist for individuals or corporations that donate to local NGOs, thus affording little incentive for charitable contributions. NGOs are able to earn income; however, income is taxed at the same rate as a for-profit organization.

ORGANIZATIONAL CAPACITY: 5.2

Local NGO organizational capacity continues to improve in Azerbaijan. A core group of local NGOs has emerged with a clear mission and organizational goals as well as internal structures and permanent staffing. While these organizations can not yet be viewed as sustainable entities, they are in the process of instituting the right mechanisms.

Serious problems still remain. First, most NGOs still do not have a clear understanding as to the importance of developing a constituency. Many organizations develop and implement project ideas without interacting with the project's target population. However, some of the more advanced organizations are beginning to work more closely with their constituencies. For example, a number of organizations recently carried out surveys and assessments within their target populations to determine the type and priority of programming.

Most NGOs in Azerbaijan also lack a clearly defined mission, thereby allowing organizations to pursue multiple areas of programming depending on the type of funding available.

While some NGO leaders are beginning to have a better understanding of the importance of internal management structures, few organizations understand the distinction between staff and board members. Furthermore, in most cases, boards consist of friends and relatives.

NGOs in Azerbaijan are becoming increasingly successful in recruiting and utilizing volunteers, although systems for recruiting volunteers remain unstructured.

Only a small number of the large and more advanced Baku-based NGOs in Azerbaijan have their own modernized

basic office equipment. According to the Humanitarian Research Center, while 140 NGOs in Azerbaijan have

email access, few of these organizations actually have their own computers or fax machines.

FINANCIAL VIABILITY: 6.0

The majority of support for local NGO activities still comes from foreign foundations, businesses, and embassies. The concept of philanthropy in Azerbaijan is not well developed, and current tax laws fail to provide any incentive for local individuals or companies to make charitable contributions. However, there is some indication that a few local companies provide some financial and in-kind support to local NGOs, such as use of space or donation of supplies.

Few NGOs currently have financial systems in place. The majority of NGOs work project to project and tend to respond to different donors' financial reporting requests.

Stronger NGOs are beginning to develop a core of financial supporters as they learn to program more consistently.

For the most part, NGOs do not receive significant revenue from earned income. The concept of a non-profit organization generating income is difficult to grasp and many NGO representatives claim that they should not charge for their services. In addition, under the current tax legislation, NGO earned income is taxed the same as income earned by a for-profit entity. However, even within this context, a few organizations are beginning to charge for their services or publications or collect membership fees.

ADVOCACY: 5.5

Given the constraints that exist within the country, NGOs in Azerbaijan still have limited experience in advocacy and lobbying. Direct communication between NGOs and policy makers remains relatively limited, although relationships are developing on some levels, generally because of personal contacts or intervention from international agencies.

Despite these restrictions, NGOs have taken steps to influence policy or raise awareness about certain issues. For example, the Democratic Congress brought together NGOs and political opposition groups to advocate for democratic change in Azerbaijan during the

last elections. Human rights and environmental NGOs have attempted to raise the visibility of their issues by holding press conferences or disseminating information internationally. In early 2000, the NGO community was involved in reviewing and commenting on the draft NGO legislation. In some cases, NGOs have also commented on draft legislation in their fields of interest.

While there are some openings for NGOs to get involved in advocacy work, the government is hesitant to allow NGOs to operate within spheres that it considers political. As a result, NGOs are relatively careful about criticizing the government.

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SERVICE PROVISION: 4.5

NGOs in Azerbaijan provide an increasingly diverse range of services, including health, education, humanitarian assistance, children's issues, community development, income generation, environmental protection, and election education. However, these services still tend to respond to the priorities of international donors instead of the needs of the organization's constituency.

NGOs rarely recover the costs of the goods and services they provide. In general, there is a limited understanding by both the NGOs themselves and the broader public about why NGOs would charge for their services if they are a not-for-profit organization. In addition,

due to current tax legislation, any income they generate from the provision of their goods and services is taxed as a for-profit company. There are some attempts by a few NGOs to charge certain segments of the population for services in order to allow other, less fortunate members of the population to access their services for free.

The government is beginning to more openly recognize the value of NGOs in providing basic social services. However, with the exception of the Ministry of Youth and Sport, the government still does not provide funding for NGO activity or allow NGOs access to government contracts that would enable them to provide such services.

INFRASTRUCTURE: 4.5

The number of intermediary support organizations and NGO resource centers providing training, computer and information access continues to increase. The Initiative for Social Action and Renewal in Eurasia (ISAR) has been working in six regions of Azerbaijan for the past year to make such services available to organizations and initiative groups outside of Baku, and opened a resource center in Mingechivir in September. The NGO Forum and the Danish Refugee Council also have plans to open resource centers outside of Baku in the next year. A number of local NGOs also provide valuable training, seminars and other services for the NGO community. For the most part, intermediary support organizations do not earn income from the services they provide, making them highly dependent on continued donor funding.

Local grant-making capacity in Azerbaijan remains extremely limited. Commu-

nity foundations have not yet been created and only one organization – Hayat, a local humanitarian organization – runs a grant program for local NGO projects, with funds from IOM.

Local NGOs in Azerbaijan are increasingly sharing information among themselves. ISAR and the NGO Forum both hold regular information meetings for the NGO community. NGOs working on environmental, health, and children's issues meet regularly. In June 1999, the UN NGO Resource and Training Center created the NGO Forum, which claims a membership of over 200 local NGOs. The Forum works to coordinate and promote NGO activity in close cooperation with the government. In July 1999, the NGO Congress was formed in response to the NGO Forum and claims a membership of over 100 local NGOs. The NGO Congress has slowly been absorbed by the NGO Forum, but still exists to some degree.

NGOs are beginning to understand the value and importance of working more closely with the government, business and mass media to ensure their future sustainability. Some of the more advanced and professional NGOs have

developed effective partnerships with mass media and the business community; however, there still needs to be more awareness and training to assist the sectors in working effectively together.

PUBLIC IMAGE: 4.5

Media coverage of NGO activity in Azerbaijan has increased steadily over the past year. There is now almost daily coverage of NGOs by both the major newspapers and other media outlets. News on sensitive issues that NGOs are involved in, such as AIDS or human rights, will sometimes even make the front page. In addition, beginning in January 2000, the Fund for Democracy and Development began to produce a monthly 4-page insert on NGOs, which has been placed in the two top newspapers in Azerbaijan.

Awareness and understanding of NGOs is increasing slowly. However, according to a recent NGO public awareness survey carried out by SIAR Marketing and Research center, only 7 percent of 1,000 people interviewed have heard of a local NGO. When provided with names of some of the larger and better-known NGOs in the country, more people showed recognition of these organizations.

As public awareness about NGOs increases, so does awareness about the NGO sector among representatives of government and business. International businesses are becoming more familiar with local NGOs and the larger ones provide some support to the stronger NGOs in the country. International oil companies use some of the environ-

mental NGOs to provide expertise in certain topic areas. There are some examples of local businesses providing a discount or donating goods to an NGO when they learn about its activities, but most local businesses tend to support NGOs only if they know people involved with the organization. The government's perception of NGOs is slowly changing from negative to more neutral, although some suspicion remains.

NGOs are developing a better understanding of the need to work with the mass media and publicize their activity to the larger public. The Local NGO Fair organized by ISAR in June 2000 was a good opportunity for the 57 participating NGOs to publicize their work among the local mass media, international NGO and business community, government and general public.

The idea of transparency is relatively new and there is still some fear associated with opening up an organization's operations to the broader public, particularly financial information. As a result, NGOs in Azerbaijan have not yet developed a code of ethics. Most NGOs do not produce annual reports, but may publish brochures highlighting their accomplishments to date.

BELARUS

Capital: Minsk

GDP per capita: \$1,464

Population: 10,200,000

Inflation: 213%

Unemployment: 2.3%

Foreign Direct Investment: \$188,300,000

OVERALL DESCRIPTION: 5.7

The government's hostility and suspicion toward the Third Sector fundamentally define the environment for NGOs in Belarus. The 1999 re-registration campaign, declared by the president's administration and aimed at creating obstacles for the Third Sector, halved the number of registered NGOs. There are currently 1,919 NGOs registered with the Ministry of Justice in Belarus.

The economic, political and legal environment in Belarus is not yet conducive to civil society development. As in many former Soviet countries, the state distrusts NGOs, and therefore hampers the process of creating and registering groups with a complex, time-consuming and costly registration procedure. At the same time, the state harasses unregistered NGOs with penalties and even criminal charges against activists. The system of tax privileges favors pro-government NGOs with little advantage for the rest of the Third Sector. Due to the conflicts of the legislation on business activities and regulations of NGOs, any cost-recovery activities by NGOs lead to deprivation of even small privileges. Local businesses in Belarus, however weak, do support socially beneficial activities of NGOs, but there are no tax privileges for this sponsorship. Society is very fragmented, and there is virtually no inter-sectoral cooperation. With few exceptions, the general attitude is that of mutual distrust between the NGOs and the state.

LEGAL ENVIRONMENT: 7.0

The legal process makes NGO registration both painstaking and financially costly, and gives officials many opportunities to manipulate and interfere in the process. The registration procedure is unnecessarily long and complex, including two (three for local NGOs) stages, with the ultimate permission for registration granted by the President's Board, a body whose status and authority is not legally defined. The law poses several impediments to all categories of NGOs, thereby hampering citizen initiatives. For example, the law requires a large number of founders and fixed membership. The law also requires a legal address prior to registration and means that only a designated office

space, not a residence, may be used, which is too costly for most NGOs. Likewise, the registration fee of \$90 is a significant burden given the current level of income of the majority of population.

The law on NGOs, numerous legal acts, and practice by various controlling bodies are very controversial. On the one hand, the NGO Act forbids any interference in the activities of NGOs apart from the control and supervision by the prosecutor's department, taxation and registration bodies. On the other hand, another act permits authorities to monitor both the NGOs, and other legal entities, for conforming to a vast variety of regulations. Minor violations may lead to

BELARUS

penalties in the form of warnings by registration bodies, with the second warning leading to the liquidation of the NGO. Paradoxically, impediments by the state, most of all inspections by the registration and taxation bodies, force NGOs to upgrade their management practices, which increases NGO sustainability.

A significant amount of work has been done to increase knowledge of NGO issues among local lawyers. With the help of an expert team of lawyers, the majority of Counterpart Alliance for Partnership (CAP) grantees were able to successfully re-register in 1999. However, local legal capacity is still inadequate, and needs additional resources and effort.

ORGANIZATIONAL CAPACITY: 5.0

As a result of the weak history of civil society and the attitude of the state toward the third sector in Belarus, most Belarusian NGOs are very weak organizationally. This is reflected in their poor management practices and work with clients. Frequently, NGOs can not effectively identify their clients, and still lack either an understanding of the need for constituency building, or the skills and resources to reach their constituency.

Few NGOs engage in strategic planning, with the exception of those who have received grants from international donors that require mission formulation, strategic planning techniques, and the establishment of sound management procedures.

Many NGO internal structures copy the government's authoritarian system, with autocratic leaders concentrating administrative power. NGOs may formally assign powers to a Board of Directors, but this Board is not always

involved in the decision making process. On the other hand, organizations receiving foreign grants sometimes receive management consulting services to help them overcome these problems.

While leading NGOs have regular staff, the majority of Belarusian NGOs have no permanent staff. Staff members are often recruited on a temporary basis to accomplish a task associated with a certain grant. In the regions, NGOs have a wide circle of volunteers.

In Minsk, NGOs generally have sufficient supplies and equipment. In the regional centers, however, only the leading NGOs have sufficient supplies and access to communication, including e-mail and the Internet. Sometimes, even NGOs with adequate equipment do not use it because they lack appropriate skills. The donor community views upgrading the technology base of NGOs and the skills of staff and volunteers as a priority.

FINANCIAL VIABILITY: 6.0

Relationships between the state and the Third Sector in Belarus are characterized by a selective subsidy policy pursued by the state, depending on the degree of NGO loyalty to the authorities. This selective subsidy policy preserves

paternalistic sentiments in the government-controlled part of the Third Sector. Other NGOs survive on sporadic voluntary donations, grants, or have no means at all. Fund-raising skills are not

developed, and frequently consist of a non-systemic search for resources.

The extremely unfavorable economic environment that obstructs the development of local business, and a regulatory environment with no tax exemptions for charitable activities, prevents NGOs from accessing local resources. There are few local sources of philanthropy, either individual or corporate. The procedure for collecting donations is not legally defined, and state control bodies provide little guidance. NGOs engage in charitable actions like collecting clothes for elderly, cash for medical treatment, or presents for children, at their own risk.

A number of foreign donors, including the Soros Foundation, which used to finance a lot of the civil society activities were ousted from Belarus. Associated indigenous organizations were liquidated. The limited number of international donors currently working in Belarus inhibits diversification of the Third

Sector's foreign funding. The long-term association of an NGO with one or two large donors is typical in Belarus, leading to donor-driven projects, as opposed to local initiatives or demand-driven activities.

The government uses tax, audit, and other inspections to harass those NGOs engaged in civil society development activities. The authorities also discriminate against businesses supporting NGO activities by harassing them through tax inspections and audits. An exception is made for local businesses rendering assistance to social service NGOs.

The majority of NGOs have inadequate financial management skills. Moreover, many NGOs are forced to not operate transparently in order to continue their activities (e.g. small grants' programs by resource centers). This lack of transparency creates conditions for corruption.

ADVOCACY: 6.0

The state's suspicion of all non-governmental initiatives has politicized the Third Sector. When democratically oriented NGOs touch upon issues related to human rights or demonstrate the advantages of democratic values and procedures, their activities clash with the government's attempt to regulate all spheres of social life. There is no systematic cooperation between the authorities and NGOs. Neither group appreciates the necessity of regular cooperation, though some social services NGOs can boast of successful advocacy efforts with the government.

There are some instances of issue-based coalitions and advocacy campaigns in Belarus, such as raising public awareness of the importance of

gender issues. As a result of an effective lobbying effort by the women's movement, women's NGOs gained representation in the National Coordination Council on Gender Issues. Women's organizations are also actively involved in mobilizing women during the pre-election period.

There are few mechanisms for NGOs to participate in the political process other than protest actions. For example, strikes of private entrepreneurs initiated by the Trade Union of Entrepreneurs resulted in the government's backing-off from new restrictive regulations. Active lobbying efforts of NGOs so far are relatively rare, because of the positions of the state and the Third Sector leadership

BELARUS

SERVICE PROVISION: 5.0

In Belarus, the provision of goods and services by NGOs is underdeveloped. Mostly, NGOs render services to Third Sector representatives, thus becoming self-serving organizations. NGO market research and marketing efforts leave much to be desired. Services are primarily limited to health, education, and cultural and historical activities. While many NGOs serve as resource centers for other organizations and citizens, the quantity and quality of their services are insufficient due to the inadequate resource base. Social service NGOs are the best at designing products and services that reflect their constituency's needs. Other NGOs rely on their ideas of the community's needs, rather than hard data obtained through surveys, opinion polls, focus groups, etc.

The government generally regards non-governmental organizations as anti-governmental. Recognition of NGOs' role in society is granted exclusively to the social services NGOs. In 1999, the NGO "We Are With You" became the first CAP grantee in Belarus to receive a Government Matching Grant. The grant supported a project helping mentally challenged orphans understand their legal rights to live fuller independent lives, and was instrumental in initiating a state regulation protecting mentally disabled youth from real-estate fraud. The organization has additionally been recognized by the State as the only organization in Belarus working professionally with teenage orphans and youth with psychophysical disabilities, and now has the right to participate in decision-making on serious social and legal questions affecting its clients.

INFRASTRUCTURE: 5.0

The infrastructure of the Third Sector is in its formative stage, and under pressure from the social and political environment. There are twenty-four resource centers, but they sometimes provide their services to a limited group of organizations. Belarusian resource centers also serve as a flexible mechanism to provide small grants to young, unregistered NGOs or civic initiatives, thereby facilitating numerous democratic actions and projects. Indigenous grant-making capacity is slowly being developed by incorporating local representatives onto international donor selection boards and using major local NGOs to re-grant international donor funds.

NGO coalitions in Belarus still are rather ephemeral due to a number of

disincentives, including legal impediments. There are some informal alliances of Belarusian NGOs centered around the regional resource centers that have mastered a system of information exchange and some coordination of activities. However, this mechanism still needs work since coalitions have not developed a common policy.

In 1997, the Assembly of Pro-Democratic NGOs was formed to unite NGOs committed to the principles of Belarusian independence, democracy, market reform, and the protection of human rights and freedoms. The Assembly includes about 700 members embracing a wide range of organizations, including youth, women, environmental, social services, cultural,

and ethnic groups. About half of the Assembly NGO members are unregistered but active. The Assembly is represented by regional resource centers in each region of Belarus. At its Congress in early December 2000, the Assembly resolved to register itself and thus create a formal structure to support the Third Sector.

Due to the fragmented character of Belarusian society, there is very little

awareness of the possibilities for and advantages of partnerships between NGOs, businesses and the government.

As a result of international donor training programs and development grants, training on basic NGO management is available, but far from sufficient. There is a need to increase the number of specialists and the quality of training in management and marketing, as well as financial management and legal issues.

PUBLIC IMAGE: 6.0

The public image of NGOs and of the Third Sector as a whole is rather ambiguous, but NGOs do not enjoy sufficient grass-roots support in Belarus today. A recent poll conducted by the Independent Institute for Social, Economic and Political Research registered extremely low public awareness of NGOs activities (1.4% of population). The main reason for this is the dire situation of the Belarusian people, who are mostly concerned with their survival. Official statistics suggest that 46% of people find themselves below the poverty line. Impoverishment leads to atomization of society and absence of civil solidarity, which obstructs active social life. The public is largely unaware of the goals of civil society organizations in general, and activities of Belarusian NGOs in particular. NGOs do little to publicize their agenda and get their message to the people. NGOs often can not demonstrate their usefulness and capacities to businesses, and generally appeal for assistance, rather than offer services.

There is a substantial difference between the coverage of third-sector activities between state and non-governmental media, with the

independent media giving more attention to civil society issues. Those NGOs that do publicize their activities or promote their public image, do so primarily through the independent media, and are developing relationships with independent journalists. The importance of positive coverage is recognized by most of the international donor grantees, and their success stories often appear in the local media. However, public relations and image promotion efforts by the majority of NGOs remain weak, and could benefit from further training.

Many public organizations are not transparent in their work, because of the environment, and though there are regular internal reporting procedures within the majority of NGOs, the environment in Belarus makes it dangerous to publish reports or reveal too much information about an organization's activities. The most advanced NGOs adopt codes of ethics or try to demonstrate transparency in their operations, while authoritarianism or anarchy characterizes the minor ones.

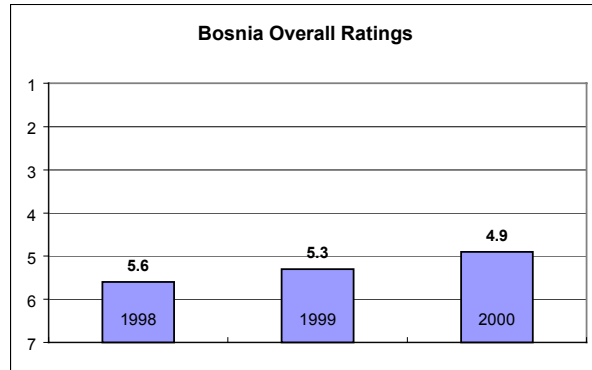
BOSNIA AND HERZEGOVINA (BiH)

Capital: Sarajevo	Inflation: 5%
GDP per capita: \$1,190	Unemployment: n/a
Population: 3,800,000	Foreign Direct Investment: \$52,000,000

OVERALL RATING: 4.9

BiH continues to make progress in a difficult, dual transition towards lasting peace and democratic governance. With a public sector of limited capacity, NGOs have facilitated this transition by serving as counselors, caretakers and service providers, while their founders have emerged as leading spokespersons for tolerance, reconciliation, and social responsibility.

The Bosnian NGO sector remains nascent. Although community-based associations have a long-standing history, modern NGOs evolved during and in the aftermath of war. The sector's evolution cannot be divorced from the broader consequences of the war, including its impact on Bosnia's political, economic and social fabric; the country's division into two Entities; and intensive international involvement.



The sector's service orientation grew out of immediate wartime imperatives, the influence of international humanitarian relief organizations, and the availability of donor funding for emergency assistance programs. Due in part to the economic situation, the establishment of many early post-war NGOs was motivated more by a need for employment rather than a commitment to a particular mission. Over the past four years, however, mission-oriented NGOs committed to a broad range of activities including gender issues, human rights and media monitoring, legal advisory services, civic education, conflict resolution and micro-credit extension have emerged.

The unprecedented international presence in BiH, itself a function of the war, has had both positive and negative effects on NGO sector development. It has ensured that many NGOs receive resources, training and technical assistance to establish themselves and to meet donor objectives. It has also contributed significantly to what observers have described as an "ownership gap." Organizations, networks and coalitions that have come together at the urging of expatriates or in response to the existence of international funding, suffer from a weaker sense of mission and commitment than those who formed independently in response to community needs.

While approximately 1300 NGOs are registered in BiH, the number of active indigenous NGOs is estimated to be between 300 and 500. The organizational capacity of these active NGOs varies widely. NGOs in BiH continue to face substantial external and internal

BOSNIA AND HERZEGOVINA

obstacles to their long-term sustainability. Externally, NGOs must grapple with political rifts and apathy, limited and uncertain financial resources in the wake of international donor disengagement, and the absence of an appropriate legal framework to provide tax and fiscal benefits. There is a general lack of information in the community and in government about the role and capacity of NGOs that results in weak constituency relations. NGOs generally lack the broad ability to cooperate and exchange information with each other, and have a limited sense of ownership over their role, purpose, mission, and future.

LEGAL ENVIRONMENT: 4.5

The Constitution of BiH confers all powers not specifically assigned to the State to its two Entities: the Federation of BiH and the Republika Srpska. NGOs operate under a confusing, and potentially restrictive array of laws including, inter alia, a Law on Humanitarian Activities and Organizations, a Law on Citizens' Associations, a newly passed Law on Foundations and Funds in the Federation, and a Law on Citizens' Associations in the Republika Srpska.

Regulations in the Entities are inconsistent and tend to create large scope for government involvement in the affairs of associations and foundations. There is currently no law allowing NGOs to register and operate statewide; rather, Entities are conferred legal authority in this case. The strongest NGOs have found creative ways to operate throughout the entire country by registering effectively as two separate organizations, but with the same founding documents such as the statute, act of incorporation and list of founding members. Tax laws are not favorable for NGOs in either Entity, which effectively impedes corporate and private philanthropy.

Since 1997, the BiH NGO community has been involved in revising the legal framework in order to promote the long-term viability of the third sector. Through the Legal Advocacy and Education Project (LEA-Link), a task force of Bosnian lawyers, with assistance from an international advisory panel, set about revising the legal framework.

At present, there are three nearly identical draft laws being considered by the governments in the two Entities and at the State level, which are based entirely upon the draft law from the LEA-Link process. The new laws seek to facilitate the establishment and activities of NGOs at all levels and ensure that the rules on registration and internal governance are simple, clear and transparent. It is hoped that all three laws will be adopted within the next year. While this new legal framework is an important step, it does not address tax and other financial benefits that would favor NGOs and ensure their self-sustainability in the long run.

ORGANIZATIONAL CAPACITY: 4.5

Many local NGOs have become adept at implementing programs largely defined by international community priorities, but remain institutionally weak and

largely unsustainable in the absence of high levels of donor support. Institutional capacity in areas such as strategic planning, internal management struc

ture, staffing, technical resource availability and constituency building and outreach continue to vary greatly among organizations. Numerous international organizations provide training to NGOs, largely through workshops, and local organizations increasingly provide similar training to their counterparts. With the major exception of the Democracy Network (DemNet) program implemented by ORT, resource intensive technical assistance to ensure effective implementation of lessons learned is more limited.

Institutional capacity varies greatly from region to region. The strongest NGOs are located in Tuzla, Zenica, Sarajevo, Mostar and Banja Luka. Federation-based groups are significantly more viable than their counterparts in the RS.

Increasingly, local NGOs in smaller towns such as Rudo, Kakanj, Jablanica and Livno are gaining capacity and strength. Sectorally, micro-credit and women's organizations appear to be organizationally and financially strongest.

The strongest NGOs have boards of directors and executive staff, although few truly understand their respective roles. Some board members receive salaries and, once they understand the importance of a volunteer board, convert to full-time staff. Thus, NGOs have difficulty maintaining a volunteer board and encouraging them to be active in the organization. Another problem is that the public perception of civil society is generally unfavorable, so it is difficult for NGOs to recruit volunteer board members of high stature.

FINANCIAL VIABILITY: 6

The wartime devastation of BiH's economy, a limited pre-war tradition of philanthropy, and the dearth of post-war tax incentives to promote financial contributions severely constrain the sector's financial sustainability. Community and corporate philanthropy remain extremely rare. As a result, NGOs continue to rely heavily on foreign government funding. Fluid and often politically driven donor priorities contribute to confusion and financial uncertainty among NGOs.

Many NGOs, particularly those in rural and under-served areas, lack skills in financial planning, accounting and financial management. Other NGOs have received significant donor funds in the past, as well as financial training, and are less in need of such basic skills. Some NGOs are able to identify alternative financing methods such as mem-

bership fees, fees-for-service, in-kind contributions, and government funding to compensate for these constraints. As a consequence of perceived political instability and uncertain international donor priorities, organizations tend to live from project to project.

Finally, partially as a result of funding availability, many NGOs turn to income generation activities that have little to do with their broader mission — such as hairdressing and chicken farm management — to promote financial sustainability. In the absence of regulations governing NGOs' ability to engage in the sale of goods and services or limiting net revenue distribution, this tends to blur the distinction between not-for-profit and commercial business activity and exacerbate confusion about the concept of civil society.

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ADVOCACY: 4.5

NGOs are more involved in the public policy process now than in past years, although many NGOs (originally conceived as social service providers in the immediate post-war period) still resist getting involved in “political” matters. Although public policy campaigns are still driven by international organizations, local NGOs feel more comfortable expressing ideas for campaigns in the local community and even at the State (or Entity) level.

Examples of advocacy initiatives include efforts to influence legislative bodies and involve the third sector in the process of NGO law drafting, an NGO coalition that is conducting an anti-drug campaign in schools in the Tuzla and Bijeljina regions, and an ecological campaign to prevent the opening of a hydro-power plant in Sanski Most.

On the other hand, civic leaders are sometimes alienated from elected officials and, due to overwhelming outside influence in BiH, often target lobbying efforts toward the international community in order to affect policy change. Many NGOs have a limited understanding of lobbying and the concept of issue-based coalitions. Even the

strongest NGOs largely perceive “lobbying” as an end in itself, without a formulation of clear and concrete policy objectives and a workable strategic plan on how to achieve those objectives. Coalitions are also seen as part of a process that serves to gain NGOs access to donor funds rather than help to resolve a specific public policy issue. The political process and governing structures are largely misunderstood, as most civic activists are unaware of institutional methods to influence policy. Instead, civic activists rely on personal contacts within government to exert limited influence. Moreover, advocacy is difficult because political institutions and representatives lack accountability and a democratic culture of transparency and openness.

Despite the barriers to active involvement in the public policy process, there is increasing evidence of NGOs forming coalitions, conducting advocacy campaigns and communicating with policy makers, particularly at the local level. Larger public advocacy campaigns do take place, but are generally instigated by an international NGO or the larger donor community.

SERVICE PROVISION: 4.5

Most Bosnian NGOs were originally formed to provide for the immediate post-war needs of the local population, and are perhaps strongest in their ability to deliver critical services. Local NGOs provide a broad range of services, including education, health and micro-credit, but strongly emphasize the return and rehabilitation of refugees and internally displaced persons. Even during the past year, in an environment of

greatly reduced international funding, smaller service NGOs have sprung up in remote and previously neglected areas.

NGOs’ strong capacity to deliver services highlights the government’s inability to provide such services itself. As government officials at all levels are divided, prone to in fighting and inaction, NGOs have stepped in where the government has largely abdicated responsibility. At

the same time, there is a continued lack of trust and understanding on the part of the government in civil society. This

seems to be improving as ministry officials have more contact with civic actors.

INFRASTRUCTURE: 5

Numerous international organizations provide training to NGOs via group seminars or workshops. Indigenous training – considered both more relevant and efficient – is widely perceived as preferable to ongoing expatriate-led training. In the past there has been a dearth of capable Bosnian NGO management trainers. However, internationally sponsored programs have trained teams of NGO management consultants. A compendium recently published with the assistance of the International Council on Volunteer Activities provides names and contact information of several hundred trained Bosnian facilitators and trainers, in a wide variety of subjects of relevance to further NGO development.

Bosnian civil society is still in need of centers to provide access to information and technology. The OSCE maintains numerous democracy support centers around the country, which may be used as resources for NGOs. Recent efforts to turn these support centers entirely over to Bosnians and register them as a single NGO have in large part succeeded, but they lack sustainable sources of funding. The International

Rescue Committee has funded three resource centers based in under-served areas of the country, which are staffed by leading NGO activists and provide consultations, training, information exchanges and other services to locally-based NGOs.

NGOs are still fairly isolated from one another and generally rely on the few opportunities sponsored by international donors to establish and strengthen ties, particularly across the two Entities. Several cross-Entity coalitions have formed to encourage two-way refugee return and some NGOs have established partnerships with other organizations across the Inter-Entity Boundary Line. A smaller number of NGOs have an established office in both Entities, but the legal framework continues to make this difficult.

The few umbrella organizations and support centers that exist are institutionally weak and fail to play their critical function. The BiH NGO Council and its numerous regional NGO Fora are widely perceived to be so dysfunctional and unfocused that they serve to discredit the sector rather than promote it.

PUBLIC IMAGE: 5

Few NGO leaders view their sustainability as a process from which the community as a whole benefits. The sector's youth, the relative inexperience of its leaders, and the dearth of financially sustainable independent media have inhibited the evolution of partnerships between NGOs and the media.

While there has been some improvement over the past year in the interactions between the media and NGOs, local organizations still do not know how to sell their vision or program activities to a wider audience.

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The sector as a whole faces ignorance and some resentment from government, the media, and the public due to the perception that it is well financed by the international community. NGOs increasingly recognize the importance of their public image and are seeking assistance in making use of their existing contact base. USAID's DemNet pro-

gram has launched the first ever public relations campaign for the NGO sector entitled "Be Our Partner, Join an NGO." Some of the leading local NGOs have also taken the initiative to highlight success stories through recently produced radio shows and newsletters.

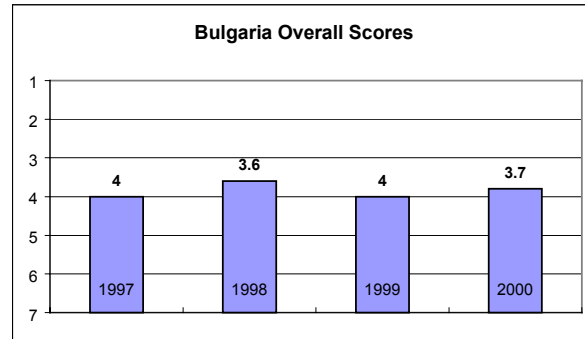
BULGARIA

Capital: Sofia	Inflation: 5.3%
GDP per capita: \$1,490	Unemployment: 12.2%
Population: 8,200,000	Foreign Direct Investment: \$700,000,000

OVERALL RATING: 3.7

The Bulgarian civil society sector comprises around 8,000 organizations, including political and religious organizations. About half of those are “Chitalishta”, traditional Bulgarian educational and cultural organizations, most of which currently provide a very limited scope of services. There are organizations active in almost all spheres of traditional NGO activities, such as civil society development, social services, environmental protection, human rights, economic development and education. Over the past two years the number of organizations considered “active” has increased from 1,000 in 1998 to about 1,500 in 2000.

Most NGOs experience financial difficulties and are extremely dependent on foreign funding. While 20% of organizations receive some governmental funding and about 40% receive funding from businesses, opportunities to raise funds domestically remain constrained and non-diversified. Most organizations are project-driven, and links to constituents are often missing. There is often a lack of coordination and a limited capacity to form networks. Still, NGOs are quite successful in advocacy on specific issues and are constantly improving their relations with central and local government. Public awareness of NGOs remains steady at 52%. The public is generally not informed about NGO activities, although NGOs enjoy some positive media coverage at local levels. Intermediary support organizations (ISOs) are increasingly providing services to the sector.



LEGAL ENVIRONMENT: 3.5

On September 21, 2000, the National Assembly of the Republic of Bulgaria enacted a new law on Legal Persons with Nonprofit Purposes that will go into effect on January 1, 2001. This new NGO law will govern the establishment, functioning, and legal status of NGOs in Bulgaria. This first step in changing the overall legal environment will open the

way for changes in tax and other related legislation to improve the prospects for NGO sustainability.

The new law is the successful product of several years of effort, headed by several leading Bulgarian lawyers, civil society organizations and parliamentarians, along with the significant input of

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the International Center for Not-for-Profit Law (ICNL).

The new NGO law provides for a minimum level of state control and easy registration of NGOs in the court. Registration can only be denied if the purposes of an organization are illegal. Moreover, the law strictly limits the state's powers over dissolution of organizations.

The law specifies a set of provisions relating to the internal governance of associations and foundations, and introduces one of the most modern international legal principles on NGOs' status, setting out two categories of organizations: public benefit organizations (PBOs) and mutual benefit organizations (MBOs). PBOs must register at the Public Registry within the Ministry of Justice and their purposes should fall into one of the categories of public benefit activities specified in the law. Only PBOs are entitled to benefits from the state.

Under the new law, NGOs are allowed to perform economic activities related to the main purpose of the organization and to use the return from such activities. NGOs may set up subsidiaries, which may engage in economic activities, but their profits will be normally taxed. This provision opens the way to NGO sustainability through fees for the provision of different services.

The new NGO law is considered progressive and will provide a basis for future work on tax amendments and relevant procurement legislation. A working group on tax legislation has been formed, which has drafted a package of suggested amendments. Legal assistance in the area of social contracting is also underway. ICNL is working on an educational initiative that will train and assist the broad community of NGOs leaders, lawyers, judges and journalists in the implementation of the new law.

ORGANIZATIONAL CAPACITY: 4.5

A small core of strong and influential NGOs exists in Sofia and other urban centers, with some viable NGOs emerging in regions throughout the country. Still, most NGOs are comprised of small groups of people, survive on a project-by-project basis, and lack strong links to their constituencies.

The law defines the internal management structure of NGOs, with a clear division between staff and board members, though boards are seldom active. The leading NGOs employ permanent staff. NGOs have some success in attracting volunteers though, based on a survey by MBMD, a Bulgarian polling agency, general public participation remains low at 4%. NGOs declare their missions at registration, but mission

statements are often broad and quickly become irrelevant.

NGOs rarely undertake a detailed planning process, because they are dependent on international donor funding and respond to the goals stated by donors. Most NGOs do not have a regular mechanism with which to analyze constituents' needs. There remains a great need for tailored training programs that meet individual NGOs' organizational capacity needs and encourage constituency building. In addition to training, NGOs need basic office equipment and are generally only able to obtain modern office equipment on a project-by-project basis. 20% of NGOs do not have any computer equipment.

FINANCIAL VIABILITY: 5.2

The financial viability of the NGO sector remains extremely low, with the exception of some strong NGOs, which are mainly located in the capital. Many of the smaller NGOs are entirely dependent on international donor funding. There is a great deal of pessimism about alternative funding sources, and NGOs' budgets are generally non-diversified. There are very few examples of attracting local business support. In some sectors NGOs are successful in

contracting with local government, however as a whole, NGOs meet a lot of resistance. Some organizations collect membership fees and charge for their services, but the income generated by such activities is extremely small due to the overall poverty of the community. In general, NGOs do not engage in constituency building activities, and local sources of philanthropy are basically non-existent.

ADVOCACY: 3.0

NGOs are becoming increasingly aware of the need to engage in advocacy activities. They are gradually gaining seats on important policy-making committees, and the existing legislation provides opportunities for NGOs to have input into law-making activities. Receptivity to NGO input, however, is often dependent upon the good will of particular lawmakers.

While advocacy coalitions come together around short-term issues, there is no leading coalition that advocates on behalf of the entire NGO sector. Still, NGOs are quite successful in forming issue-based coalitions and have been active in promoting legal reform.

NGOs have been successful in advocating many policy changes over the past year, especially with regard to NGO and media legislation and in the areas of environment and business. In one instance, the Bulgarian Media Coalition initiated the first public session of the Bulgarian Constitutional Court, to review the newly adopted Radio and Television Law. This led to the elimination of the most drastic constitutional violation in the new legislation — the breach of privacy allowing authorities to check homes for the existence of undeclared television sets.

SERVICE PROVISION: 3.0

NGOs provide limited services in the social sector, but do offer a wide variety of services in other areas. In general, NGO services reflect the strategies of international donors rather than local community needs and priorities. NGOs provide services in the areas of democracy, economic development, social safety net, and the environment. Indige-

nous services to the NGO sector include publications, workshops, and expert analysis.

As the state withdraws from some sectors, opportunities are emerging for NGOs to provide services previously provided by the state. Some NGOs are able to charge fees for their services, but cost recovery is extremely limited

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due to the overall poverty of client organizations. In general, the government

recognizes the value of NGOs, although support is still very limited.

INFRASTRUCTURE: 3.0

A number of resource and information centers are located throughout the country. Most provide a limited scope of services, but provide at least the essential information needed by NGOs to function successfully — including information on registration, operation, project writing, and management. These centers are generally successful in attracting some income from locally generated sources. Intermediaries Support Organizations (ISOs) are a

special focus of the USAID DemNet Program, and as of summer 2000 are beginning to provide grants and services to the NGO sector. NGO networks are functioning in a number of individual sectors. Diverse training opportunities are available and are based on well-developed systems. Inter-sectoral partnerships are generally issue-based, but there is an increasing awareness on behalf of media and local government of the value of NGOs.

PUBLIC IMAGE: 4.0

As a whole, NGOs are under-represented in the media. They enjoy some positive media coverage at the local level, but Bulgarian national media are mostly focused on political issues. Although some NGOs try to operate transparently and attract public attention, most NGOs do not have a media strategy and their contacts with media are on an ad-hoc basis.

In general, the public is not well informed about NGO activities. NGOs are, however, sometimes recognized by government institutions and are increasingly consulted on a number of issues.

Relations with the media are constantly developing, and special features focusing on the role and activities of NGOs are emerging on Bulgarian radio and television. During the past year, the Bulgarian Media Coalition (BMC), an organization representing the strongest media organizations in Bulgaria, has begun to improve NGO work with media in the country. The BMC has already conducted a number of local-level meetings between NGOs and the media, and is continuing its work on educating NGOs to work effectively with media, in a number of small towns.

CROATIA

CROATIA

Capital: Zagreb

GDP per capita: \$4,530

Population: 4,600,000

Inflation: 6%

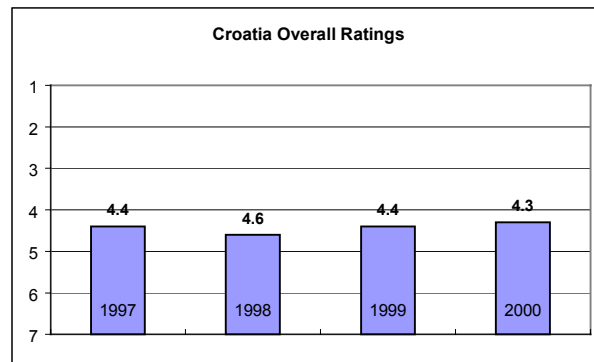
Unemployment: 17.2%

Foreign Direct Investment: \$750,000,000

OVERALL RATING: 4.3

In spite of significant political changes that took place after the Parliamentary Elections in January 2000, the Croatian NGO sector remains weak and its sustainability is in doubt. The new government has expressed rhetorical support for NGOs, emphasizing the role of non-governmental organizations in bringing positive changes and democracy to Croatia. However, this support has not manifested itself in the concrete changes that are vital to NGOs' survival. Even the amount of funding provided by the Croatian Government to NGOs has decreased in the past year. The only positive change brought about by the new government relates to the public image of NGOs: organizations are no longer perceived as enemies, or as anti-Croatian.

The challenges facing the sector stem from serious economic and social problems. The level of donor support previously available to Croatian NGOs has decreased due to positive changes in the political environment. Consequently, many NGOs active in the area of human rights and reconciliation are having difficulties with organizational and financial sustainability.



The number of registered NGOs has increased slightly, to approximately 20,000. Of these organizations, 18,073 operate at the local level and 1,834 at the national level. There are 38 foundations and 55 foreign NGOs registered in Croatia. There are only about 1,000 active and well-developed NGOs. Many NGOs operate as interest groups or grassroots initiatives at the local level. The most active NGOs include those in the fields of social services, women's issues, human rights, legal assistance and environmental protection. Croatian civil society is still weak in the development of intermediary support organizations and local foundations. The legal environment, including the existing Law on Associations, the Law on Foundations and Funds, and tax and fiscal laws, remains weak. Positive changes are anticipated in the near future, though, and the government used a transparent procedure for drafting the Law on Associations, actively engaging both NGOs and the broader public in the process.

LEGAL ENVIRONMENT: 4.0

Early in the year, the Constitutional Court struck down a number of provisions in the Law on Associations that imposed unnecessary burdens on associations seeking to register. Since a new law has not yet been enacted, NGOs currently operate in a somewhat fluid legal environment that is open to potential abuse.

The existing Law on Associations and Funds is reasonably transparent regarding the internal management, scope of permissible NGO activities, and financial reporting. Provisions on the dissolution of NGOs, however, give rise to some concern. The Law on Foundations and Funds confers upon the government a great deal of unwarranted power regarding the appointment of organizations' managing bodies.

While NGOs (particularly human rights organizations) were frequently harassed by the previous administration, the new government has not engaged in this type of behavior. On the contrary, they have introduced significant improvements and increased the transparency and involvement of NGOs in the proc-

ess of drafting a new Law on Associations. Three NGO activists were members of the drafting committee, and the draft law is publicly accessible through the Government Office for NGOs' web page. Panel discussions regarding the draft law were held in four regional centers.

Only a handful of lawyers are expert in NGO law, although modest efforts to increase this capacity are underway. The Croatian Law Center (CLC) of Zagreb is still the most active NGO providing pro bono legal services.

Grants and endowment income are tax exempt, but exemptions to individual and corporate donors are quite limited. In addition, the Law on Associations is not clear as to whether or not (and to what extent) associations can engage in economic activities. Registration practices have not been consistent on that issue. Nevertheless, the tax code does provide certain exemptions for income generated from the economic activities of NGOs.

ORGANIZATIONAL CAPACITY: 4.8

The organizational capacity of most Croatian NGOs is low due to their precarious financial situation, caused largely by the difficult economic and social conditions in the country, as well as decreasing donor support.

Well-developed NGOs can afford to have a few paid staff members, while smaller organizations generally have no more than one full-time (or half time) paid staff member and a few volunteers. Some NGOs have reduced the number

of paid staff members they employ, because of fund-raising problems. In general, volunteerism is limited. Few NGOs actively utilize volunteers and/or promote volunteerism. In order to improve their sustainability, many well-developed NGOs have started to practice strategic planning, using local consultants/trainers to help them with the process. This is also true for some smaller NGOs that have recognized strategic planning as one of the key issues critical for future development.

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Leading NGOs usually have a well developed management structure with clearly defined roles and responsibilities. Boards of directors or supervisory boards are still very weak in most NGOs. Boards rarely adopt a pro-active role in advising and assisting administrators. Often, top managers will be both leaders of their NGO and board members, a situation that may entail a conflict of interest. Generally,

most Croatian NGOs still face numerous management weaknesses, especially those that have not received foreign donations and assistance.

The capacity of Croatian NGOs to develop their constituency base is limited, and is an uncommon concept to most organizations. However, larger NGOs are becoming aware of the need to build and improve their relationships with their constituencies.

Most well developed NGOs have computers, faxes, and Internet access, although the equipment is generally not up-to-date.

FINANCIAL VIABILITY: 6.6

As a result of serious economic and social difficulties, and a decrease in donor support, financial viability is the largest obstacle to the sustainability of Croatian NGOs. Most leading NGOs are dependent on the support of a few foreign donors; therefore their financial viability is at great risk. Although funding from local sources is low, it has started to increase. Conversely, national government support to NGOs has decreased substantially within the past year.

There is growing interest on the part of local governments in supporting NGOs, especially in cities such as Rijeka, Split, Zagreb and Osijek. This support is often the result of personal connections with local government officials, as opposed to open and transparent competi-

tions for funding. Several larger NGOs increased their revenues by contracting with local governments to provide social service activities. Some local governments have provided office space for organizations. With the exception of trade unions, the Croatian Bar Association, and a few elite associations, few NGOs receive significant revenues from dues.

NGOs supported by foreign donors have good financial management systems in place and have excellent reporting skills. Many of these organizations employ professional accountants because they have few full-time employees.

ADVOCACY: 2.5

Croatian NGOs — especially environmental, human rights, peace, youth, and women's groups — have organized strong advocacy campaigns. For example, an impressive, broad-based "get-out-the-vote" campaign was organized before the presidential elections in late 1999 and the parliamentary elections in early 2000 by NGO coalitions GLAS 99, GLAS 2000, and GONG. These coalitions included over 50 local NGOs, and had a major impact on the high voter turnout in the elections. Approximately 73 percent of voters participated in the Croatian Parliamentary Elections on January 3, 2000. Furthermore, an impressive group of more than 5,000 non-partisan election monitors was recruited during the campaign, and was critical in ensuring free and fair elections.

The national government is beginning to cooperate with NGOs, primarily thanks

to the efforts of the Government Office for NGOs, which is very supportive of civil society groups. In Spring 2000, the Government Office for NGOs invited civil society groups to propose changes to the new draft Law on Associations. In order to facilitate this process, they put the draft law on their web page. Unfortunately, many NGOs have not responded. In addition, the Croatian Law Center has proposed a new draft Law on Associations. NGO initiatives regarding the abolishment of several provisions of the current Law on Associations were unsuccessful.

Local authorities are becoming more open to the idea of cooperation with NGOs, though such openings are still not common in smaller municipalities. Similarly, the development of local foundations is at a very early stage.

SERVICE PROVISION: 4.4

Psychosocial organizations, human rights groups, and women's groups have been active in providing services to children, youth, women, refugees, displaced persons, and returnees in Croatia. Often, the government does not provide such services. While contracting with local governments is not a common practice, some local governments have recognized the importance of such services and have started to support NGOs in providing them. Even government-supported NGOs, however, have not been successful in recovering

their costs. A small number of NGOs provide support in the fields of economic development, environmental protection, governance, and housing.

NGOs generally offer services that respond to the needs of vulnerable groups in their communities. Recently, some NGOs have initiated community-building programs in war-affected and rural areas. The new government has also started to recognize a potential role for NGOs in providing social welfare services.

INFRASTRUCTURE: 4.0

The overall infrastructure of the NGO sector remains weak, although there

has been some development in this area. Two new training organizations

CROATIA

(EOS and SMART) have been established and are focusing on topics critical to NGO development including organizational development, strategic planning, fund-raising, proposal writing, advocacy, volunteerism, and communication with the media. In addition, three new NGO support centers have been created. One is a new organization and two exist within already-established NGOs. While a positive development, it is too early to determine whether these new training organizations and support centers will be effective and responsive to the needs of the overall sector, especially concerning the development of smaller grassroots NGOs in regions outside of the big cities.

During the last year, DemNet/Croatia completed and published the first *NGO Handbook* written in the Croatian language, a crucial development for those numerous NGO activists who are unable to use a foreign language. A substantial market remains for additional literature on civil society, published in Croatian.

In general, Croatia lacks local grant-making organizations with the capacity to provide grants to other NGOs. There is substantial interest in establishing community foundations, but only one has been developed to date.

The electronic network Zamir.Net has contributed to communication among NGOs, and is critical for regional cooperation and networking. Some NGO subsectors meet regularly; for example the Women's Network and Green Forum. In addition, Ceraneo and the Government Office for NGOs organize annual NGO gatherings.

In addition, the Government Office for NGOs continues to play a critical role in improving the communication between local authorities and NGOs. Partnerships with local governments have started to emerge in the social services field, primarily in larger cities such as Rijeka and Split. Unfortunately, the corporate sector remains mostly closed to the non-profit sector, although there are a few initiatives in which the two sectors have begun to cooperate.

PUBLIC IMAGE: 4.0

The NGO-led civic education and get-out-the-vote-campaign during the presidential and parliamentary elections contributed significantly to improvements in the public image of NGOs. One example of an NGO with an exceptionally positive public image is GONG, which excels in media communications. Women's groups and environmental NGOs have also continued to receive favorable media coverage due in part to close cooperation with several journalists. However, most NGOs need to establish or improve their media relations skills.

In general, the national media has been less interested in civil society than the local media. Despite small improvements, public understanding of and support for the NGO sector remains limited. Most national and local government officials and most businesspersons also have a limited understanding of the role, capacity and value of NGOs. Generally, Croatian NGOs are not sufficiently open or transparent in their operations.

CZECH REPUBLIC

CZECH REPUBLIC

Capital: Prague	Inflation: 4.5%
GDP per capita: \$5,262	Unemployment: 7.5%
Population: 10,300,000	Foreign Direct Investment: \$3,500,000,000

OVERALL RATING: 2.4

As of May 2000, there were close to 44,000 NGOs registered in the Czech Republic. The vast majority - 96% - of these are civic associations, while the remainder are foundations, foundation funds, public benefit organizations, and church-related organizations. It is estimated that two-thirds of the civic associations are active. Apart from the above-mentioned NGOs, there are around 4000 government owned non-profit organizations (ROPO) active in the Czech Republic.

The non-profit sector accounts for approximately 3% of total employment in the Czech Republic. Non-profit organizations operate in all regions. Although most of them are registered in Prague, Brno, Ceské Budejovice and other big cities, many of them benefit the whole region, or in the case of foundations, the whole country. About a third of non-profit organizations operate at the local level, a third at the regional level and a third at the national or international level. The scope of services provided is wide, but citizens are not sufficiently informed about them.

The government does not perceive NGOs as partners yet and therefore the level of co-operation between the two is stagnant. The legislation governing NGOs contains many imperfections and ambiguities, thereby impeding NGO growth and development.

Government funding of NGOs decreases each year, corporate and individual philanthropy is still rare, and local grant-making foundations are still quite weak. As a result, there is a chronic lack of finances in the Czech non-profit sector that prevents NGOs from hiring a sufficient number of professionals, building a firm position in society, and getting properly involved in public policy.

There is a network of information centers for non-profit organizations, but it is not fully developed. To represent their interests more effectively, some NGOs have established coalitions on a regional or field-of-interest basis.

LEGAL ENVIRONMENT: 2.0

Activities of non-profit organizations in the Czech Republic are regulated by several laws, including the Law on Associating of Citizens of 1990, the Law on Foundations and Foundation Funds of 1997, the Law on Public Benefit Organizations of 1995, and the Law on Free-

dom of Religion and the Status of Churches and Religious Organizations of 1991. All of the above mentioned pieces of legislation are ambiguously written and therefore allow for various interpretations.

Current legislation also provides different opportunities to different types of NGOs to earn money through income-generating activities. Civic associations can earn money in the least restricted way, public benefit organizations' economic activities are more restricted and foundations are allowed to earn income only through specifically defined activities such as the rent of assets, organization of lotteries, public collections and cultural, sport and educational events. Given the lack of legal restriction on entrepreneurial activities by civic associations, this legal form is chosen by organizations even in cases when the public benefit organization status would be more appropriate.

Civic associations and church-related organizations register at the Ministry of Interior, while foundations, foundation funds and public benefit organizations register with the court. Registration itself is not a difficult process, but it takes approximately 6 months due to the backlog in the courts and the lack of technical equipment. In 1998, all foundations

were required to re-register under the new law – which requires, among other things, a minimum endowment – resulting in a significant decrease in the number of foundations. Foundations that were denied re-registration were either abolished or had to register as a different type of NGO.

According to the tax law, NGOs do not pay taxes on certain income categories, such as membership dues, gifts, and interest generated from a foundation's endowment. Non-profit organizations are exempt from paying taxes up to \$25,000 of income and can also deduct 30% of the base taxable income up to \$75,000. Nevertheless, tax obligations are still considered too high by NGO representatives. Donations to NGOs are tax deductible up to a percentage of taxable income. As a result of the tax situation, NGOs are highly dependent on government donations.

A base of legal experts on NGO laws has been developed to a certain level.

ORGANIZATIONAL CAPACITY: 3.0

Most NGOs now have defined missions that they try to fulfill through their activities, which also trying to generate public support for their activities. Nevertheless, because of financial uncertainty, some organizations focus too much on fundraising from the state and foundations, and therefore do not pay sufficient attention to building their membership and base of supporter. Many NGOs underestimate the fact that membership base development is important for increasing financial self-sufficiency and generating unrestricted money.

Over one-third of NGOs admit to having difficulties in recruiting volunteers, one-fifth experience problems in managing them, and many organizations realize

that they are not fully prepared to give the volunteers something to do. The idea of volunteering itself reminds many citizens of the communist past, when most people were forced to volunteer. Public polls showed that about 20% of Czechs occasionally volunteer for some non-profit organization.

Most NGOs do not use strategic planning techniques in their decision making process because they view themselves as being "too small" for it. The division of responsibilities between the Board of Directors and the staff is not always clear – about a third of NGOs do not even have a Board. In many organizations, members of the Board consider their position only as a formality neces

CZECH REPUBLIC

sary to register an NGO, and therefore, do not take it seriously. Service providers have permanent paid employees, but the existence of many NGOs depends on a single person.

Larger organizations operating in cities and most environmental NGOs tend to have sufficient technical equipment and frequently work with the Internet. On the other hand, small regional NGOs struggle to get even basic equipment.

FINANCIAL VIABILITY: 2.0

A 1998 survey on the structure of finances flowing into the Czech non-profit sector showed that, on average, 30% of NGOs' income comes from government subsidies, 21% from individual donations, 17% from income generating activities, 18% from membership fees, 4% from local foundation grants, and 2% from foreign foundation grants, with the remaining 2% from other sources.

In 1998, the Czech government provided NGOs with \$75 million of support, which went primarily to organizations working in the fields of sports, health care, and social services. In 1999, government support declined to about \$57.5 million. Of this government funding, 82% was granted to civic associations, 14% to church-related organizations, and 4% to public benefit organizations. ROPO, or government-owned NGOs, have an advantage over other non-profit organizations because they are financed by the government automatically and therefore do not have to apply for grants. Other NGOs are required to submit projects on an annual basis and get state funding only for the period of one year, so that support for long-term projects is not guaranteed. The public financing system is not fully transparent and does not take the degree of public benefit into account. Furthermore, it is difficult to obtain timely and sufficient information regarding government tenders.

Domestic foundations provide limited support to NGOs, but do not have sufficient resources and/or endowments.

However, in 1999, their situation improved with the first distribution of the Foundation Investment Fund (NIF) which gives 1% of the proceeds from the second wave of privatization to domestic foundations. In 1999, \$12.5 million were distributed among 39 foundations to raise their endowments. In 2001, a second round of grants will be made in the amount of \$37.5 million.

Local corporate philanthropy is not fully developed yet, in part because of low limit for tax deductions and the lack of NGO experience in cultivating donors. Companies prefer sponsorship to making donations as their sponsorship contribution counts as an expenditure. Individual donors are still rare for many reasons, including lack of information about NGOs, lack of trust, and the difficult financial situation that many families face. NGOs are able to supplement their income through income-generating activities, but complicated accounting and tax regulations discourage this. Despite these difficulties, the proportion of funding from local resources and income-generating activities is gradually increasing.

In general, NGOs are too dependent on state funding. Government funding represents over half of the budget in a quarter of all NGOs that work mainly in health, social care, education and research.

The flow of foreign funding has decreased dramatically since 1997. Foreign funding was \$22.5 million in 1997,

and only \$6 million in 1999. As a result, organizations that were established and funded for a long time from foreign resources, particularly those in the areas of human rights and the environment, have experienced a sharp decrease in revenues.

NGOs are aware of the need to professionalize their fundraising activities; however, there is neither enough experience in this area nor appropriate training available.

ADVOCACY: 2.0

Some NGOs have started forming coalitions on a regional or field-of-interest basis. For example, good cooperation occurs among NGOs in the environmental field, who have been able to push through a number of changes in regional development plans and other projects. However, such coalitions are still not very common.

There are few formal mechanisms allowing NGOs to participate in the decision-making process. The extent to which NGOs can influence state administrative bodies largely depends on the attitudes and goodwill of individual officials. The Council for NGOs established by the government comments on new legislation, attempts to change the

system of state funding for NGOs, and tries to create space for NGO participation in decision-making at a regional level. The effectiveness of such activities depends on the members of the Council at a given time. Individual NGO experts are also occasionally consulted on draft legislation.

Advocacy campaigns, petitions, demonstrations, and blockades are quite common and sometimes very successful, although they do not always mobilize broad public support. In general, NGOs are too passive in advocating for their interests, tend to wait for an invitation from the government, and do not make sufficient use of opportunities provided by the current legislation.

SERVICE PROVISION: 2.0

The scope of services offered by NGOs covers basically all areas, and the services are usually available to the general public. The participation of Czech NGOs in humanitarian aid in the Czech Republic as well as abroad is significant and acknowledged by the public. The activities of some NGOs significantly contribute to the improvement of the situation of the handicapped and ethnic minorities, mainly Roma. In addition, some NGOs work to address the temporary housing needs of socially disadvantaged groups of citizens.

Needs analyses and assessment are not systematically carried out yet in the field of service provision. Since many NGOs are financially dependent on the state and compete to provide state-subsidized services, they do not conduct their own assessments of their clients' needs.

Although publications about the non-profit sector are not systematic, there are some available which are used by the state. Information about NGO services can be obtained either in NGO offices or in information centers. On the other hand, libraries and universities

CZECH REPUBLIC

offer very few books about the non-profit sector.

Due to the rather extensive network of state-owned non-profit organizations

(ROPO), the government has little motivation to contract or cooperate with other NGOs to provide these services. However, NGOs are occasionally used because they are cheaper than ROPO.

INFRASTRUCTURE: 3.0

There is a lack of NGO information centers. The Prague information center that for years has been providing information to NGOs, organizing training programs and offering legal and financial consultations, recently curtailed its activities due to financial and management problems. Regional centers that were established by this organization in major cities work well, but their services are sometimes inaccessible for smaller NGOs that lack the necessary technical infrastructure.

Training for NGOs covers various fields, but there is a severe lack of trainers in some areas, especially fundraising,

board development, and organizational development.

Some NGOs work hard to develop cross-sectoral partnerships with local governments and businesses. Several umbrella NGO coalitions were formed and operate on a regional and/or field-of-interest basis. In general, cooperation between NGOs is not satisfactory due to limited access to modern communication technology and/or competition, which results in the fear of some NGOs to share information. Domestic grant making foundations support both nation-wide and local projects but their potential is still quite limited.

PUBLIC IMAGE: 3.0

In 1998, 1999 and 2000, the Prague information center and its regional branches organized information campaign called "30 Days for the Non-profit Sector". These campaigns succeeded in improving the NGO sector's cooperation with the media, although media attention of NGOs is still insufficient.

Many people do not fully understand the role of NGOs, much less recognize the names of individual NGOs or their activities. Foundations that organize public collections and therefore regularly appear in the media are generally better known. NGOs themselves often underestimate the importance of their public image. Due to the lack of information about NGOs, the public still tends to view the non-profit sector as untrust-

worthy. Moreover, many people rely on the state, which in their opinion is responsible for assisting people in need. Individual citizens begin to show an interest in NGOs only when they have a personal problem.

Some important representatives of the biggest political parties are even trying to discourage people from active participation in public matters, accusing NGOs of trying to replace public bodies. Government attitudes towards NGOs are reserved and wary. Government bodies make use of non-profit expertise only to a limited extent.

Foundations have adopted a code of ethics to make their activities more

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transparent. All recognized NGOs publish annual reports.

ESTONIA

ESTONIA

Capital: Tallinn	Inflation: 4%
GDP per capita: \$3,438	Unemployment: 9.6%
Population: 1,400,000	Foreign Direct Investment: \$350,000,000

OVERALL RATING: 2.4

There are 14, 247 registered non-profit organizations in Estonia. Most of them have been established over the last ten years, since Estonia re-gained independence. NGOs are actively involved in social welfare, health care, education, culture, human rights, and environmental protection.

The main challenge facing the development of the third sector in Estonia is the lack of information available to individuals interested in starting and managing successful NGOs. Information on issues fundamental to the success of these organizations, such as how to access available funding, establish partnerships, and use modern technology to run a successful nonprofit organization, is not always available. This lack of information is most serious outside of the capital of Estonia, where organizations suffer from relative isolation and neglect, and opportunities to share information about foreign programs, funding available from national agencies, and training events is very uneven.

People working in the non-profit sector often fail to fully appreciate the need for NGOs to be run professionally and in a business-like manner, in order to be able to develop sources of funding and to build sustainability through partnerships with local people, businesses and authorities. Many NGO leaders **lack sufficient understanding of the benefits of collaboration**. People in the voluntary sector do not understand the importance of collaborating, on both national and regional levels.

LEGAL ENVIRONMENT: 2.0

Minor, but substantive improvements continue to be made to the legal framework, which consists of the 1996 Laws on Foundations and Non-Profit Organizations. Both laws are now well enough established not to cause significant problems for NGOs in the process of registering an organization.

There are three kinds of non-profit organizations provided by law – Foundations, Non-Profit Organizations, and Non-Profit Partnerships. Estonian legislation does not set limits or specify the purposes for which an NGO can be established. Estonian NGOs are freely

able to address matters of public debate and express criticism. Special registration departments of the county and city courts hold the register of non-profit organizations and foundations. Entries in the register are public and everyone has the right to examine and obtain copies of the register and the files of non-profit organizations and foundations.

NGOs pay no taxes on grants and enjoy exemptions or deductions for income earned on the investment of grant funds or endowments. The law requires a very detailed report covering

the management, action plan and financial activities of NGOs.

Legal advice for NGOs in the capital and secondary cities is available on a very limited scale. There is a severe lack of local lawyers with specialized

training in NGO law, and a lack of skilled trainers to address this need. The services of recognized law firms are expensive and the firms are not always familiar with the issues of NGO law.

ORGANIZATIONAL CAPACITY: 2.5

Many leading NGOs received training to strengthen and promote the sustainability of their organizations. As a result, they have all the components of a clearly defined management structure, including recognized division of responsibilities between the board of directors and staff members and volunteers.

Many NGOs have had training in strategic planning, fundraising and have defined their mission statement and financial goals. Typically, however, most NGOs have no clearly defined management structure and lack advanced management, leadership and organizational skills. Tallinn Pedagogical University has recently introduced a course on the non-profit movement to improve the skill base and knowledge of modern management techniques for NGOs.

Leading NGOs have permanent, paid staff and there is a small but capable cadre of local trainers, usually

associated with NGO Support Centers. NGOs that have received prior funding from international donors usually have basic modern office equipment such as relatively new computers, software, fax machines, internet access etc. Public Internet cafes make access to the Internet available all over Estonia.

Most NGOs have a clearly defined mission in their statutes, though it is often not well known or clearly understood, even by the organization's management. The potential of volunteers as a valuable resource is not broadly understood or recognized. Emerging NGOs have difficulty obtaining necessary office equipment, because of a lack of local funds and international donors no longer support equipment acquisition. Many NGOs are not familiar with different areas of non-profit organization management and do not know how to get the necessary assistance and support to answer their questions.

ESTONIA

FINANCIAL VIABILITY: 2.8

Most international funders have left or are currently in the process of leaving Estonia, and as a result of budgetary problems the Estonian Government has reduced its financial support for NGOs. Nevertheless, many local NGOs are able to raise a significant percentage of their funding from local sources, and some are able to finance their operations entirely with Estonian sources of support.

Government and local authorities, as well as many local businesses are beginning to contract with NGOs for services. The Ministry of Internal Affairs has established standards for the delegation of services and the involvement of local authorities in the delegation process. Local governments are becoming more aware of the financial needs of NGOs and the ways that NGOs can use public financing to provide services.

Increasingly, NGOs recognize the importance of sound financial

management and accounting. Larger NGOs have professional financial management staff and sophisticated financial reporting systems.

NGOs are generally unable to draw upon a large enough core of volunteer and non-monetary support from their communities and other consistencies, because there are only limited traditions of voluntary or philanthropic activity. In spite of this, public attention to different charity campaigns and events has increased noticeably in recent years. Most NGOs do not have sufficient resources to remain viable for the short-term future.

NGOs are not active enough in promoting membership outreach and constituency development programs. Membership based organizations such as unions typically collect dues, but not in sufficient quantities to support sustainability. Many NGO activities are still too often donor-driven.

ADVOCACY: 2.0

NGOs are able to influence public policy in different levels and have been successful at affecting change for the third sector. Several leading NGOs have formed issue-based coalitions and conducted broad-based advocacy and public education campaigns in areas including the environment, human rights, minority integration and the plight of street children.

The dialogue between NGOs and governing institutions has become considerably more open and constructive. Seminars and conferences involving the NGO community and governmental officials have become

more frequent. Several governing institutions recognize that NGOs possess considerable expertise in special areas, and acknowledge them to be active parties in decision-making process. For example, The Ministry of Finances has asked NGOs to provide input into the State budget process.

During the past year, the Open Estonia Foundation and the Estonian Law Center initiated a program to develop legislative cooperation between the public and non-governmental sectors. With the support of UNDP, a memorandum of understanding was signed between a number of Estonian

umbrella organizations and a number of political parties to establish a forum to cooperate on and discuss issues of common interest.

Nevertheless, communication between NGOs and public policy makers is often

one-way, and many NGOs, particularly those in rural areas are simply unaware of the possibilities that exist and lack the techniques and skills to take advantage of them.

SERVICE PROVISION: 2.5

Many NGOs provide basic social services, such as health, education and humanitarian assistance at the regional level. In most cases they reflect the needs and priorities of their constituents and communities. Regional NGO resource centers and business advice centers provide a range of services. Several of their products, such as publi-

cations, workshops or expert analysis are marketed to other NGOs. The recognition and value of NGOs is common in several places of Estonia. Local authorities value the capacity of NGOs to provide basic social services and several local authorities provide grants or contracts to NGOs for providing such services.

INFRASTRUCTURE: 2.5

The Network of Estonian Non-Profit Organizations (NENO) has established nine information and support centers in cooperation with the Baltic-American Partnership Program. These support centers provide information on NGO legislation, accounting and tax policy, NGO management and strategic planning, about sources of financing of non-profit organizations. Each Center gathers data on the non-profit sector in their region of operation, and promotes local cooperation with both non-profit organizations with both non-profit organizations and representatives of local government and business sector on the regular basis.

There are several coalitions of NGOs in different areas of activity, including environment and social issues, that share information and knowledge a on the regular basis. There are umbrella organizations in different areas of interest that promote their activities to the larger public. Discussions about the need for

an organization to promote the interests of the entire sector have started.

There is a general lack of well educated trainers covering issues of basic NGO management. Training in advocacy, financial management etc. are generally available in the larger cities, through regional NGO resource centers supported by the Baltic American Partnership Program. It is, however, difficult to predict their financial sustainability and effectiveness after international support comes to an end. At the moment they are not able to collect regularly fees for their services.

There are no traditional community foundations in Estonia, but county governments distribute resources for NGOs on an annual basis. There are also several foundations created by the state to finance regional development, culture etc.

ESTONIA

More advanced specialized training like strategic management, accounting, financial management, fundraising, vol-

unteer management, and board development is available in Tallinn.

PUBLIC IMAGE: 2.5

Consultation and cooperation between local authorities and NGOs is increasing. Local authorities are also beginning to view local NGOs as potential partners and effective service providers. A number of leading NGOs have established relationships with journalists that encourage positive coverage, and a special monthly newspaper, "Foorum", for NGOs is published with international donor support. Many NGOs publicize their activities and many of them are organizing events designed to increase sectoral awareness and visibility such as forums, conferences and seminars.

Leading NGOs publish annual reports and have made encouraging progress in demonstrating transparency in their operations.

The general public, however, is still largely indifferent to the activities of NGOs. Media coverage of NGOs and their activities has been mostly passive and the electronic media make little distinction between public service announcements and corporate advertising. The public does not generally know and understand the concepts of NGOs.

GEORGIA

Capital: Tbilisi

GDP per capita: \$1,033

Population: 5,400,000

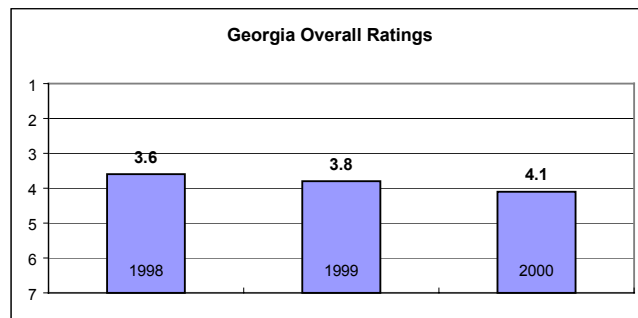
Inflation: 20%

Unemployment: 14.5%

Foreign Direct Investment: \$96,000,000

OVERALL RATING: 4.1

During the last year, the third sector in Georgia expanded geographically, with NGOs now active in almost all regions of Georgia. As the number of NGOs increases, however, so do many of the sectoral challenges. Most NGOs still face problems related to programmatic and financial sustainability, as well as public image. In addition, partnerships between different sectors are rare and sporadic. Despite this, a few well-developed, strong, sustainable organizations do exist.



LEGAL ENVIRONMENT: 3.0

The registration process for NGOs in Georgia is straightforward, but lacks sophistication. The Civil Code recognizes only two types of NGOs: associations and foundations. Recently passed laws, including the Law on Creative Unions and the Law on Youth and Children's Creative Unions, contradict the Civil Code and provide special status and benefits to post-Soviet type NGOs in identified areas. This preferential treatment restricts the creation, registration and functioning of new NGOs in those spheres. In addition, several national organizations have encountered problems when registering their local branches.

Georgian law provides considerable freedom to organizations regarding internal management and bookkeeping. However, the law lacks detailed instruc-

tions, especially on financial reporting and taxation. A new law regulating accounting and bookkeeping will come into effect in January 2001, and introduces a more complicated system of bookkeeping. Training NGOs as well as tax offices will prove crucial for securing timely and correct implementation of the law.

There are no significant instances of direct governmental interference in NGO activities. The lack of a law on public meetings, gatherings and rallies has not adversely affected NGO activities to date.

An increasing number of organizations provide legal services and consultations to NGOs. Highly professional legal assistance is available for organizations in the capital city. The situation is worse in

GEORGIA

some of the regions, especially in southeast Georgia.

The Tax Code, and the drawbacks in its implementation, creates an unfavorable environment for the development of the sector. The tax law allows non-profit organizations to carry out limited income generating activities; however, no tax advantages are provided. NGOs are taxed as commercial organizations when involved in income generating activities. The legislation governing commercial enterprises also regulates NGO income, thus making the financial sustainability of the sector problematic. Although the law does not limit dona-

tions, it does not provide tax exemptions to physical or legal entities either.

The Law on State Procurement allows NGOs to participate in official tenders, but there are few, if any, instances of this occurring. The Parliament has yet to hold hearings on the draft Law on Charity. Reimbursement of the VAT tax remains a big issue. Only a few organizations have appealed to the court and have managed to regain their funds. However, these problems are not considered a targeted government constraint. The Horizonti Foundation has prepared a package of proposals to submit to the Parliament this fall.

ORGANIZATIONAL CAPACITY: 4.0

Constituency building remains one of the biggest problems facing the third sector in Georgia, but some progress was made in the last year as a few organizations attempted to target more activities toward building their constituencies.

The majority of organizations have mission statements, but due to financial constraints and donor funding they tend to work on a project to project basis. Most organizations do not have long-term plans and strategies. A small number of organizations have well-developed organizational management structures. The vast majority of organizations do not have supervisory boards and there is no separation of functions

between governing and executive branches. Most organizations have permanent employees with secure wages. Some organizations manage to attract volunteers. Although the Labor Code of Georgia prohibits legal entities from recruiting volunteers, it is possible to convert donated time into a money index and devalue it, thus avoiding the problem. Nevertheless, the Code needs amending.

In Tbilisi and the regions, the majority of NGOs have well-equipped offices with at least one computer. In some regions, however, communications systems are unavailable or have deteriorated, and Internet/email access is limited.

FINANCIAL VIABILITY: 6.0

Overall, the financial sustainability of NGOs has proven tenuous. Inclusion of indicators such as the level of local support and diversification of financial sources in the 2000 Index caused a significant decline in the score for this di-

mension from last year's score of 4.5. Funding from local sources is insignificant, with few instances of local philanthropy. Only a handful of organizations experience any success when they attempt community fundraising. Due to

the lack of local funds, inter-national donor organizations remain the primary source of NGO funding. Some NGOs manage to raise funds from western foundations. Instances of government or business support within Georgia are rare. While funding sources remain stagnant, the number of NGOs continues to increase. This expansion of the sector increases the shortage of funds.

The majority of NGOs lack sound financial management systems. Reports are produced mainly to satisfy donor requirements. Legislation allows an NGO to earn income from the provision of goods or services. However, in such a case, the NGO is taxed as a commercial, for-profit organization.

ADVOCACY: 2.0

NGOs cooperate with governmental agencies primarily in the legislative branch at the national level. Neither an official structure nor a well-organized easily accessible mechanism exists to regulate the cooperation of NGOs with government. There are a few examples of successful cooperation, but for the most part personal connections account for the success. Since 1998, a special advisory council in the State Chancellery has mediated relations between the President and NGOs. Despite its two-year history, the efficiency of the council remains questionable.

NGOs in Georgia have not implemented any large-scale advocacy campaigns. There are no formal coalitions, although human rights groups have been active and successful in working together to a certain degree. NGOs are increasingly aware of possibilities to influence political decisions from non-partisan positions. They understand the necessity of a well-developed legal framework in different spheres, as well as the importance of public monitoring. A group of leading NGOs, with the support and participation of the Horizonti Foundation, is actively engaged in the legal re-form process.

SERVICE PROVISION: 5.0

Service provision by NGOs is developing at a relatively slow pace. In comparison to the total number of NGOs, the percentage of service providing organizations is very low and their geographic service coverage is limited. The main fields in which services are provided are legal services, management, book-keeping, technical and computer services, and psychosocial and human rights services. NGOs do not need a government-approved license to provide services in these fields. In other fields, where government approval is required (mostly social services such as education and health care), NGO services are

only sporadically provided. In many crucial fields (such as housing and water supply management), NGOs cannot provide services because the government is not willing to decentralize state services.

The high standards of the services that are provided by NGOs have triggered the interest of the government and business sectors, as well as many international organizations. Despite their high quality, services and products in most cases cannot recover production costs. Though the legislation allows NGOs to carry out commercial activities, it does

GEORGIA

not provide tax exemptions. Income generating activities are taxed at the same rate as commercial activities. Consequently, NGOs often fail to cover their production costs.

Government agencies, at least on the national level, are increasingly aware of

the importance of the third sector. Despite this fact, and the positive image of NGOs, especially the leading organizations, the government is generally not interested in contracting for these services and products.

INFRASTRUCTURE: 3.0

The process of creating and developing NGO resource centers is underway. In several cities there are technically equipped centers that are accessible for NGOs, for example the Horizonti office in Telavi and centers in Zugdidi, Gori, and Kutaisi. In other cities, such centers have yet to appear. Horizonti and a few other organizations carry out mobile organizational management training in most regions of Georgia, according to the region's identified needs. Only a few organizations receive income from the marketing of such services.

NGO coalitions that have been formed do so according to a field of activities or geographical location. However, their social and political influence is limited, and no coalitions have formed specifically for the purpose of defending NGOs' interests.

The Horizonti Foundation provides management training for Georgian NGOs throughout the country. The training is conducted in Georgian, and where needed, in Russian. Horizonti offers special management literature in Georgian. Within the last year, the professional level of Horizonti trainers has improved considerably. Pursuant to a program developed by Johns Hopkins University, the Horizonti trainers have become certified through testing and examination. In the future, Horizonti wants to expand its activities to educate regional trainers. Horizonti is also the only organization that provides management services for Georgian NGOs.

Sectoral cooperation between the government and the third sector takes place mainly at the national level, although there is some progress in relations with the business sector.

PUBLIC IMAGE: 5.0

The media does not pay appropriate attention to NGO activities or the role that NGOs play in civil society. In fact, the media paid even less attention to NGOs during this year than last. Some of the publicity that the sector did receive was negative. There were several cases in which NGOs were publicly accused of corrupt practices. In addition to the media's inability to contribute positively to public opinion building, NGOs

themselves generally lack contacts with their constituencies, with the exception of some of the leading NGOs. Consequently, a positive public opinion of NGOs has not yet been established. In several regions throughout Georgia, the mere existence of NGOs remains unknown.

Acknowledgment of NGOs by the business and government sectors remains

2000 NGO Sustainability Index

inconsistent. The central government acknowledges and tries to cooperate with NGOs, although such cooperation has yet to develop into financial assistance. In the regions, with individual exceptions, dialogue between NGOs and governmental agencies has yet to be achieved.

Progressive representatives of the business sector acknowledge the role and meaning of the third sector. They try to learn about the activities and resources that NGOs offer. Businesses at the national level also are beginning to develop a strategy for future cooperation with NGOs. Business enterprises have begun to see a mediator role for the third sector in relations between the business sector and society, and to see

NGOs as supporters of their interests. Relations between the business and NGO sectors have not only begun, but promise significant positive developments in the future. However, it must be mentioned that such interest by the business sector has few financial or legislative implications and merely constitutes an expression of moral or conceptual support.

Openness and transparency are characteristics not yet present in Georgian NGOs. With a few exceptions, non-profit organizations have not implemented independent financial audits. A majority of NGOs have not made their annual reports public and have not institutionalized a code of ethics.

HUNGARY

HUNGARY

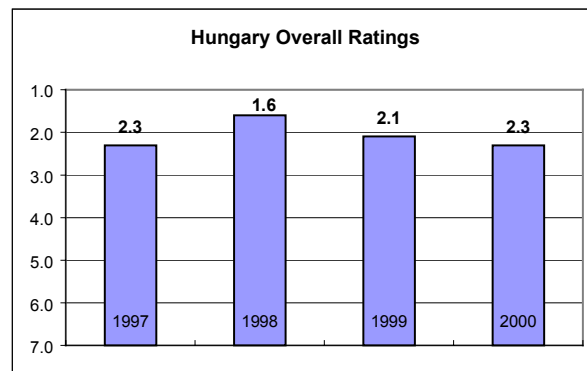
Capital: Budapest
GDP per capita: \$4,885
Population: 10,100,000

Inflation: 9%
Unemployment: 9.1%
Foreign Direct Investment: \$1,600,000,000

OVERALL DESCRIPTION: 2.3

By some counts, there may be as many as 50,000 NGOs in Hungary, although most estimates of “functioning” organizations put this number closer to about 10,000 - 20,000. One potential point of concern for the sector is that NGOs are increasingly being used – across the ideological spectrum, but perhaps to a greater extent by “successor” organizations of former communist institutions – for political party purposes.

Some of the most important challenges to the sector are the strengthening of organizations’ socio-economic legitimacy, the discovery and fulfilling of social service functional roles, and improvement of both intra- and inter-sectoral cooperation. Improved cooperation with other sectors will be important for the development of local sources of support to build sustainability in the long run. Increased opportunities for NGOs to cooperate, communicate and work in coalitions would be beneficial for the sector. NGOs particularly need assistance in participating more actively in civil advocacy and in local and national decision-making processes.



Strong regional differences continue to present challenges for the sustainability of Hungarian NGOs, particularly the differences in patterns of economic opportunity and investment, and regional differences in unemployment rates and per capita GDP. In general, NGO development in Hungary will continue to be closely linked to economic development, presenting a great challenge in those regions where needs are objectively the greatest and indigenous resources for NGOs are the scarcest. Central Statistics Office figures show, however, that increasingly NGO resources are going outside the capital, a healthy trend.

LEGAL ENVIRONMENT: 1.0

The legal environment in which non-profit organizations operate in Hungary is generally positive and has been stable over the past years. The Government of Hungary (GOH) enacted comprehensive NGO legislation in Decem-

ber 1997, and has been receptive to further discussion of improvements in the law. A number of such modifications are currently pending in the Parliament. The existing NGO legislation lays out financial and reporting criteria, and

seeks to remove inactive NGOs from the official registry. This legislation has improved transparency and offers several benefits to non-profits, including the opportunity to compete for public procurement at the local and regional levels, especially in the realm of social service provision.

Long-term benefits of the legislation will likely include a gradual improvement in the credibility of the sector. The Hungarian Central Statistics Office reports

that 11,000 different NGOs received individually selected tax contributions in 1999 under the "One Percent" legislation, which allows citizens to designate a registered NGO to which one percent of income tax will be given. While there were some difficulties encountered at the beginning of this effort, steady improvements have been made. This legislation has also helped NGOs to realize the benefits of reaching out to their local communities, and increases the exposure of the sector in general.

ORGANIZATIONAL CAPACITY: 3.0

As measured purely in the number and variety of NGOs, organizational capacity is strong. Currently there are between 40,000 and 50,000 legally registered NGOs, but it is unclear exactly how many are functioning and active. Until recently it has been extremely rare to "de-register" non-functioning NGOs, because there was no established process and no incentive to d-register. Apart from vocational associations, there is a lack of nationwide coalitions

During the past year one NGO that had received support from USAID became the first Hungarian NGO to receive certification from the International Standards Organization (ISO). ISO is almost exclusively in the private sector, and means that the NGO went through the same total quality audit processes that a large multinational corporation would

experience. This certification means that the entire organization - from finances and administration to service production and delivery - has been audited with an eye toward total quality. This process has helped the NGO find ways to improve its services and service delivery and is evidence to both clients and potential donors of a high level of professionalism and credibility.

Nevertheless, the sector in general is still relatively weak in areas such as reporting, strategic management and public relations. Skill levels in these areas vary, depending on sector and region, with environmental NGOs among the most professional, and NGOs in the economically depressed eastern regions among those with the greatest need for organizational capacity development.

HUNGARY

FINANCIAL VIABILITY: 3.0

Hungary is currently enjoying sustainable, dynamic growth for the first time since the regime change. As the economy improves, it is hoped corporate citizenship will take hold, but Hungarian NGOs are still very much in the beginning stages of approaching commercial and corporate sponsors. For many NGOs this is simply not seen as a viable strategy yet, particularly in disadvantaged regions where companies often do not have resources to spare. Financial viability is very much a function of regional economics.

An encouraging sign, however, is that slightly more than 60% of NGO resources in Hungary do come from self-generated revenues, suggesting that NGOs have developed the beginnings of a core base of support. The Central Statistics Office reports that 11,000 NGOs received funding through the One Percent Program during the past year.

Another encouraging sign is that the number of individuals using the One Percent Program has virtually doubled, from 1 million in 1997 to almost 2 million in 2000.

Although only one third of the country's NGOs are located in Budapest, they have almost two-thirds of the entire sector's resources.

Provincial NGOs have made marked improvement over the past year, however. Unfortunately the greatest needs are actually outside of the capital city, which has a per capita GDP double that of the nation as a whole. There is some degree of consolidation occurring in the non-profit sector as a result of the new NGO law and the withdrawal of foreign donors.

ADVOCACY: 3.0

In certain areas, particularly minority rights, rights for the disabled, etc., NGOs are proving themselves to be effective at making their positions known and in working for change. These efforts can be very effective, particularly at the local level and more NGOs should develop a policy development orientation.

At the national level the picture is more mixed. A number of NGOs are more and more willing to become players in party-political issues, with formal or informal party affiliations increasingly common. This trend, should it continue, might harm the state of the sector as a whole.

SERVICE PROVISION: 2.0

Direct provision of services provides perhaps the best opportunity for NGOs to connect with their communities. Currently NGOs are able to generate more than 60% of their income from services provided, and this proportion is growing as foreign donors reduce funding levels

in Hungary. Local and national governments do provide a number of opportunities for normative support, normally for niche social services to those with special needs.

Local governments are still wary of giving funding to NGOs to provide services that municipalities are legally mandated to provide. This is not likely to change in

the near future. A complicating factor is the fact that contracts signed by a municipal government and NGOs are often thrown out following election cycles.

INFRASTRUCTURE: 2.0

The Hungarian non-profit sector has reached the point of maturity where a strong cadre of well-trained professionals exists to provide consultative services to the sector, although it is rare that a smaller NGO can actually afford to pay for such services. The GOH recently began funding a nation-wide net-

work of "Civic Houses", built in larger towns across Hungary, which provide services to local NGOs.

A certain degree of currently existing institutional infrastructure is supply-driven, and will likely not be sustainable without foreign funding.

PUBLIC IMAGE: 2.0

The impact of the "One Percent" legislation and the 1997 NGO law are beginning to be felt: NGOs have begun undertaking concentrated efforts to inform local communities of their activities. The fact that the "One Percent" law has proven to be rather popular with the

public at large suggests that perceptions are generally positive.

One potential area of concern is the tendency of political parties to either invent or subvert NGOs to serve their own parochial purposes.

KAZAKHSTAN

KAZAKHSTAN

Capital: Astana

GDP per capita: \$1,523

Population: 15,400,000

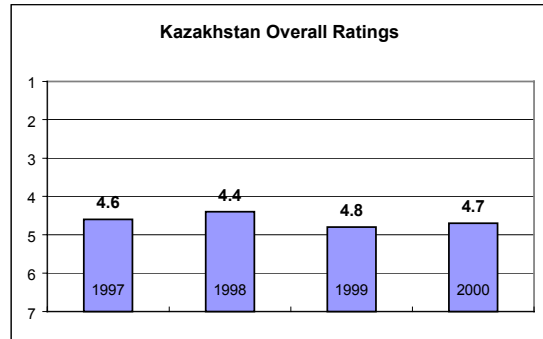
Inflation: 6%

Unemployment: 3.7%

Foreign Direct Investment: \$800,000,000

OVERALL RATING: 4.7

According to the Kazakhstan Ministry of Information, approximately 6,000 NGOs are officially registered in Kazakhstan. However, according to the database kept by the Counterpart Consortium, only 800 of these are active. Many of the other registered NGOs are dormant, or are quasi-NGOs created by government agencies. The NGO community is fairly diverse, but certain parts of the NGO sector tend to be stronger. Ecological NGOs, for example, are fairly strong and are numerous. Historically, they were the first to agitate for government accountability in the USSR in the mid- to late-1980s. While based among intellectuals, many ecological groups have become more involved in grassroots work within communities in recent years. Business and professional associations as well as women's groups are also fairly numerous, as are health NGOs and groups working with disabled people. The civil society sector in Kazakhstan has been an invaluable arena for women's activism. Women head approximately 70 to 85% of NGOs in the country, and a considerable number of organizations are also comprised of female-dominant staffs.



Since last year, the ability and willingness of NGOs to enter into advocacy projects has increased. NGOs have been involved in a successful independent monitoring campaign for the parliamentary elections, local government de-centralization, NGO legislation, and government contracting to NGOs for social services.

While these efforts have increased the visibility of NGOs in Kazakhstan over the last year, most NGOs in the country remain small organizations with very small membership bases, limited community outreach, and poor networking and coalition building skills. As a result, the NGO sector is still marginal in Kazakhstani society. This makes it all the more difficult for NGOs to lobby the government to create or implement legislation, which will help nurture the sustainability of the sector. In addition, most NGOs in Kazakhstan continue to operate under the guidance of strong personalities rather than through decentralized and democratic structures of organizational governance. While this may help NGOs adhere to clear and cohesive strategies, it also limits the ability of stronger NGOs to take the next step towards becoming truly sustainable organizations based on a stable and active membership and/or constituency.

LEGAL ENVIRONMENT: 4.5

Legally, NGOs face few formal difficulties in registering with the government. Legal advice is available in major cities from both lawyers and other legal experts. However, many NGOs, especially those that are less developed and/or located in outlying regions, find the current registration fee of \$100 prohibitively high, even though this is less than what was previously required.

NGO operations vary significantly in terms of the degree to which legislation is implemented. This in turn varies with geography; enforcement is generally strongest in Almaty and other urban centers. On a positive note, the participation of unregistered organizations is now permitted.

NGOs engaged in advocacy campaigns continue to experience harassment by local authorities, making good (or at least working) relations with akims (regional governors) more important than ever.

NGOs currently enjoy few tax benefits, although grants from international organizations are exempt. The lack of legal tax protection seriously undermines NGOs' capacity to engage in revenue-generating activities.

The current draft of the proposed tax code rolls back tax exemptions for NGO revenue generating activities, thereby effectively eliminating the NGO sector's ability to sustain itself. The draft legislation also requires international grants to be funneled through the Ministry of Press and Social Harmony in order to receive tax privileges. However, with the active participation of the International Center for Not-for-Profit Law, the draft tax code has undergone several revisions favorable to NGOs. Blanket harassment by the tax police of NGOs with international partners or donors increased dramatically in August 2000 in Almaty and Shimkent in an attempt to strip NGOs of many privileges in the draft Tax Code, which was then under consideration.

ORGANIZATIONAL CAPACITY: 5.0

In general, organizational capacity remains weak in Kazakhstani NGOs: many organizations have few members, and membership issues are not perceived to be necessary to obtain grants. This focus on grants, rather than organizational capacity-building, has also impeded the formation of NGO coalitions. Some NGOs in Kazakhstan actively seek to build constituencies among the broader population. Most organizations, however, do not understand the impor-

tance of maintaining active ties to society, and seem unconcerned by the absence of such links.

Despite technical advances such as wider access to modernized office and communications equipment, NGO staffing procedures remain underdeveloped. Poor levels of both volunteerism and clear internal governance procedures exist in all but the strongest NGOs.

FINANCIAL VIABILITY: 5.5

KAZAKHSTAN

Many NGOs in Kazakhstan, except those enjoying direct support from the government, remain almost entirely dependent upon grants from foreign donors. This is problematic for several reasons. International donors are limited in number (inducing a competitive, rather than cooperative, intra-sectoral dynamic), and the year-to-year funding cycles of international donors instill local NGOs with a sense of insecurity, hindering their ability to plan—much less operate—in mid- to long-range terms. Despite this, many NGOs, especially those outside of Almaty and Astana, work locally without contact with the international donor community. These organizations survive “under the radar” of international donors, with the support of small businesses, local residents, and

membership fees. This is especially true of organizations representing the interests of ethnic groups and other tight-knit communities. The continued degradation of the economic environment outside of the main cities of Almaty and Astana, however, continues to take its toll on regional NGOs’ financial bases.

Sound financial management systems are being put in place in many Kazakhstani NGOs as the result of foreign technical assistance, foreign donor requirements, and the need to withstand increasing scrutiny from state tax and other regulatory bodies. These systems include realistic budgets and durable accountability mechanisms.

ADVOCACY: 4.5

Only a small number of Kazakhstani NGOs have shown strong improvement in advocacy work, galvanized by the recent parliamentary elections in Kazakhstan. These organizations have demonstrated both the inclination and ability to engage in advocacy work based on specific issues or broad reform campaigns. These efforts have generated some notable successes. For example, the previous rape law was repealed and replaced, largely thanks to a lobbying campaign spearheaded by NGOs. Also, NGOs such as “Daytar” and the Center for the Support of Democracy were instrumental in forcing the parliament to postpone consideration of a controversial draft law on self-government, and then to publish the draft. In addition, a group of NGOs forged a successful independent monitoring campaign for the parliamentary elections, and have since turned their attention to local government decentralization. Finally, several NGOs

have been involved in drafting new NGO legislation.

Despite a rise in the visibility of advocacy efforts, the vast majority of the Kazakhstani NGO sector, including environmental NGOs, has shown little or no improvement in advocacy work. Networking among NGOs has yielded mixed results. Despite the existence of the Confederation of NGOs, the lack of a unifying, nationwide agenda has impeded coalition building. As a whole, NGOs engaged in advocacy work – particularly those involved in

political advocacy and lobbying – remain immature in their development of advocacy skills. They also experience difficulty in changing their stance towards

the government from one based on confrontation to one oriented towards persuasion.

SERVICE PROVISION: 4.7

Despite a general weakness in constituency building efforts, NGOs in Kazakhstan provide a broad range of services to local populations. Service-oriented NGOs tend to focus on socially vulnerable segments of the population. The Association of Diabetics, for example, represents a successful social partnership forged between a service providing NGO and local government. Despite ongoing problems with NGOs' ability to monitor and track the effective-

ness of and demand for their services, there appears to be a general expansion of services provided by the sector. This trend is encouraged in some cases by local governments that view NGOs as an important supplement to government-provided services. In this, however, there exists the danger that NGO-provided services may eventually substitute, rather than supplement, the efforts of local governments and budgetary organizations.

INFRASTRUCTURE: 4.5

The infrastructure supporting the Kazakhstani NGO sector appears to have improved somewhat over the past year. Training resources available to NGOs have grown over the past year, both in terms of quality and geographic availability. The weak link in terms of infrastructure is the inability of local grant-making organizations to function. Local

community foundations and ISOs have been incapable of raising local funds and redistributing international donor funds. NGO networks exist, but their cooperative efforts have been limited primarily to information sharing, rather than mounting coordinated advocacy campaigns or resource management.

PUBLIC IMAGE: 4.5

The public image of NGOs in Kazakhstan has not changed appreciably over the past year. While NGOs slowly expanded their public relations activities, such as outreach to media, their failure to create a positive perception of NGOs among government officials and business sector representatives continue to stunt the sector's activities. Perceptions among government officials tend to be especially negative towards NGOs involved in political advocacy campaigns.

Relations between NGOs and journalists have improved slightly. Although the work of NGOs does not appear in the national media as much as many would like, NGOs do appear on television and in newspapers. The degree to which an NGO is covered in the media is a function not only of the political climate or the media's attitude towards the NGO sector, but also of the NGO's efforts to actively interface and cultivate good relations with media outlets. Some NGOs seem to have reduced

KAZAKHSTAN

their outreach efforts after initial attempts to make inroads with the media have failed.

The public at large remains relatively skeptical and/or ignorant of NGOs. Many view NGOs as vehicles for advancing the interests of narrowly defined economic and political elites. This is

especially true of NGOs with ties to political figures. In many cases, this problem of public perception is related at least in part to the failure of NGOs to actively establish channels of communication with the public. Bulletins and newsletters produced by NGOs, for example, are not distributed widely.

KOSOVO

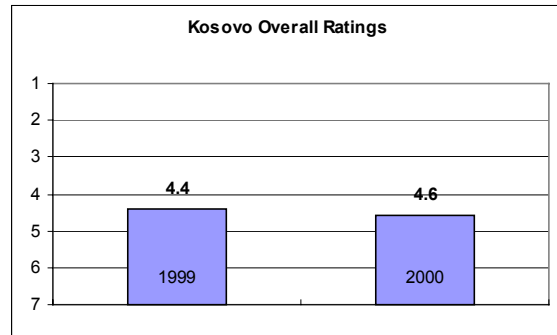
Capital: Pristina
 GDP per capita: n/a
 Population: n/a

Inflation: n/a
 Unemployment: n/a
 Foreign Direct Investment: n/a

OVERALL RATING: 4.6

Civil society in Kosovo benefits from a strong history, as Kosovar society provided itself with social, cultural and basic community services over the past ten years through a largely voluntary civil society system. As a result, NGOs in Kosovo enjoy a largely positive public image.

There are currently over 400 local NGOs registered in Kosovo, although it is estimated that less than 100 of these are truly active. These figures reveal the significant divide in the Kosovar NGO sector between a few well-established and capable organizations, that mostly began operations before the war, and the large number of less developed organizations that have formed since the war, often in response to the availability of donor funding. This dilution has diminished the overall effectiveness and public image of the NGO sector.



The NGO sector in Kosovo benefits from a favorable legal environment that largely adheres to international best practices.

However, other types of infrastructure – including a cadre of capable local trainers and local sources of funding – are necessary to increase the sector’s sustainability and effectiveness.

LEGAL ENVIRONMENT: 3.0

Since November 1999, local and foreign NGOs in Kosovo have operated under the provisions set forth in UNMIK Regulation No. 1999/22 on the Registration and Operation of Non-Governmental Organizations in Kosovo. Administrative Direction No. 2000/10, signed on May 9, 2000, clarifies the implementation of this Regulation.

The regulation and administrative direction are largely based on international best practices and establish a favorable

legal environment for NGOs. Consistent with civil law traditions, the regulation permits the establishment of both associations and foundations, which may be established for either public benefit or mutual interest. In addition, the regulation also recognizes that individuals have the right to associate without forming a legal entity. Registration is simple, and UNMIK has limited authority to deny registration. Associations and foundations are allowed to engage in economic activi

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ties to support their purposes. In exchange for exemptions on customs duties and excise and sales tax on imported goods, organizations with public benefit status must submit an annual report with programmatic and financial information.

Although NGOs operate under a favorable NGO law, there is limited understanding of the law among both local NGOs and local lawyers. There are currently efforts underway to establish a local organization focused on NGO legal issues and to introduce a course on NGO law in the law school to address this deficiency.

ORGANIZATIONAL CAPACITY: 4.5

The NGO sector in Kosovo consists of a few experienced and sophisticated NGOs that have been operating since before the war, and a large number of NGOs that have formed since, in part to meet the needs of the large community of international development and relief agencies operating in Kosovo. There is a wide gap between the level of organizational capacity between these two groups. Several experienced and established NGOs have developed strong and loyal constituencies, clear missions, and strategic plans. The majority of NGOs, however, are more likely to design their initiatives in response to donor interests and priorities. Hundreds of NGOs have been created in response to donor announcements of grant programs, and then cease operations when funding ends or fails to materialize. Stronger NGOs have permanent, high quality staff, but smaller NGOs are more likely to hire staff on a temporary basis to fulfill the needs of particular projects.

A further problem faced by all NGOs is retaining experienced NGO activists, as many have accepted jobs with international agencies that can offer

higher salaries. The level of technical advancement within the NGO sector also varies widely. Organizations that have been successful at attracting donor funds have solid technical bases, while others do not have access to even the most basic equipment. However, while access to computers and the Internet is a particular problem for NGOs in smaller cities and in rural areas, the situation has improved dramatically since the war.

Over the past decade, volunteerism was prevalent in Kosovo, as the Albanian community provided itself with social, cultural, and basic community services. Although volunteerism is still relatively high, the number of active volunteers has dropped over the past year.

Internal management structures remain weak, with most NGOs dominated by a single dynamic leader. NGOs must have a board of directors to register; however, few organizations have defined roles for or effectively utilize their boards, and in many cases, staff members also serve as board members.

FINANCIAL VIABILITY: 6.0

Although there is a long-standing history of community support for civil society initiatives in Kosovo, the NGO sector

relies heavily on foreign donors for financial support. The local economy has extremely limited capacity to provide

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financial support to NGOs, and even volunteerism is declining.

Existing legislation does not place any limitation on NGO capacity to compete

for government (i.e. UNMIK) contracts and procurements, but such competition is rare. Some NGOs have started to charge fees for the services they provide, but this is still an uncommon practice, as most of their target beneficiaries can not afford to pay for the services they receive.

In general, NGOs lack sound financial management systems to track the use of their funds.

ADVOCACY: 4.5

Local NGOs have little experience in advocating for policy change. Over the past ten years NGOs had no contact with the government and there are currently limited traditional governmental entities with whom NGOs can communicate. Furthermore, the NGO sector is generally more comfortable with the role of opposing the government, rather than lobbying the government to implement specific policies.

Despite these obstacles, NGOs generally have good lines of communication with UNMIK and OSCE, both of whom consult with NGOs on a variety of policy issues. Local NGOs were actively involved in

reviewing and commenting on UNMIK's NGO regulations, as well as the nature and content of reporting for public benefit organizations. NGO coalitions exist in the areas of election monitoring and women's issues.

Some NGOs played a role in local elections in Kosovo in October 2000, both as observers and in educating the public about candidate platforms. As local government structures evolve, NGOs will need to develop the capacity to successfully participate in public policy debate and decision making with these structures.

SERVICE PROVISION: 5.0

In the absence of support and services from the Serbian government, Kosovar civil society has been active in providing health services, education, protection of human rights and other public services over the past decade. While numerous organizations remain active in the field of service provision, the influx of international organizations with missions to provide such services has reduced the number of local organizations involved in this sphere. This disempowerment of local groups raises serious questions

about the provision of needed social services once international groups start to pull out of Kosovo.

There is wide discrepancy in the ability of NGOs to produce goods and services that reflect community needs and priorities, but many established organizations regularly conduct assessments to ensure that their projects respond to local realities. Furthermore, local NGOs serve as a valuable source of information about community needs for

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international organizations. However, several local NGOs report that international NGOs often develop projects based on local groups' ideas or use their contributions without recognizing their participation. The ability of local NGOs to provide high quality services is also diminished by the "brain drain" that is taking place, as talented NGO leaders accept positions with international organizations.

While UNMIK is favorably disposed to local NGOs, there are no established procedures for government structures to provide grants or contracts to NGOs to deliver services. NGOs also have a difficult time recovering costs for the services they provide, given the devastating local economic situation.

INFRASTRUCTURE: 5.0

The OSCE has been actively trying to develop an infrastructure to support the development of the NGO sector in Kosovo. This has included the development of a network of seven NGO resource centers and the establishment of an NGO assembly, led by an Executive Council. Unfortunately, these initiatives have had limited success to date. The services offered by the NGO resource centers are largely limited to access to space for meetings, office equipment, and modest libraries. The sustainability of these centers is a serious cause for concern. Likewise, the Executive Council has had limited effectiveness, as many of the larger and more established NGOs have chosen not to participate in it.

Local NGOs have had some success at building structures for sharing

information and promoting cooperation – both within the sector and with businesses and government agencies. NGOs operating in the field of women's rights have been especially effective at networking, and have formed a strong coalition. A coalition also exists for organizations involved in election monitoring. In addition, local NGO councils exist in two towns.

Two local organizations – the Kosovo Civil Society Foundation and the Kosovo Foundation for Open Society – provide grants to local groups. Both of these groups rely on international donors for their funds. While there are some local trainers, their level of skill remains low. As a result, foreign trainers lead most of the training sessions taking place in Kosovo.

PUBLIC IMAGE: 4.0

NGOs in Kosovo developed a positive public image before and during the war. While this image has largely remained intact, the recent development of opportunistic and ineffective NGOs, as well as businesses registered as NGOs to take advantage of tax exemptions, has tarnished this image somewhat. However, both UNMIK, essentially the only government operating in Kosovo, and businesses generally respect NGOs as a sector.

The level of media coverage of NGO activities varies by organization. Several large, well-known NGOs enjoy almost daily coverage. On the other hand, other organizations, particularly women's groups, receive very little media attention. Part of the reason for this

is a poorly developed understanding of public relations and NGOs' responsibility to inform the media and the public of their work.

Self-regulation is still a relatively new concept in Kosovo. While many organizations express an interest in being open and transparent, none have adopted codes of ethics or published annual reports. However, the UNMIK regulation governing non-profits requires those with public benefit status to file annual reports, with the first reports due in November 2000. The reports will be accessible to the public, and are hoped to increase transparency and accountability within the NGO sector.

KYRGYZ REPUBLIC

KYRGYZ REPUBLIC

Capital: Bishkek

GDP per capita: \$382

Population: 4,700,000

Inflation: 10%

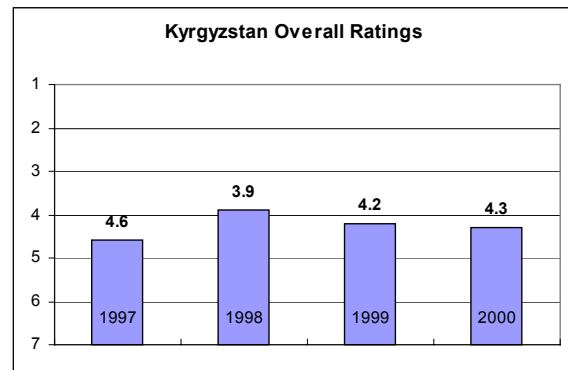
Unemployment (1997): 3.2%

Foreign Direct Investment: \$64,000,000

OVERALL RATING: 4.3

Approximately 2,000 NGOs are officially registered in Kyrgyzstan. However, according to the database kept by Counterpart Consortium, there are about 1,060 active NGOs in the country. Many of the other registered NGOs do very little, or are quasi-NGOs created by government agencies. The NGO community is fairly diverse, but capacity is unevenly distributed among NGOs, with those engaged in apolitical service provision such as in the health or consumer protection spheres for example, generally stronger.

The past year has witnessed the increased involvement of Kyrgyzstani NGOs in the political arena. While this is largely a positive development, increased political involvement has also led to a highly contested sector that is politicized internally and that is under great pressure from the Government. These developments stem mainly from the NGO community's activism during and since the flawed parliamentary elections. It is unclear how this increased involvement will affect the Kyrgyzstani NGO sector in the long run. In the meantime, the sector faces the challenge of the up-coming presidential election. In the best case scenario, developments in the political sphere will push the NGO sector toward increasing maturity, unity, and consolidation; but increased political participation may also lead to fragmentation in the short-term.



At present, Kyrgyzstan's NGO sector is the most advanced in Central Asia. NGOs have emerged throughout the country, and a few national organizations even have local branches. NGOs exist in numerous sectors including advocacy, elections monitoring, agricultural and business development, health care, disability support, consumer protection, and women's rights.

The largest problems facing the NGO sector in Kyrgyzstan are rooted in issues of organizational and financial sustainability. Most NGOs are run by strong personalities who micro-manage the organizations' activities. While this may provide short-term coherency and effectiveness in the implementation of activities, it also limits the ability of NGOs to plan for their continued existence beyond the present leadership. It also limits the ability of NGOs to reach out to a large membership and/or constituency. Financially, NGO growth is constrained by tax legislation that taxes any commercial activity performed by an NGO at the same level that businesses are taxed, regardless of what the income is used for. Furthermore, the poor economic environment in Kyrgyzstan provides little hope for increased local financial support for NGOs.

LEGAL ENVIRONMENT: 4.3

Despite the passage of a new NGO law in October 1999, the legal environment for NGOs in Kyrgyzstan has degraded appreciably over the past year, and remains tenuous at best. In the wake of flawed parliamentary elections and in the run-up to a presidential election that has already seen the suppression of opposition candidates, the NGO sector has become dangerously politicized. For some NGOs, in particular those oriented around political advocacy or electoral issues, this largely reflects the active degradation of relations between the government and NGOs. In a departure from its prior policies of restraint, the government has begun to manipulate various levers, such as the state media, government-sponsored or government-sympathetic NGOs, and the registration process to harass NGOs with political agendas that are seen as antithetical to the government.

Other apolitical NGOs have also been affected by the politicization of the legal environment. This politicization has caused a cooling in the government's attitude towards the sector in general. Implementation of the NGO law remains problematic, and the application of formal registration procedures is ad hoc. In general, stronger NGOs with higher profiles encounter more impediments in the registration and re-registration processes.

Although most lawyers have little knowledge specifically about NGOs, legal advice is readily available and provides the sector with a certain capacity to defend its interests and engage the formal legal regime. There are no restrictions on income generating activities for NGOs, but taxation remains a problem because tax authorities do not distinguish between not-for-profit organizations and for-profit companies.

ORGANIZATIONAL CAPACITY: 4.0

The organizational capacity of the NGO sector in Kyrgyzstan has not changed appreciably over the past year. Many NGOs have moved beyond grant-to-grant thinking, and demonstrate an understanding of the need for strategic planning and sustainability. NGO staffing has also improved. Despite this, problems remain in creating the conditions necessary for NGO sustainability. Volunteerism, for example, is not popular or commonly encouraged among NGOs. Similarly, NGOs in Kyrgyzstan, by and large, do not have stable con-

stituencies. This reflects the need for reliable and proven constituency building techniques. Nevertheless, the NGO movement and community in Kyrgyzstan are growing.

Governance problems continue to hinder the growth and activities of the NGO sector. In particular, internal management structures such as boards of directors are poorly defined. Furthermore, instances of nepotism have been noted in some NGOs, further hampering both their growth and effective management.

FINANCIAL VIABILITY: 5.5

KYRGYZ REPUBLIC

Financial viability remains problematic for NGOs in Kyrgyzstan, as evidenced by the lack of change from last year's score. Kyrgyzstani NGOs scored particularly low on the financial management systems indicator, reflecting the sector's inability to develop reliable accounting and budgeting mechanisms. The absence of these mechanisms not only retards organizations' ability to effectively use the funds at their disposal, but also impedes broader engagement with the international donor community.

The Kyrgyzstani business community has shown some willingness to invest in social activities and to provide a certain amount of funding to local NGOs. In certain areas, local companies have provided significant operating funds for local NGOs. However, improvements in legislation are required to strengthen

these funding relationships. For example, the current tax code allows private companies to contribute no more than 5% of their income to NGOs tax-free, effectively limiting private-sector contributions by penalizing larger contributions. Furthermore, there is no database that local commercial donors can use to identify potential recipients.

Given the increasing politicization of the NGO operating environment, it is important for NGOs to understand the need for "neutral" money from nonpolitical sources. Overall, however, financial viability of Kyrgyzstani NGOs primarily depends on international donors. Similarly, international donors remain the main forces for improving the organizational capacity and financial accountability of local NGOs.

ADVOCACY: 3.5

Advocacy remains the strongest element of the Kyrgyzstani NGO sector. NGOs have demonstrated the capacity and willingness to engage in advocacy work and in particular to promote policy-focused advocacy initiatives. Many NGOs have considerable experience in coalition-building and political lobbying. In the recent electoral environment, a number of Kyrgyz NGOs collaboratively pressed for free and fair elections at the national level.

Government acceptance of NGO advocacy remains mixed. Outright political lobbying by independent NGOs—in particular by those viewed as hostile to the current government—has prompted a concerted negative response by the government. This response has included administrative pressures as well as attempts to influence the NGO sector through government-supported or government-organized NGOs (GONGOs). These attempts to co-opt the NGO sec-

tor, while ominous, indicate that top political leaders understand the importance of NGOs and civil society. By one estimate, of the more than 2,000 NGOs in Kyrgyzstan, almost half are either sympathetic to the government or are outright GONGOs.

The government has not actively undermined advocacy and lobbying efforts by non-political NGOs. Organizations such as the Association for the Protection of Consumers' Rights play an active role in advocating for the rights of members and constituencies. They have experienced some successes. In one instance, complaints against a Bishkek-area dry cleaner were taken up by the Association, which caused government agencies to discipline the business in question and compensate consumers for damaged clothing items. Other service provision NGOs, such as those providing health or drug addiction services, do not generally encounter active resis-

tance from the government, although the persistent ignorance of legislation and Soviet-style administrative proce-

dures and attitudes continues to be a problem.

SERVICE PROVISION: 4.5

Overall, the Kyrgyzstani NGO sector's capacity for service provision decreased over the past year. Diverging tendencies exist within this aggregate score, however. Measured as a function of the NGO sector's range of goods and services, community responsiveness, and constituencies and clientele, service provision actually *increased* from 1999 to 2000. Poor scores in the ability to promote cost recovery schemes and to gain government recognition and support more than negated these advances.

Cost recovery by NGOs in Kyrgyzstan

remains poor for several reasons. Many NGOs lack the experience and understanding of market realities needed to seriously engage in cost recovery and income-generation efforts. Marketing efforts, without which broader outreach to both local communities and international donors is unlikely, are largely lacking. Also, fee-for-service programs offered by NGOs often cannot compete with "bad but cheap [or free]" government services, given the continuing deterioration of the broader economic climate.

INFRASTRUCTURE: 4.0

NGOs in Kyrgyzstan benefit from some of the most highly developed support infrastructure in Central Asia. In terms of infrastructure development, the sector showed improvement over its already-significant 1999 score. This progress becomes even more dramatic if local grant-making capacity, which remains weak throughout the country and most of Central Asia, is not considered.

A stable support infrastructure exists for NGOs in Kyrgyzstan, including intermediate support organizations (ISOs) and NGO resource centers. This network consists of resource centers and ISOs funded by various agencies (including UNHCR), and is centered on the seven USAID-funded Counterpart Consortium

Civil Society Support Centers in different regions of the country. The resource center network provides access to basic office equipment and space, and, increasingly, access to important communications technology, such as the Internet. Also, local ISOs and NGO resource centers sometimes serve as clearing-houses for local contract trainers. Furthermore, an NGO coalition exists, although NGOs have encountered difficulty in moving beyond the mere sharing of information into broader nationwide coordination efforts. In particular, multi-organizational governance has proven impossible, as NGOs in Kyrgyzstan have proven reluctant to accede to nationwide coordination boards.

PUBLIC IMAGE: 4.5

NGOs are generally afforded wide cov-

erage in the Kyrgyzstani mass media. In

KYRGYZ REPUBLIC

particular, NGOs focusing on issues of social importance have been widely covered by the media. However, most NGOs fail to publicize their work, partly due to a lack of resources in local communities and partly due to ignorance about the power of marketing. Many NGOs do not actively promote a positive image of themselves: very few have adopted ethical codes, and generally only larger NGOs publish annual reports that allow the public to familiarize itself with the their work.

In the wake of the flawed parliamentary elections, and in the contentious political atmosphere attending the approaching presidential elections, the state-controlled media and a number of GONGOs have mounted a campaign to discredit certain independent NGOs with agendas that are seen as antithetical to the government. The poor quality of journalism, especially in outlying regions of the country, is a constraint to NGOs' abilities to improve their public image.

LATVIA

Capital: Riga	Inflation: 3%
GDP per capita: \$2,512	Unemployment: 13.8%
Population: 2,400,000	Foreign Direct Investment: \$150,000,000

OVERALL DESCRIPTION: 2.8

The NGO sector in Latvia is strengthening slowly. The state has begun to recognize the benefits of delegating responsibilities to NGOs, but rarely allocates resources to fulfil these responsibilities. Politicians have recently begun to comprehend the importance of favorable legislation for NGOs to fulfil their mission, but even NGO activists have not fully recognized their potential or the role that they could have in shaping the sector. NGOs often see others in the sector as competitors and co-operation between organizations is limited.

NGOs have been established representing almost all segments of society and targeting all demographic groups from children to the elderly, on issues ranging from social care and environmental protection to cultural affairs and education. Although NGOs exist throughout the country, the sector is strongest in the capital Riga and the largest cities.

Despite the best of intentions, most NGOs in Latvia disband shortly after their founding due to their inability to attract volunteers and secure funding. Over 5,000 NGOs are officially registered in Latvia, but according to the database kept by the NGO Centre in Riga, only about 1,500 are considered active.

LEGAL ENVIRONMENT: 3.0

The registration process for NGOs in Latvia is fairly easy. Organizations must pay a fee that is deemed to be quite high and could be considered restrictive, but it is not a deterrent for most organizations. All NGOs must register in Riga, so organizations must travel to the capital to complete their paperwork.

Existing legislation allows NGOs to function, but the laws on financing and accounting are both complex and disheartening for NGOs. The legal and regulatory environment is not conducive to promoting the non-profit sector and the work of non-governmental organizations. The process of obtaining tax ex-

empt status is confusing and often arbitrary, and tax deductions are difficult to obtain. The granting of tax exempt status is not entirely transparent. Six organizations have a special status that allows 95% of their donations to be tax deductible, whereas all other registered NGOs are entitled to only an 85% deduction. The certification process for tax deductibility must be undertaken annually and can last a number of months, which means organizations enjoy their status perhaps for only a few months a year.

The issue of VAT (value added tax) is also a potential conflict for NGOs. Cur

LATVIA

rently, if an NGO receives more than a specified amount in earned income, they must pay VAT at the standard rate. Admittedly, the ceiling amount is high enough that VAT is not an issue for most NGOs. Funds received from donors in the form of grants or stipends for individuals are currently subject to all income and social taxes, slightly over 50% of the amount received, thereby reducing the grant amount by half.

Existing laws offer NGOs basic protection from state interference without justification, and include basic requirements for the structure of an NGO, such as re-

quiring a board of directors and defining its functions.

The local legal capacity for the NGO sector is negligible at best. A number of lawyers are available in Riga to serve the NGO sector, but few serve the regions. In general, lawyers are not interested in working in the non-profit sector because of the lack of personal remuneration and because non-profit law is not taught as part of the law school curriculum. Also, the societal mentality is that lawyers cost too much money; therefore, many NGOs shy away from using their services.

ORGANIZATIONAL CAPACITY: 2.6

The laws in Latvia make registering an NGO easy, but operating the organization difficult. An NGO can register without much thought or effort and often the organization needs only three people who serve as both the board and staff. Co-ordination among organizations with similar missions is rare, as they view each other as competitors for limited resources, and are therefore often not willing to cooperate for the common good.

According to a survey conducted by the NGO Centre, 82% of Centre clients said that they have a mission statement, and 58% said that they engage in strategic planning. While many organizations may have developed a mission statement, few have the organizational capacity to fulfill their stated mission, or complete their strategic plan.

FINANCIAL VIABILITY: 3.5

Approximately 80% of all financial resources received by NGOs come from overseas rather than domestic sources. Even international support, however, has been sporadic and limited. International donors are more in-

clined to fund the creation of a new NGO rather than assist an existing organization to continue functioning. The funding base for Latvia's NGOs is not diversified, and organizations usually rely on only one or two sources for

tegitic plan. The political environment is favorable, and organizations certainly make an effort to succeed, but there is a lack of relevant training for NGOs.

The largest, most sustainable NGOs have boards of directors with a clear separation between their governance function and staff. The majority of organizations, however, are still in the beginning stages of development where board and staff responsibilities often rest in the same individuals.

Most NGOs do not have any technical equipment, and most of those that do received the equipment as part of a grant. Most organizations do not have the resources to purchase equipment, and those that have some technical equipment cannot afford to upgrade or to replace existing resources.

funding. NGOs tend to ask one donor to fund an entire project, rather than approaching multiple funders to participate. In the regions, local governments often match 50% of funding for a local NGO.

NGOs for the most part, have implemented proper basic accounting techniques. They are often unable to engage in financial planning, however,

because they do not see the bigger picture and do not often know what their real costs of operation are.

Earned income is not a significant part of most NGOs' operations. Many NGOs are working to find ways to generate their own income, but, businesses often see such NGOs as unfair competition.

ADVOCACY: 3.0

NGO co-operation with local governments is effective, but co-operation with the federal government is not. A number of lobbying organizations, modeled on the US style of lobbying, have begun to operate within the last year. Most of these groups are membership organizations, composed of businesses with a stake in pending legislation.

The absence of non-profit advocacy groups is due to a lack of effort on the part of NGOs and a lack of specialized advocacy skills. Latvian NGOs do not form coalitions, because they often believe that they are competing against one another.

The sector has succeeded in ensuring that all draft laws are available for review on the Internet, during all phases of governmental deliberation.

Public awareness of the sector's importance is increasing due to extensive coverage of the sector's activities in the largest daily newspapers. The business and public sectors are finally beginning to understand the concepts of philanthropy and volunteerism, but NGOs still do not yet fully understand the importance of sectoral development.

LATVIA

SERVICE PROVISION: 2.5

NGOs in Latvia cover all regions of the country and support all demographic groups. Other than trade unions, few of these organizations are membership-based so most NGOs focus their activities on the wider public. If organizations do not succeed in effectively spreading their message, the problem most often lies within the organization. Many groups do not know how to publicize themselves.

When NGOs provide services, they recover only a small percentage, if any, of their costs, and donors often do not provide funding for administrative expenses. As an example, the NGO Centre recovers only 10% of its costs for conducting training and education seminars.

When an international donor provides support for a project, the organization

is usually barred from charging for its services. Such a policy tends to defeat the NGO's drive towards sustainability and makes the organization dependent on donors for its existence. If the service, such as a seminar, is provided for free, the participants are not always fully engaged, and tend to treat attendance lightly.

The framework for legislative support of the sector is in place, but the state offers little financial support to NGOs. The conditions and environment are favorable for state support, but the national government cannot give NGOs financial resources because it does not have the resources to give, except perhaps a limited amount of in-kind support.

INFRASTRUCTURE: 3.0

Latvia has a network of 14 Regional NGO Support Centres throughout the country that provide information and services to NGOs. The centers do not recover the cost of the services they provide. The NGO Centre in Riga is preparing to develop a pilot community foundation, but no legislation exists to govern the operation of community foundations.

In general, coalitions of NGOs do not exist. A limited number of networks within mission-areas have formed, but NGOs lack the motivation to develop

an extensive network. NGOs are better adept at developing intersectoral partnerships with businesses and the government than they are at developing intrasectoral partnerships with other NGOs.

Latvia has a large number of trainers and training opportunities, but the majority of training is at a basic level. A multitude of training options exists for fledgling NGOs, but few such opportunities exist for mature NGOs. Training materials are available in Latvian, English and Russian.

PUBLIC IMAGE: 2.0

The media is usually willing to write about the sector if NGOs provide quality events to write about. Therefore, coverage is positive, but limited. The largest daily national newspaper has a public service advertising program, but most local newspapers do not have such a structure.

Public perception of the NGO sector is mixed, but mostly positive. NGO relations with the government could be improved, because if the government is aware of the sector at all, it sees NGOs

as competition for limited resources rather than as an ally in developing a civil society.

NGOs do not have a printed code of ethics, but those who receive funds from international donors are required to adhere to transparency in their operations. Most NGOs do not publish annual reports because of the expense, and if an organization has received funding, it is not likely to share the information with others.

LITHUANIA

LITHUANIA

Capital: Vilnius

GDP per capita: \$3,040

Population: 3,700,000

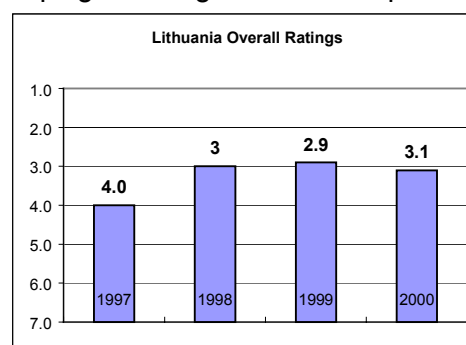
Inflation: 2%

Unemployment: 6.4%

Foreign Direct Investment: \$400,000,000

OVERALL DESCRIPTION: 3.1

The legal framework provides Lithuanian NGOs with the basic elements necessary for development of the sector, but improvements in a number of areas are necessary. NGOs are becoming more professional, are developing their organizational capacities, and are engaging in more concerted outreach to constituents and officials alike. Public relations and improving the quality and availability of NGO services is receiving greater emphasis. Limited financial resources are a major constraint for NGOs, exacerbated by obstacles to carrying out commercial activities and insufficient traditions and local resources for philanthropy.



LEGAL ENVIRONMENT: 4.0

The legal environment and the legislative framework for NGOs in Lithuania have not improved significantly during the past couple of years. NGOs do not have major problems registering or conducting basic activities, but the legislative framework under which they work is generally considered to be too prescriptive, relatively ambiguous and overlapping. Current NGO laws in Lithuania recognize four types of NGOs: two types of membership-based NGOs ("societal organizations" and "associations"), and two types that are property-based ("charity and sponsorship funds" and "public institutions").

Two positive recent developments include the final legislative approval of amendments to the Law on Charity and Sponsorship for NGOs, which covers

philanthropy, and an amelioration of the legal restrictions on volunteer labor/activity. Unfortunately, significant issues remain concerning implementation of these and other legal provisions.

With the support and assistance of the international donor community, NGOs are successfully engaging government authorities on both the national and local levels. Officials have become more aware of the legal needs of NGOs, and are becoming more open to the involvement of NGOs in efforts to revise the legal framework that governs their activities. At the initiative of a leading group of NGOs, the Prime Minister has created a Permanent NGO Commission, which is intended to serve as a consultative mechanism. Progress, however, has been slow. The Ministry of Social Security and Labor continues to be actively involved in NGO legal affairs, and

a number of municipalities are working more closely with NGOs in this area.

In theory, NGOs have the capacity to bid on contracts for social services provided by Municipal authorities, but the absence of legal mechanisms leaves grants as the preferred alternative. Mini-courses on NGO law have been given to law students in Lithuania's second city, Kaunas, and a legal clinic has been opened at Vilnius University, which may in the future provide services to NGOs. However, the number of lawyers trained in and familiar with NGO law is both limited and concentrated in the cities, and few NGOs can afford their services.

Most obstacles to the registration and operation of NGOs are bureaucratic in nature, and can be overcome. Financial issues are another story. Most NGOs are prohibited from directly performing economic activities, and the establishment of subsidiaries for this purpose is problematic. Tax laws are complicated, do not sufficiently distinguish NGOs from for-profit entities, and are strictly enforced. NGOs are exempt from taxes on charity and support that they receive, and can often get VAT reimbursed. They are also entitled to a preferential lower rate of tax on income. When legal entities give charity or sponsorship in an amount up to 20% of their profits, they are entitled to deduct double this amount, but there are complications in practice. Individuals can, in theory, receive an income tax concession of up to 100%, but because most taxes are deducted directly by the employer, there are no mechanisms to take advantage of this possibility.

ORGANIZATIONAL CAPACITY: 2.5

Many of the more prominent and active NGOs are aware of their organizational and management needs, and are able to obtain appropriate local training to strengthen the organization and promote sustainability. NGOs understand that professionalism yields better results.

Major NGOs often have all of the components of a sound institution, such as a board of directors, volunteers, and paid staff. Many NGO representatives have had training in strategic planning and fund raising, and have defined missions and financial goals. Larger NGOs have professional financial management staff, perform monitoring/oversight, and pay attention to their financial reporting systems.

Several donors have worked to increase the level of training and technical assistance available to NGOs. There is now a small cadre of capable Lithuanian trainers who are fully able to train NGO leaders, if and when funding for their services is available. Most NGOs are not able to afford to pay for such services without donor support. More readily useful are the informational and training materials now available in the Lithuanian language.

The level of professionalism and experience among people involved in NGO activities is continuing to increase. There are more volunteers interested in NGO activities, and they are often better educated, despite the legal obstacles that, if taken literally, require NGOs to pay social services taxes on the market value of volunteer labor

LITHUANIA

received. Most major NGOs have basic modern office equipment at their disposal, such as computers and fax machines, and access to the Internet.

Most small and local NGOs still do not realize that business-like management is crucial for success. Consequently, they are often reactive rather than proactive. Boards of directors and volunteer

programs do not function as efficiently as they should. These NGOs face management and organizational difficulties. Further, they often do not have access to modern technology, except through NGO support centers. These conditions increase the level of isolation of NGOs outside of the major urban centers, and reduce their efficiency.

FINANCIAL VIABILITY: 4.0

The financial challenges facing Lithuanian NGOs continue to increase. Several major government and international donor sources have reduced their budgets. The economic climate is uncertain and only slowly improving. On the positive side, NGOs are working to diversify their funding sources to include more local and national government and private sources, in addition to international donors. Local governments are becoming more aware of the financial needs of local NGOs, and the ways that NGOs can use public financing to provide services.

However, financial resources are usually limited, and funding can be inconsistent

or intermittent. Much funding still comes from foreign donors, which means that activities are too often donor-driven and many donors are reducing their support for Lithuanian NGOs. Due to budgetary problems, the Lithuanian government has significantly reduced or at least delayed its financial support for NGOs.

The prohibition of direct commercial activities is a major constraint to raising revenues, and establishing for-profit subsidiaries is no simple matter. Continuing practical obstacles to voluntary labor limit an important source of support, namely the time and energy of interested individuals. Finally, the low volume of personal and corporate philanthropy is extremely problematic.

ADVOCACY: 2.0

Public policy advocacy has become a working concept for many NGOs. The dialogue between NGOs and government institutions is continuing to broaden and become more open and constructive. Seminars and conferences involving the NGO community and government officials have become more frequent. On the national level, the Parliament modified its rules to allow open hearings concerning draft legislation, and NGOs now provide input to parliamentary committees on a regular basis. There are a number of concrete examples of NGOs influencing the final content of laws. On the municipal level, NGOs and coalitions of NGOs (sometimes formal but more often informal) are having frequent interactions with officials, and influencing policy

development and regulatory and decision-making processes.

Not all government institutions recognize that NGOs possess considerable expertise to assist them in drafting legislation, implementing programs and providing services. Some institutions have yet to acknowledge NGOs as active partners in the decision-making process.

Information concerning governmental processes and draft legislation, while much more accessible, is still not widespread. Many NGOs, particularly in rural areas, are simply unaware of the possibilities that now exist, and how to take advantage of them.

SERVICE PROVISION: 3.5

Recent legislative changes have in theory made it easier for municipal governments to award funding to NGOs for providing social services. Municipal authorities are becoming interested in working with NGOs to provide services to their constituents, although the absence of implementing mechanisms creates a serious constraint. While the types of services provided has tended to be narrow, there are signs that the variety and coverage of NGO services is growing. NGOs are developing greater capacity to reach out to both the authorities and their constituents, which is increasing the visibility of NGO provided service programs and enhancing their ability to provide services.

The financial resources available to municipal authorities are extremely limited, as is their control over their

budgets and revenues. This in turn limits the funding and opportunities available to NGOs from local governments. Additionally, when it comes to service provision, NGOs face difficulties in competing with governmental entities. Since NGOs receive only project funding, they have few means to cover administrative expenses, or provide for development of the organization. This problem is compounded by the general inability of NGOs to offset their costs through charges for services, and cost sharing. Recently, there has been some progress in opening up governmental processes, but they are not as transparent as they could or should be. The interest of governmental authorities in consulting with NGOs concerning policy development and regulatory activity, while increasing overall, varies greatly from one location to another.

LITHUANIA

INFRASTRUCTURE: 3.0

NGOs are starting to form more coalitions, usually within their specific sectors of activity and around specific issues, but occasionally on the national level as well. NGO resource centers are serving as resources for information, training, fundraising, and networking activities. While there are only a handful of major resource centers, the needs of the NGO community are generally being met.

Modern technology has opened new doors for NGOs to cooperate and share information. NGOs have greater access to training and expertise from local sources. Among the most popular subject areas are strategic planning, fundraising, financial management, constituent

services, public relations, media relations, and advocacy. There are national and local publications for the NGO sector.

Traditions of cooperation and sharing between NGOs are developing slowly. Many NGOs do not appreciate the benefits of collective action, and prefer to focus on parochial interests. The competitive processes for obtaining limited funds exacerbates this individualism. While one national coalition has been formed, most such institutions have a more limited mandate. The NGO resource centers are cooperating closely, but they are not financially self-sustaining, since it is difficult to collect fees for their services, due to legal restrictions and limited resources on the part of NGOs.

PUBLIC IMAGE: 3.0

Media coverage of NGOs continues to expand slowly. At the local level, media interest in the activities of NGOs has grown considerably. More municipal officials view NGOs as potential partners and effective service providers, and are willing to learn about their work and consult with them. There is less public suspicion concerning the activities of NGOs. A larger number of NGOs actively publicize their activities, and promote their image and services. NGOs are organizing highly visible public events, such as NGO forums, fairs, and international conferences. NGOs continue to receive more training concerning public relations and working with the media.

However, the public is still far too often unaware of or even indifferent to the activities of NGOs. While there has been progress, NGOs rarely publicize their activities on a national level. Further, the national media is far less likely than the local media to publicize NGO successes, as opposed to scandals. Cooperation between governmental institutions and NGOs is still constrained by perceptions concerning conflicts-of-interest, which are exacerbated by the tendency to overplay instances of misconduct. There is still a need to increase NGO transparency and self-regulation, and to establish a Code of Ethics for the sector.

MACEDONIA

MACEDONIA

Capital: Skopje

GDP per capita: \$1,700

Population: 2,000,000

Inflation: 10%

Unemployment: 34.5%

Foreign Direct Investment: \$30,000,000

OVERALL RATING: 4.6

As of September 2000, there were 3,977 NGOs registered in Macedonia under the 1998 Law on Citizen Associations and Foundations. Approximately 10% are considered to be active. There has been a steady increase in the number of active NGOs over the past two years, following the events in Kosovo in 1999 and increased levels of donor funding available for NGOs.

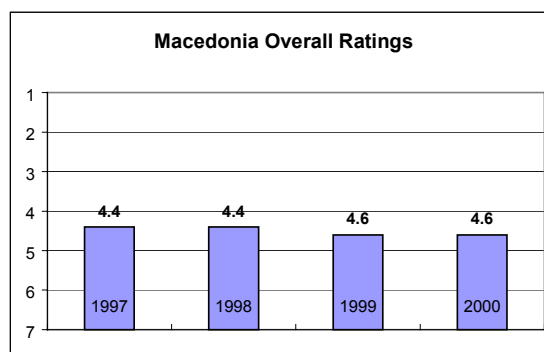
The vast majority of Macedonian NGOs remain institutionally weak. Business and professional associations remain at an incipient level of development. Both general and in-depth training in organizational management, strategic planning, and accounting remains a significant need for NGOs and associations alike.

Macedonian NGOs survive primarily on grants from international donors, although some have begun to obtain limited resources from within their communities through fundraising, provision of local services, and charitable work. Ethnic differences continue to divide the sector, with limited communication and coordination among the groups. Nonetheless, to the extent that it does occur, the best examples of common actions across ethnic lines in Macedonia are found in the NGO sector.

On the positive side, the legal environment for NGOs is relatively good. A new Law on Citizen Associations and Foundations, enacted by Parliament in June 1998, now regulates NGOs. NGOs have had to reregister, a relatively straightforward process but one that suffered delays in the capital and larger towns due to a judicial system that is overburdened and uninformed about the new registration requirements. NGO tax issues have not been dealt with in a systematic manner, but new legislation regarding VAT contains reduced rates for NGOs. Much remains to be done regarding tax benefits for NGOs.

LEGAL ENVIRONMENT: 3.0

The Law on Citizen Associations and Foundations was enacted by the Parliament in June 1998. The enactment of this law significantly improved the NGO legal framework by liberalizing the



operating environment for NGOs in Macedonia. The law is considered to be one of the most progressive in the former Yugoslavia. Nonetheless, there are several problems with it, including a

prohibition on NGOs engaging in direct economic activities and a provision that prohibits legal entities from founding associations. An official commentary on the NGO law was prepared; and is used by NGO representatives, judges, and lawyers as the standard text for interpreting the NGO law.

Implementation problems observed during the year following enactment of the law have been dealt with satisfactorily. The most notable problem was the mandatory re-registration of NGOs located in the capital. Many groups faced lengthy delays, which were largely due to an excessive caseload and lack of understanding of the new requirements among the presiding judges, rather than purposeful interference with the process. The registration process has improved over time as the judges have become accustomed to their new role, and there have been no reports of any organizations being denied registration without justification.

There has been a significant increase in local legal capacity in recent years. There exists a core group of NGO law specialists who are trained in and familiar with NGO law. Over the past year, a series of training courses on NGO law for judges and legal professionals has taken place. However, NGOs need training to better

understand the laws that regulate the sector. The Law Faculty of St. Cyril and Methodius University has agreed to integrate NGO law into the curriculum. Outside the capital, however, legal capacity remains limited.

The fiscal enabling environment for NGOs in Macedonia is poor even by regional standards. The only types of organizations that are tax-exempt under all circumstances are certain enterprises for professional rehabilitation and employment of disabled people. Other legal entities, such as those aimed at protecting the environment, may receive reductions in their tax base for certain expenditures. As a practical matter, however, NGOs are not required to pay taxes on grants or contributions. One of the most significant obstacles to NGO financial sustainability is that NGOs may not directly engage in economic activities. NGOs also do not receive any preferential treatment under the VAT laws. The Open Society Institute-Macedonia (OSI) is organizing an NGO tax/fiscal initiative and will convene a team of experts to examine the current tax/fiscal framework, including customs duties exemptions, profit tax exemptions, VAT issues, and incentives for private philanthropy. The working group will then propose legislative changes.

ORGANIZATIONAL CAPACITY: 4.0

While the NGO sector remains weak in areas of organizational capacity including strategic planning, management, staffing, technical resources, and constituency building, there have been some positive steps forward in the past year. Most NGOs have mission statements, although these are often very broad. Most NGOs understand the need for strategic planning; however, few actually apply

strategic techniques in their decision-making processes and operations. Most NGOs are one-person operations, and therefore lack solid internal management structures. Nonetheless, model NGOs do exist throughout the country—mostly in the form of small, efficient groups that are addressing community needs. The leading NGOs in the country, for the most part, have internal management structures and

MACEDONIA

differentiate between the roles and responsibilities of the Board of Directors and staff. In terms of staffing, there is improvement from last year in that more NGOs have paid staff. However, in most cases they are employed on a by-project basis.

While constituency-building efforts are limited, there have been several initiatives in the past year, which indicates that the NGO sector is beginning to understand the importance of building constituent support for its activities.

FINANCIAL VIABILITY: 5.0

International funding remains the primary source of revenue for NGOs in Macedonia. The difficult economic conditions in Macedonia (official figures put unemployment at 36 percent) impede philanthropy among businesses and individuals. Given the prevalence of foreign funding available, NGOs are not compelled to think about other funding sources. While economic conditions for fundraising are poor, there are numerous reports of NGOs successfully seeking funds from their local communities. In general, however, fundraising techniques are not widely understood. NGOs for marginalized groups such as women and Roma have a particularly difficult time raising funds, and very few NGOs have a strategic approach to fundraising. Macedonian NGOs are beginning to explore various revenue-raising techniques—but they tend to look to their membership or immediate constituency

as their market and do not consider the wider market demand for products and services.

Internationally acceptable accounting procedures have not been introduced in Macedonia in general. NGOs use financial management and accounting as a way to meet donor requirements but do not see these mechanisms as a means to increase the transparency of their own operations. Many NGOs do not share financial information with their membership or the public, which can lead to suspicion about the use of funds. It should be noted that NGOs are not alone in their need to improve accounting standards—the business sector faces similar problems. However, an additional challenge for NGOs is that they are expected to act professionally in financial accounting without the benefit of full-time professional staff.

ADVOCACY: 4.5

Due to the incipient nature of organizational development and the limited understanding of the transformative role that NGOs can play in society, advocacy skills remain relatively undeveloped. While NGOs generally need more information about the importance of advocacy and lobbying, examples of advocacy do exist, particularly at the local level. There have also been several national initiatives—most notably in the areas of domestic violence, women's political participation, and human rights—that have been successful in raising public awareness and, in some cases, passing legislative or policy changes. In one case, a small, vocal, and politically well-connected NGO called ESE, lobbied for the passage of legislation to bring Macedonia's domestic violence laws into compliance with international standards. Another important initiative was undertaken by a coalition of 54 women's NGOs in advance of the local elections in

September 2000. These NGOs joined together to lobby the political parties to live up to their promise of increasing women's participation in party structures, and to increase women's participation in elections in general. They were successful in getting political parties to increase the number of women included on the party lists for municipal councils, and hence the number of women elected. They also succeeded in their efforts to get more women to vote.

There are no official constraints on NGOs' direct communications with public officials at either the local or the national level, and many Ministries now have official NGO contact points. However, communication is often led by a powerful personality rather than by the NGO as an organization. The effectiveness of such communication varies widely, based on the nature of the NGO and the particular government official.

SERVICE PROVISION: 5.5

On the whole, the Macedonian NGO sector is very weak in its capacity to deliver services, with the notable exception of humanitarian assistance provided during the Kosovo refugee crisis in 1999. This weakness can be attributed to several causes that stem from a general lack of understanding among the general public, business, government, and the NGO sector itself of the role NGOs play in a civil society. For example, most NGOs do not have a sense of the demand for services among their immediate constituency or in the country. NGOs tend to focus upon what they can offer rather than what the community or sector needs. When services are provided, there is a gap between NGOs'

abilities to serve members versus the larger public.

Providing services for a fee is a new concept for Macedonian NGOs; and due to the country's weak economy, few people are able to pay for products and services. As a result, very few groups are able to recover costs in this way. Instead, NGOs focus on obtaining grants from outside donors to support themselves and sustain their activities.

NGOs' lack of understanding about the role that they can play in providing services is compounded by government's lack of understanding of the role of NGOs in general. While NGOs are legally allowed to bid on government procurements that fall within their

MACEDONIA

missions, this does not occur in any broad sense. The positive role that NGOs played in providing humanitarian support during the Kosovo crisis helped to highlight the service provision role

NGOs can play. The potential of NGOs is now clearer to government, but indigenous re-source levels are so low that such activities are still not widespread.

INFRASTRUCTURE: 5.0

Over the past year, there has been little improvement in the infrastructure supporting the NGO sector. Donors are just beginning to support the development of infrastructure and there is little indigenous support.

A particular area of weakness is the development of intermediary support organizations (ISOs), which now meet only a fraction of the overall need for training and assistance. The Macedonia Center for International Cooperation (MCIC) provides grants and technical assistance to a portion of the sector and maintains a small service center to attend to the basic informational needs of its NGOs. The local branch of the Regional Environmental Center, located in Skopje, offers support services to the environmental community. The Open Society Institute (OSI) has plans to open some NGO resource centers around the country within the next year.

Observations by NGO leaders indicate that the NGO community is not utilizing the resource centers that do exist as much as was expected. The reasons for this are unclear, but contributing factors may include the general disinclination of NGOs to work with other groups and the relative ease of access to information through informal channels in a small country.

While training materials exist in local languages and basic NGO management

training capacity exists in Skopje, the existing core of local practitioners and trainers available to the NGO sector remains limited. In particular, there remains a great need for expertise in areas such as strategic planning, financial management, and revenue raising.

NGO networking remains very weak in Macedonia, sometimes due to ethnic differences. The Kosovo crisis led to jealousy between groups that received significant donor funding and those that did not, and there is a general impression among ethnic Macedonian NGOs that foreign assistance has disproportionately favored ethnic Albanian NGOs. The NGO networks that do exist are generally based on ethnic ties, political affiliations, or social relations. However, there are several examples of NGOs cooperating on issues that cross ethnic divides. Examples include the NGO coalition working for passage of legislation on domestic violence; the women's political participation initiative; and the NGO domestic observation effort, which united NGOs from all over the country to monitor local elections.

With respect to intersectoral partnerships, there appears to be willingness on the part of government officials to engage the NGO sector, but not necessarily to provide it with resources. Government has sought the expertise of specific NGOs at the local level in a few cases.

PUBLIC IMAGE: 5.0

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Despite increased media coverage over the past two years, public awareness about NGOs remains low. This is in large part due to the strongly centralized and politicized system that exists in Macedonia. People still look to the government to solve their problems, and NGOs have not been successful in demonstrating that they are an effective alternative.

The government and business sectors' perception of NGOs tends to be fairly neutral. They see NGOs neither as resources nor as threats. Over the past few years, NGOs have had some degree of success in raising awareness about the role of NGOs in their respective areas. The Kosovo crisis was

also important in raising public awareness about the role of a few NGOs in the humanitarian sector.

Every major newspaper now has a reporter dedicated to covering NGOs, and stories about NGOs are found in all state and independent media outlets. However, since the overall quality of journalism is low, stories about NGOs tend not to be written clearly and contain little analysis. Recent local-level growth among NGOs may create an enhanced public image for the sector, particularly for those NGOs able to deliver the necessary basic services that government is unable to provide.

MOLDOVA

MOLDOVA

Capital: Chisinau	Inflation: 15%
GDP per capita: \$480	Unemployment (1997): 1.6%
Population: 4,300,000	Foreign Direct Investment: \$170,000,000

OVERALL RATING: 4.6

According to the World Bank's Annual World Development Report for 2000-2001, the Republic of Moldova ranks 167th among the world's 206 countries in terms of gross domestic product per capita. This makes Moldova one of Europe's poorest countries, with 53% of the population living on less than one dollar per day.

Given this difficult economic situation, it is impressive that there are nearly 1,800 NGOs currently registered in Moldova. Most of these are based in the capital, Chisinau, although there are organizations registered in all regions of the country. NGOs operate in a variety of spheres, including culture, education, economic development, health and human rights.

Moldovan NGOs benefit from a fairly well-developed legal framework and a solid infrastructure. Challenges faced by the NGO sector lacks include the need to improve their public image, organizational capacity and financial viability.

LEGAL ENVIRONMENT: 3.0

Moldovan NGOs are regulated by a number of laws, including the Civil Code, the Law on Public Associations (1996), the Law on Foundations (1999), and the Law on Philanthropy and Sponsorship (1995). Currently a draft Law on Non-Commercial Organizations is being developed, which Parliament is expected to consider at the end of 2000.

NGOs are generally free to address matters of public interest and express criticism. The only activity they are restricted from engaging in is campaigning for elections, although the law is not always followed.

At the national level NGOs can register relatively easily at the Ministry of Justice. The process is straightforward and registration fees – 54 lei, or about \$4.40 – are reasonable. However, registration

procedures at the local level need radical improvement, in particular to specify who should perform the registration.

Although central and local government bodies are not always supportive of NGOs and do not fully understand their role in society, there have not been any cases of institutional-level harassment. On the contrary, both government officials and NGOs are beginning to understand that instead of competing they should complement each other's efforts.

Moldovan NGOs are entitled to income tax exemptions, but neither public associations nor foundations are entitled to VAT privileges or exemption from customs duties.

Moldovan businesses that sponsor public benefit associations are entitled to a

tax deduction for any donations made for charitable purposes, provided that those donations do not exceed 7% of the taxable income in the current year.

The Republic of Moldova is the only country in the NIS to have a certification commission similar to the UK Charity Commission, which is responsible for granting organizations public benefit status.

ORGANIZATIONAL CAPACITY: 4.5

Moldovan NGOs vary immensely in terms of their organizational capacity, ranging from feeble “one-man shows” to real “stars” of the third sector that gain recognition and credit for their achievements internationally. Mature NGOs exist in many sectors, including economic development, education and youth, media, human rights, social, women, environment and local public administration. It is estimated that between 15 and 30% of Moldovan NGOs are active, able to govern themselves and efficiently organized.

Although the overwhelming majority of NGOs are concentrated in urban areas, particularly in Chisinau, a handful of genuine community-based NGOs with clear mission statements and links to constituencies exists. In addition, some organizations have successfully established branch offices in the regions to extend their activity outside the capital city.

Volunteerism is still not a common practice in Moldova, but the first steps in building a volunteer movement have been made.

FINANCIAL VIABILITY: 5.5

Among the financial problems faced by the NGO sector are a weak economy, a limited number of foreign donors, lack of financial management skills, and poor access to information on funding opportunities. As a result, the Moldovan NGO community is greatly dependent on the few international donors who operate there. This dependency forces NGOs to orient their programs towards donor priorities. A further problem is that donor funding tends to be monopolized by a small group of highly qualified NGOs

Very few, if any, organizations rely exclusively on self-financing or donations from local sources. Because of the poor economic conditions in the country,

philanthropy is very limited. Although the passage of the Law on Foundations established a favorable environment for philanthropy, allowing tax deductions up to 7% of income for charitable donations, very few local businesses are inclined to make donations.

The certification commission selects the most competitive public benefit organizations to receive state support. Article 11 of the Law on Public Associations provides for the government to support public organizations, for example by financing some social, scientific and cultural programs. Unfortunately, at this point in time the government has not yet implemented this provision.

MOLDOVA

ADVOCACY: 5.0

Although NGOs are beginning to share information and network, NGOs often view each other as competitors for scarce resources and are therefore reluctant to share information and cooperate. The Moldovan legal framework enables NGOs to form coalitions and unions. The most active NGOs in Moldova working in the area of environmental protection have formed coalitions in an attempt to solve issues of public importance and to influence public policy.

The National NGO Forum, which is held once a year and published in "White Books", promotes the interests of the NGO community as a whole. The Forum also approves resolutions on the most important problems faced by the NGO community. In the period between the forums this function is delegated to the Group for Resolution Implementation, which consists of representatives of the most active NGOs.

SERVICE PROVISION: 5.0

Although NGOs providing services or producing goods exist and are well developed, the number of such organizations is very small. The most active NGOs providing services work in the fields of education, audit and accounting, medical care and sociological studies. The need to charge fees for services is recognized and occasionally put into practice. For example, several

NGOs charge participants for their training courses on international accounting standards or computer literacy. In some instances, the services provided by NGOs, such as seminars, workshops, research and publications, reflect national priorities, like local public administration reform, and are coupled with international donors concern for the issue.

INFRASTRUCTURE: 4.0

In 1996, the CONTACT Assistance Center was established to provide local support services to NGOs. The center has branches in four out of eleven counties in Moldova that deliver training and consulting services to grassroots organizations, distribute training materials and keep a database of regional NGOs. These intermediary support organizations (ISOs) maintain a comprehensive library and also provide access to the Internet, and other office equipment. There are also a few other ISOs in the country, like the National Youth Council, the Regional Environmental Center and the Resource Center of Human Rights NGOs.

There is a cadre of local trainers who deliver courses in subjects such as program implementation and evaluation, financial management, bookkeeping for NGOs, fundraising, human resources management, marketing and public relations. Although these efforts have helped strengthen some leading national NGOs, grassroots organizations still need such training.

One of the most visible publications in Moldova covering the NGO community is the Civic Voice Newsletter, which is distributed free of charge to NGOs, public administration bodies and political parties. In each issue of this publication a domestic NGO is presented, as well

as funding opportunities, studies and research. IFES/Moldova currently produces this newsletter, but it is very important for domestic NGOs to assume this responsibility. Domestic NGOs together with international organizations

also regularly address the problems of the third sector in radio programs. These programs feature interviews with NGO leaders, reports on individual NGO achievements and inter-sectoral cooperation.

PUBLIC IMAGE: 5.0

There is generally a low awareness of NGO activities among the Moldvan public, state authorities, mass media and even funding organizations. As a result, NGOs have feeble partnership relations with local government authorities, the media and within the NGO community itself.

Moldovan NGOs do not market themselves well. The NGO Forum's second White Book, published in 1999, identified the need to promote a better image of the NGO sector in mass media as a priority. One problem is the lack of pub-

lications on the activities of the NGO community. Although NGOs do produce publications and newsletters to report on developments in specific sectors, be it environment, drug abuse, or women's issues, these have a narrow scope and limited circulation.

The NGOs with the most positive image tend to be those active in research, public administration, economic, and political development. Organizations trying to solve social, environmental, and human rights problems are generally less known by the public.

MONTENEGRO

MONTENEGRO

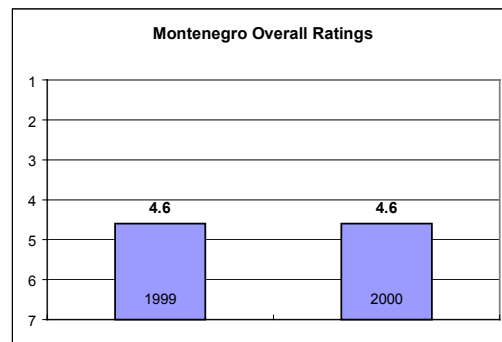
Capital: Podgorica
GDP per capita: n/a
Population: n/a

Inflation: n/a
Unemployment: n/a
Foreign Direct Investment: n/a

OVERALL RATING: 4.6

In many ways, the situation of NGOs in Montenegro was the opposite of the situation in Serbia before October 5th. There were fewer and less developed NGOs in Montenegro, but they functioned within a more supportive legal atmosphere and political environment. New laws, created by NGOs at the end of 1998 and passed by the Montenegrin parliament last year, provide full freedom to form and operate all organizations. Aside from the usual registration requirements, the law prohibits state interference in the functioning of NGOs.

The government, democratically elected in 1998, views NGOs positively. NGOs are generally well covered by the independent media. There are pro-government NGOs in the same institutional sense as before, but the government shows little favoritism towards them. The government has provided some financial help for NGOs and has organized two open competitions for grants so far.



The main challenges facing Montenegrin NGOs relate to their late start, slow development, and poor organizational capacity. But the situation is slowly improving. Under the new law, the NGO sector has flourished. Over 800 NGOs have registered so far. Several NGOs have become prominent think tanks and policy advocates, and some are very active in the fields of human rights, women issues, consumer protection issues, community development, and NGO development. However, most NGOs are small, inactive, and centered around a single person. There is very little domestic support, and international donors—though the most important resource for NGOs' work—are not numerous or active enough to meet the needs of the Montenegrin NGO sector.

LEGAL ENVIRONMENT: 3.5

As noted above, Parliament passed a new NGO law in 1999 which provides for open and simple registration procedures, ensures swift registration, and contains minimal requirements. The law was passed with the support of a coal-

ition consisting of almost all Montenegrin NGOs. The coalition provided key advice and lobbying in the drafting and legislative stages.

After the law's passage, aides to President Milo Djukanovic indicated the need to improve the law even more, particularly the regulations making registration mandatory, the controversial provisions on internal governance, the lack of a conflict of interest provision, and relatively large fines imposed for non-compliance. CEDEM and the International Center for Not-for-Profit Law have been asked for assistance in the effort to fine-tune the 1999 law.

Tax legislation affecting domestic donations to NGOs is quite liberal, and is covered in a separate tax law. This law provides that corporate donations to

public benefit, sports, or religious organizations are tax deductible to up to 3% of the corporation's total income. Individual donations to these organizations are deductible to the 10% of taxable income.

While the overall tax environment is good, tax laws tend to be interpreted rather broadly, particularly in terms of income generating activities of NGOs, making it very difficult for organizations to conduct activities for their support. Finally, as Montenegro functions within the legal framework of the FRY, its overall status remains precarious.

ORGANIZATIONAL CAPACITY: 5.0

In terms of organizational development, Montenegrin NGOs fare rather poorly. Only the strongest NGOs have defined their basic goals and missions, as well as mechanisms to implement their plans. Most NGOs have basic, but poorly defined, missions. NGOs generally have basic internal management structures, as required by the law, but there is limited understanding of strategies. It is estimated that

around 50 NGOs have staff, but only a handful have more than one staff member. Few NGOs have their own equipment, often relying on personally owned equipment instead. NGOs also rarely seek to build their membership or constituency base. Outside of political parties, the only organization with a significant constituency is the Montenegrin independent trade union federation.

FINANCIAL VIABILITY: 5.5

International interest in Montenegro is increasing. The government does not restrict international funding, and the law allows unfettered registration of foreign NGOs and foundations. NGOs are largely dependent on foreign donors, and organizations often alter their missions to conform to donor interests. Many organizations are also created in response to donor priorities.

Montenegrin NGOs still face serious challenges in raising local funds. One of the few examples of local support is the

open competition for public grants held by the government. Six NGO representatives served on the panel for the competition, thereby helping to avoid any bias towards pro-government organizations.

Most NGOs are starving for even the most basic support and unlikely to survive. CEDEM estimates that, at most, 15 to 20 % of the current 800 NGOs in Montenegro are likely to survive financially.

MONTENEGRO

ADVOCACY: 3.5

There is a generally positive relationship between NGOs and both the national and local governments, with the exception of areas that are controlled by the hard-line party of Momir Bulatovic. This is evident in the many NGO-local government agreements on community activities, as well as the engagement of NGOs in the drafting and passage of the NGO law. Other fields in which advoca-

cacy is common include economics and health care.

The practice of "lobbying" is still unknown in Montenegro. Instead, most advocacy initiatives take place in the media, through advertisements or coverage of press conferences. Very few strong figures have emerged from the NGO community that can take on larger issues.

SERVICE PROVISION: 4.5

Several NGOs have developed a real capacity for providing services to the local community. Services provided include the protection of women from domestic violence, education for parents and children, and training for juvenile delinquents.

take the problem of spousal abuse more seriously.

Several NGOs have developed cooperative relationships with local authorities. For example, the SOS Hotline works with the local police, who now

However, there are few examples of this. In general, service provision is underdeveloped due to society's general expectation that all services will be provided by the state. Furthermore, many international institutions, especially humanitarian organizations, wish to provide services themselves.

INFRASTRUCTURE: 5.0

Overall, the support system for NGOs in Montenegro is weak. NGO Resource Centers, advice centers, and support organizations are only starting to develop. The NGO Network and the Center for NGO Development have begun to provide services to the NGO community, but their roles have to be improved in the future. NGOs have to take on sev-

eral functions because of the great needs that exist.

Indigenous Montenegrin training materials and trainers still do not exist. As a result, NGOs rely on training capacity developed in Serbia. Promises of international support to address this deficiency have been slow to materialize.

PUBLIC IMAGE: 5.0

When there is media coverage of NGO activities, it tends to be positive and responsive to NGOs. Much of the popula-

tion now views NGOs as part of Montenegrin society, as opposed to a foreign creation. However, a significant part of

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the population, which voted for Momir Bulatovic and his hard-line party, still view NGOs as traitors, and NGOs are portrayed this way in the pro-Bulatovic press.

Overall, public understanding of NGOs' role in society remains limited. People

often think of NGOs simply as replacements for state-provided services. The general public is not knowledgeable enough about NGOs to be supportive. The business sector is not developed enough to offer support. NGOs themselves have little sense of promotion.

POLAND

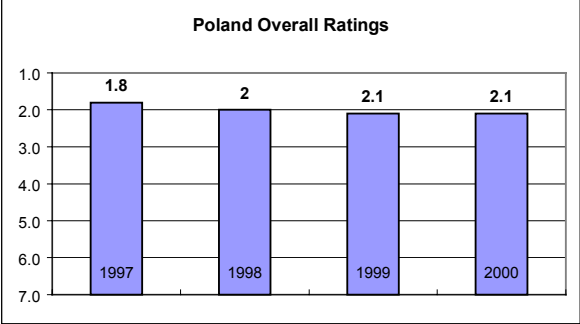
POLAND

Capital: Warsaw	Inflation: 7.5%
GDP per capita: \$3,809	Unemployment: 10.4%
Population: 38,700,000	Foreign Direct Investment: \$6,500,000,000

OVERALL DESCRIPTION: 2.1

The Polish NGO sector is one of the most robust in Central and Eastern Europe, with nearly 30,000 registered non-governmental organizations including professional associations; social service, environmental, religious, youth, charity organizations; and political groups and public policy think tanks. Polish NGOs are working in a wide variety of areas including education, health care, social welfare, culture, human rights, local economic development and the environment. It is estimated that the Third Sector accounts for approximately 1.1% of total employment in Poland. The NGO sector has difficulty attracting and retaining employees, however, due to the lower salaries and lack of stable funding.

Many Polish NGOs remain financially dependent on international donor support for a substantial part of their budgets, but a growing number of organizations are developing other sources of support, particularly by forming relationships with local government. Community Foundations are taking root in a number of communities, but corporate philanthropy is still in the earliest stages of its development, and therefore corporate support is still rare.



The NGO sector in Poland is beginning to evolve from organizations based upon the vision of their pioneering founders, into more institutional leadership structures that can sustain their organizations in the longer term. Many leading organizations are going through this type of leadership crisis at the same time, and need to confront the end of the "heroic era" for NGOs, and work out new mechanisms for managing and sustaining their organizations.

LEGAL ENVIRONMENT: 2.0

There are two legal forms for NGOs in Poland – associations and foundations. The process for registering an association is relatively easy and decentralized, with no unfair regulations by the central government. The situation for foundations, however, is quite different. For the last four years, the court responsible for registering foundations has been reluc-

tant to register foundations whose statutes contain clauses enabling them to conduct business activities, thereby closing a source of revenue for such NGOs.

Grants and donations received by NGOs are tax exempt. Polish law also provides tax exemptions for individual and corpo

rate donors if donations support certain aims. Such donations are tax exempt up to 10% or 15% of revenue, depending on the aims of the donation. However, the law concerning exemptions is archaic and a debate on what constitutes a public benefit purpose is necessary. The regulation concerning endowments is also ambiguous. The court recently set a dangerous precedent by ruling that endowment funds do not support statutory goals and therefore should be taxed.

NGOs are required to submit annual reports and financial statements to the relevant authorities, such as the Ministry most closely related to the organization's area of activity. There are no consistent and transparent requirements for reporting format and level of control for the Third Sector as a whole.

Current legal regulations do not provide a clear framework for the public sector to fund NGOs through grants and contracts. A draft law on "cooperation between public administration and NGOs" will

hopefully be submitted to the Parliament after four years of consideration. This legislation is designed to regulate not only access to public funding, but other important issues such as the introduction of Public Benefit Organizations and regulations on the status of volunteers.

Both NGOs and the government need to improve their understanding of current regulations. NGOs often have legal problems because of misinterpretation of the law, which is getting more and more complicated.

There are also occasional problems due to over-regulation. Smaller organizations are sometimes overwhelmed by the amount of reporting required. For example, Parliament recently proposed obligatory audits for all foundations receiving public funding. Although necessary for big foundations, such a regulation would harm small foundations, for whom the cost of an audit would probably exceed the level of public funding.

ORGANIZATIONAL CAPACITY: 2.0

In 1996, the national forum of NGOs adopted a Charter of Principles as a self-regulatory measure. The Charter calls for management and supervisory functions to be separate and precludes members of the supervisory body from receiving remuneration. The Association for the Forum of Non-Governmental Initiatives is now working on developing measures to help organizations operationalize these values.

There is a growing understanding in the sector that the fundamental question is not so much the "quantity" of NGOs, but rather more about the "quality" of their work. A number of public awards available for NGOs such as the Government's "Pro Publico Bono" award and the "Qual-

ity Outside Government" award given by the Stephan Batory Foundation.

It is estimated that the Third Sector accounts for approximately 1.1% of total employment in Poland. The NGO sector has difficulty attracting and retaining employees, due to the lower salaries and lack of stability in funding. Nevertheless, leading NGOs generally have paid staff, usually well-trained and skilled professionals. Many organizations, however, operate without any outside funding, and therefore can not afford to have paid staff. More than 60% of NGOs do not employ any people.

Training for NGO staff is available, but resources that support training are generally directed to training institutions, not

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directly to NGOs. This can hamper the development of a consumer market for training. While it is unrealistic to expect that the market can regulate all training for NGOs, it is still necessary to develop strategies for increasing competition, quality control and customer orientation among service providers.

Polish NGOs also increasingly cooperate with and support the development of the Third Sector in Belarus, Ukraine, Lithuania, and the former Yugoslavia. Polish

NGOs are also actively trying to be included in negotiations related to the EU accession.

NGOs are fairly well technically equipped, although smaller organizations have more problems in this regard. NGOs also have relatively good access to the Internet. More than 40% of all NGOs use the Internet as a source of information and 61% would like to use it in future.

FINANCIAL VIABILITY: 2.5

NGOs are increasingly raising funds from local sources, especially local government, and models of consistent and transparent funding of NGOs by local government have been developed and are being replicated. However, additional work is needed to develop a consistent, nationwide mechanism for local governments to fund NGOs and devolve responsibilities for service delivery through contracting.

Over the last three years, several initiatives have been developed to generate local sources of funding for NGOs. The Academy for the Development of Philanthropy in Poland develops and promotes philanthropy by organizing a "Benefactor of the Year" competition, which supports interesting philanthropic initiatives, and implementing a program aimed at creating and developing community foundations. A pilot program for the contracting of services to NGOs by local government has been initiated in selected municipalities.

Poland has good training programs and consulting services available in fund raising. Fundraising skills are fairly well developed in Poland. Although still limited to a small group of NGOs, almost all modern techniques of fundraising - including modern Internet technologies, telethons, lotteries - have been tried in Poland.

Many NGOs are beginning to charge fees for their services, as a means of cost recovery, but many NGO activists remain concerned about the sector maintaining a clear separation in the minds of the general public, between not-for-profit organizations and businesses. Regardless, economic realities and the limits of local philanthropic support are strong considerations on the side of increased earned income and greater financial diversification.

Many organizations have problems managing their finances and are not able to afford professional advice and assistance in this regard. Furthermore, there are few good accountants with knowledge of NGOs.

ADVOCACY: 2.0

There is an increase in the number of public advocacy activities being initiated

by NGOs. This is evidenced by the existence of coalitions and umbrella groups

working on issues such as children's rights, the rights of disabled people, human rights, environmental protection, cooperation between NGOs and other sectors, and the legal framework for NGO activities. The Association for the Forum of Non-Governmental Initiatives is working to build stronger coalitions to solve the problems of the sector based on existing federations.

Numerous NGOs representing most of the NGO sector have conducted successful advocacy campaigns. One of the most successful advocacy campaigns was an initiative by NGOs to influence the new public finance law that created serious problems for NGOs to receive funding from local governments. The Association for the Forum of Non-Governmental Initiatives continues to provide the Parliament with information on the Third Sector and with input concerning the proposed law on public benefit activities.

SERVICE PROVISION: 2.0

NGOs actively provide basic social services, such as education, health-care, and social assistance. In addition, many organizations engage in activities to promote culture, environmental protection, the rights of underprivileged groups such as women and minorities, and human rights. Other organizations are involved in job creation and other activities.

The lack of a nationwide system for local governments to fund NGOs means that most NGOs provide services that are outside of the public social safety net. For example, the role of NGOs was not addressed in major reforms passed in the last year in education, health care,

Most NGO advocacy campaigns have been focused on defeating negative acts and ideas. For example, NGOs actively lobbied against Article 118 of the Public Finance Law, which imposed mandatory audits on all foundations receiving public money.

One issue that still needs to be resolved is to legitimize the organizations that represent the interests of the third sector. To date, organizations such as the Association for the Forum of Non-Governmental Initiatives have played this role as the result of tacit agreement, rather than a formal mandate.

A stable mechanism to regularly monitor legislation is still under construction. KLON/JAWOR is now implementing a program to organize constant legislative monitoring, as opposed to action-driven mechanisms.

public administration, and the pension system. As a result, NGOs often have a hard time securing a steady stream of funding. For example, NGOs working with the homeless may only receive funding at the end of the year, when the problems are the most severe.

In essence, NGOs are stuck in a vicious circle: NGOs do not get contracts for services because of their poor standards, but they are unable to improve their standards unless they begin contracting services. There is a great need to build mechanisms to contract services on the open market for all three sectors.

INFRASTRUCTURE: 2.0

NGOs in Poland benefit from a well-developed infrastructure. The "SPLOT"

network of NGO support centers located in major cities provides information,

POLAND

training and advisory services in fundraising, NGO management, cooperation with local government, and promotion and cooperation with the media. Over the course of the past year, five new centers have been added to the network, bringing the membership to twelve. Some of the achievements of the Network include creation of a national information bank on NGO directories, with regularly updated guidebooks; numerous publications, including NGO directories, guidebooks and newsletters; Internet services for NGOs; and, centers promoting volunteer work. Most of the support centers in the network have subnetworks operating in smaller towns.

Over the last four years, NGO support centers have substantially improved their skills and capacity to serve NGO needs. However, financing continues to be a problem. The centers are largely dependent on donors, primarily foreign funders. Local funding has not been raised in significant quantities and the resource centers do not earn much income, as services are generally provided for free. There are concerns that indigenous sources of funding might not be developing quickly enough to fund the centers once foreign funding is no longer available.

PUBLIC IMAGE: 2.0

During the last year, coverage of NGO activities in the media has increased. There are now more articles written about NGOs and there are now three programs on TV and several on the radio that cover NGO issues. Press coverage has also become more favorable. Whereas coverage used to focus on scandals in the NGO sector, now there are often articles portraying people involved in public benefit activities.

Although coverage has improved, the general level of understanding of NGOs by journalists remains low, and there are few journalists who specialize on the

third sector. To address this need, NGOs organize training programs and conferences for local journalists and inform them about activities in the sector. There is an NGO Internet press agency, "Fi-press", that prepares and distributes information among NGOs and the media.

Although there is some concern for maintaining independence, there is an increased understanding of the importance of coalitions. Coalitions are starting to form, especially among NGOs working on children rights, the rights of the disabled, human rights and environmental protection.

Intersectoral partnerships are developing with foreign and local business, local government and the media. The Academy for the Development of Philanthropy in Poland and the Association for the Forum of Non-Governmental Initiatives both work to develop links between the third sector and business. Links with local governments are especially important due to decentralization efforts. USAID's Local Government Partnership Program has played an important role in promoting such links, including the creation of a legal environment that supports local government-NGO cooperation.

Most of the training, advisory and information services are provided for free and are funded by various donors. The majority of the NGOs, especially from small towns, are not able to pay for services.

Media have played an important role in publicizing problems faced by NGOs. For example, an article on the 1999 public finance law contributed to NGOs' success in getting the law amended.

The general public still does not have a solid understanding of the non-profit

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sector and often has a negative image of NGOs. Foundations are generally perceived as suspect, if not dirty, businesses, although individual well-known organizations are recognized as trustworthy and necessary.

Many NGOs are shifting their public relations programs from “membership based” development to “publicity based” activities designed to bring attention and donations to the organization. Modern marketing tools are engaged, rather than constituency development activities that can recruit new members. Nevertheless,

the membership base in Poland is fairly stable. It is estimated that approximately 25% of Polish citizens consider themselves to be members of an NGO.

The third sector tends to be perceived narrowly as involving charitable activities, and less frequently as conducting lobbying or representing particular interests. Politicians have been “trained” to consult with NGOs, but do not necessarily do so in practice. NGOs still need to develop more effective ways to publicize their activities and promote their public image.

ROMANIA

ROMANIA

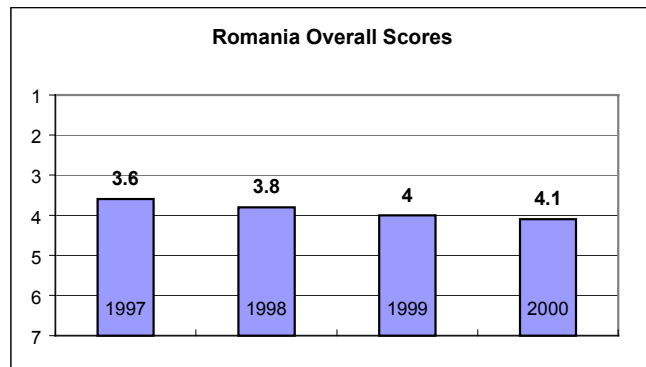
Capital: Bucharest
GDP per capita: \$1,721
Population: 22,500,000

Inflation: 46%
Unemployment: 10.3%
Foreign Direct Investment: \$1,345,000,000

OVERALL RATING: 4.1

Ten years after the non-profit sector reemerged in Romania, NGOs, although relatively numerous (official databases¹ indicate that there are almost 23,000 organizations), continue to struggle with a lack of resources. Many of the trained professionals who contributed to the development of Romanian civil society in the early 1990s have moved to the business sector, partly as a result of the lack of financial resources that the nonprofit sector faces, and partly due to their own career development plans. Many programs are donor-driven, rather than demand-driven, because most of the sector's funding still comes from foreign sources,

During 1999 and early in 2000, even foreign funding resources available to Romanian NGOs (including FDSC, the Open Society Foundation, EU-PHARE, and USAID) declined or were delayed. This resulted in even more profound limitations than usual on resources for NGO development, and severely inhibited NGO capacity building.



Although significant steps have been made regarding cooperation between NGOs and public institutions, there is still a lot of mistrust between the two sectors. Similarly, although there are NGOs involved in community development programs, in general, organizations do not have close relationships with the communities that they work in, and are not able to build long term bonds of trust with their constituencies.

On the positive side, Law #21, which regulated the sector since 1924, was replaced by Government Ordinance #26/2000, which aims to facilitate the activity of NGOs and support their partnership with state institutions.

In sum, the sustainability of the Romanian nonprofit sector changed little over the past year. Although there were some improvements in areas such as the legal environment, advocacy and public image, NGOs continued to experience financial difficulties that had a negative impact on the development of their organizational capacity.

¹ Sources: Civil Society Development Foundation (FDSC), Romanian Ministry of Justice, local public administration, Romanian National Commission for Statistics

LEGAL ENVIRONMENT: 3.0

Since May 2000, NGO registration has been governed by Government Ordinance #26/2000, regarding associations and foundations. The ordinance replaced the previous Law #21/1924, which did not provide adequate safeguards or a complete framework for NGO regulation. The new legislation streamlines the registration process, establishes a central registry for NGOs, and specifically grants the right to NGOs to establish subsidiaries to carry out commercial activities. The ordinance will remain in force until it is repealed, amended, or adopted by the Parliament as a law.

The “Sponsorship Law,” passed as a government ordinance in early 1998, was amended by Parliament in 1999. A decrease in the cumulative amount that can be deducted from the taxable base for sponsorships and donations, to a maximum of 5% was a significant change. Many perceived this as a failure of the NGO sector to follow up on its previous success with the “Invest in Civil Society” advocacy campaign, which had originally led to the passage of the Ordinance.

Under current legislation, there are no limitations on NGOs or their representatives regarding their right to operate freely within the law and to address matters of public debate and express criticism. NGOs are legally allowed to compete for government contracts and procurements at the local and central level.

Romanian NGOs are exempt from import and value-added taxes on foreign grants. They are also exempt from VAT for economic activities that generate less than \$2,250. However, the procedures that are required to be followed to recover VAT expenses are so cumbersome that in practice most do not benefit from this exemption. NGO revenues from donations, sponsorships, and foreign grants are not included in the taxable profit. Associations of people with disabilities are exempt from profit tax.

Free legal advice is not easily available to NGOs, especially those outside of big cities. While NGOs can access paid specialized legal advice, this service is limited, because there are very few lawyers who have an understanding of the regulations regarding NGOs and the needs of the nonprofit sector.

ORGANIZATIONAL CAPACITY: 5.0

Institutional capacity continues to vary from organization to organization and from region to region. Over the past year, a lack of funds has contributed to the decline of the sector’s organizational capacity by decreasing NGO activities. Many NGO professionals gave up working full time in the sector and transferred to jobs in the business or public sector. Funds to train new staff

were not generally available, resulting in further amateurism in the sector.

While the strongest NGOs, located mostly in Bucharest and major cities, have boards of directors and executive staff, members assume both a leadership and a management role in most organizations. Problems commonly encountered include boards that are elected by staff, and board members who receive remuneration. Those few

ROMANIA

NGOs that try to think strategically are often limited in their attempt to make long term plans by the uncertainty of funding levels. Although there are NGOs with strong leaders, civil society generally faces an acute lack of those leadership skills needed to provide vision, motivate organizations to work together, and to ensure further development of the sector.

Most NGOs struggle to cover basic costs including office space, telephones and the salary and benefits of at least one professional staff member. Although most NGOs have basic office equipment such as telephones and fax machines, less than 18% have e-mail connections,

and only 3% have developed web pages. A relatively small number of organizations employ qualified accountants or have proper internal financial control and external audits.

Few Romanians envision a career for themselves in the NGO sector. The number of volunteers is decreasing due to the difficult economic situation in the country and to the fact that most NGOs that work with volunteers lack clear strategies regarding how to attract and use them. Furthermore, voluntary work is not regulated under Romanian law, which creates administrative problems for NGOs using volunteer labor.

FINANCIAL VIABILITY: 5.5

NGOs continue to rely heavily on foreign funding. With GDP falling by 16% over the past three years and real wages being more than 25% below their 1996 level, it is difficult for even the most advanced NGOs to raise funds locally. Furthermore, because NGOs have fragile links with their communities and constituencies, it is difficult for them to raise even limited amounts of money from local sources. The majority of organizations tend to live from project to project, with very few making long-term strategic or financial plans.

Many NGOs, particularly those located in under-served areas, lack skills in financial planning, accounting and financial management. Those that have received significant donor support or donor supported financial training, and are more skilled in identifying alternative financing methods such as membership fees, fees-for-service, in-kind contributions, subsidiary commercial activities and government funding, tend to be better in this regard. NGOs expect an increase in revenues from economic activities and contracts following the implementation of Governmental Ordinance #26/2000.

ADVOCACY: 3.5

Advocacy and communication with government policy makers continues to be a challenge for the nonprofit sector. Although NGO expertise has been occasionally sought out -- for example during the preparation of Romania's strategy for EU accession or the Stability Pact consultations organized by the Ministry of Foreign Affairs -- in general political leaders do not engage NGOs in the decision-making process in a systematic manner. While access to draft legislation in the Parliament is ensured -- especially at the Chamber of Deputies through its Office for Public Information and Relations with Civil Society -- access to draft legislation within the Ministries is very difficult and is usually only accomplished through personal contacts. The Government's Office for Relationships with NGOs and its local branches at the county level facilitate access to central sources of information for local organizations.

Lobbying is a relatively new concept for both NGOs and policy makers. Legislation that aims to regulate lobbying ac-

tivities has recently been drafted. Coalitions of organizations, by activity, objective, or region are not characteristic of the Romanian nonprofit sector. Nevertheless, there are a few active federations such as the Federation of National Organizations for Child Protection. There are also a number of informal coalitions of NGOs that work together on short-term projects.

The 1998 NGO National Forum established an informal group of fifteen NGO representatives, known as The Group for the Implementation of NGO National Forum Resolutions (GIR) to follow up on the implementation of various Forum resolutions designed to benefit the NGO sector as a whole. After a new GIR was elected in 1999, members initiated a successful campaign for the enactment of GO #26/2000. Other functions of the GIR include intervening in situations that affect the overall image of the NGO sector, creating a campaign to attract funds for NGO programs and projects, and analyzing ways in which to institutionalize the NGO Forum.

SERVICE PROVISION: 4.0

Organizations providing social services dominate the sector in Romania. While activities related to culture and the arts are numerous, social and economic development NGOs are less common. In addition, the nonprofit sector continues to be weak in less developed counties.

The concept of developing community services is still unknown to many NGOs, though there are organizations that are responsive to community needs. One example is Albamont, an NGO that assists poor rural communities in Alba county receive financial support from the

Romanian Social Development Fund and other local agencies.

The results of NGO activities, as well as some of their products and services, are marketed to a broad audience, but not in a particularly systematic manner. Generally, NGOs provide free services and products, but fees-for-service are increasingly being used in an attempt to partially cover costs and to ensure the commitment of beneficiaries.

NGOs are recognized as important partners for the delivery of social services. The Ministry of Labor and Social

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Protection was the first central public institution to implement legislation allowing increased government support to NGOs (Law #34/1998). No other laws have been passed regarding govern-

ment support for NGOs, but the Ministry of Youth and Sports organizes regular training sessions and forums for youth organizations, and supports regional Youth Information Centers.

INFRASTRUCTURE: 4.0

Romanian civil society is still in need of resource centers that provide access to information and technology. The more highly developed support organizations such as CENTRAS and FDSC, donors like the Mott Foundation, and leading NGOs in specific sectors such as Save the Children, Romanian League for Mental Health, have supported the establishment of regional, local and sectoral resource centers. The success and viability of these centers varies depending on the commitment level of their staff and on the types of services provided. There are very few Romanian grant-making organizations administering international funds to the non-profit sector, though examples do exist, such as FDSC and the Community Partnership Foundation.

The NGO National Forum has been organized annually since 1994. Since

1998 participation at the National Forum has been based upon nominations made by local Forums, meeting in more than half of Romania's 43 counties. The local and sectoral forums supported by FDSC and the Open Society Foundation have facilitated communication among NGOs, as well as between NGOs and public authorities. However, contacts and cooperation among NGOs need to be further developed beyond sporadic meetings and one-time actions. While local authorities lack the resources and staff trained to deal with NGOs, NGOs complain about the lack of good will on the part of local authorities.

Although still rare, there are examples of partnerships with the international business community such as the Procter & Gamble/Save the Children campaign to support investments of information technology in schools.

PUBLIC IMAGE: 3.5

During 1998-1999, the public image of the sector was seriously affected by a media campaign, exposing fake NGOs that were engaged in fiscal corruption. Over the past year, NGOs have been raising awareness of large public interest issues including corruption, domestic violence, and employment, and have enjoyed positive media coverage. Relationships with the press are often evaluated as excellent at the local level, while at the national level, NGOs are rarely able to get substantial positive media attention.

A public opinion poll conducted in September 1999 indicated that citizens are particularly aware of organizations active in the social field (44.7%), followed by health (26.3%), and human rights (24%). Of 1,553 persons interviewed, 44% knew about NGOs – most of them from television (67.%) followed by the print media (44.8%), radio (44.4%) and acquaintances (13.3%). NGOs are best known in medium-size cities (54.4%), followed by large cities (51.9%) and

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small cities (44.4%). In rural areas, NGOs are less well known.

NGO leaders are developing more systematic approaches to promoting the sector, such as the "Bridging the Gap -- Romanian NGOs and the Media" project developed by FDSC and CENTRAS in collaboration with the BBC Marshall Plan of the Mind Trust. The project consists of a series of 10 radio shows on the subject of how to set up and run an NGO, and were produced and broadcast nationally. A training video and package are currently being distrib-

uted to NGOs for the purpose of increasing the efficiency of NGOs in managing relationships with the mass media.

Self-regulation in the sector has also improved. The 1999 NGO National Forum adopted a Code of Ethics covering issues such as transparency, commitment to a stated mission, separation of executive and supervisory/advisory functions, and willingness to cooperate with other NGOs. Leading NGOs regularly publish activity reports that turn into public relations instruments.

RUSSIA

RUSSIA

Capital: Moscow

GDP per capita: \$3,211

Population: 146,500,000

Inflation: 100%

Unemployment: 12.4%

Foreign Direct Investment: \$3,500,000,000

OVERALL DESCRIPTION: 4.3

Over the past 12 years, Russia's NGO sector has grown dramatically. In 1987, there were 30 to 40 registered civic NGOs. By January 1, 2000, 274,284 organizations had registered with the Ministry of Justice. Sector experts estimate that roughly one-quarter of these NGOs are active and engaged in civic issues. The remaining balance is comprised of trade unions, religious groups, consumer cooperatives, businesses registered as NGOs, or defunct organizations.

Strong organizations exist in all sectors, but not in all regions. Rather, the development of Russia's NGOs varies greatly across the country's 89 federations. Sophisticated organizations located in the main cities possess excellent

technological, training, information, financial, and human resources, but smaller volunteer groups operating in the regions sometimes rely solely on the basis of in-kind contributions. The majority of active NGOs, both large and small, are concentrated in urban areas and population centers. Activists cite an increase in the professionalism of NGOs in general, and the need for professional development in particular, as one of their highest priorities. They believe that increasing the professionalism of NGOs will remove some of the barriers to cooperation with businesses and government.

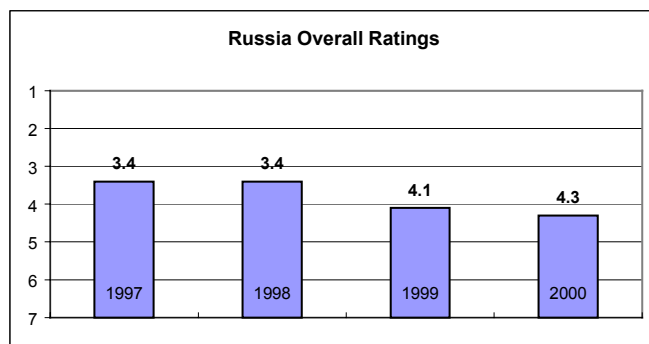
The most pronounced negative factors affecting NGOs during 2000 were Russia's slow economic revival and political uncertainty. These factors contribute to somewhat bleak prospects for NGO sector financial viability and much-needed federal-level legislative reform, and represent the most serious constraints on medium-term NGO sector growth in areas where other resources are present.

LEGAL ENVIRONMENT: 4.0

Federal legislation provides a legal basis for NGOs to exist and operate and most NGOs operate free from harassment from government authorities. At present, pro-NGO legislation is being advanced on the regional and local levels by NGO sector activists, including legislation on government contracts and

procurements. Provisions for such procurements are not expected at the federal level within the next few years.

Access to legal consultations or advice for NGOs was expanded this year through NGO resource centers in Siberia, Southern Russia, Novgorod, Samara, and the Russian Far East. The Ini



tiative for Social Action and Renewal in Eurasia (ISAR) provides Russian Far East (RFE) NGOs with legal consultations at five resource centers, and publishes texts of pertinent legislation in its journal and on the Internet. Legal consultations outside of larger cities are sometimes difficult to obtain.

The legal environment for Russian NGOs has not improved over the past year. The term for re-registration of certain NGOs, mandated by the Law on Public Associations, was not extended. Registration of politically controversial NGOs remains problematic. The police raided some NGOs in an attempt to intimidate them.

Taxes are often collected on cost recovery measures or fee-for-service arrangements, without distinguishing between nonprofit and profit-making activities. Significant tax incentives are not likely to be a part of Russia's tax structure in the foreseeable future, due to international and domestic pressure on the Russian federal government to raise critically needed revenue. The general provisions of a new tax code were adopted in August 1998. The specific provisions have not yet been adopted. In 1998, NGO sector activists formed a national coalition to lobby for a package of amendments to the new tax code that address serious defects in the general provisions and restore some level of protection for nonprofits. The fate of this legislation remains uncertain.

ORGANIZATIONAL CAPACITY: 4.0

Although the capacity of local experts to provide training in a range of organizational topics is increasing, regional discrepancies in access to training, and in NGO development as a whole, create inconsistencies. Many NGOs still suffer from a lack of appropriate internal democratic governance principles, often because they are "one-person" NGOs. While leading NGOs have permanent, paid staff, most NGOs rely predominantly on volunteer staff.

Foreign donor sponsored training and technical assistance in organizational management is beginning to produce results in some parts of the country. The number of indigenous consulting and training agencies that offer specialized training in one or more areas of organizational management held steady over the past year. The leading NGOs throughout the country have clear mission statements and are successful in attracting volunteers.

Training is still needed in the areas of conflict resolution, strategic and financial planning, constituency outreach, volunteer management, and the development of governing bodies. While some organizations are somewhat advanced in these areas, most are just beginners. Both basic and advanced training is still critically needed by NGOs throughout Russia.

Constituency outreach is an area of special concern. Many NGOs do not understand the concept of building a constituency and lack the human capacity and skills necessary to attract new members or to cultivate a circle of supporters. There is a lot of skepticism among NGOs that their outreach efforts will be worthwhile; therefore they choose to focus on their immediate clients.

RUSSIA

FINANCIAL VIABILITY: 5.0

Russia's poor economic performance continues to pose the most serious constraint to the financial development of its NGO sector. The contraction of the economy following the August 1998 financial crisis and its reported slow growth in 1999 and 2000 has made financial sustainability for leading NGOs with significant foreign funding unlikely within the next five years. Professional organizations in general are just beginning to learn how to provide member services, a necessary precondition for dues collection. Cost-recovery, fee-for-service and other revenue-raising schemes are being introduced by NGOs across Russia but may carry serious tax liabilities.

While the overall financial viability of the NGO sector remains problematic, some positive steps are being taken at the local level. Russia's NGOs are turning to local government and businesses for support with increasing success. Leading Siberian NGOs have begun to cata-

lyze small grant programs by mobilizing resources from local government and businesses; small grants from this "consolidated" pool are then awarded competitively to local groups for socially significant projects. NGO sector experts continue to find that Russian regional and local government agencies are the most common sources of financial support: at least 40% of Russia's NGOs receive some form of governmental assistance. However, 50% of those surveyed have no cash income at all.

Traditions of indigenous philanthropy are slowly being revived in Russia. Classical "fundraising" from commercial organizations (in the sense of direct solicitation) is becoming more widely practiced. Few NGOs have had success in raising money from private individuals, however. Basic fundraising training is increasingly available, but most NGO sector activists still lack the sophistication to make credible, well-targeted solicitations.

ADVOCACY: 4.5

Several federal level advocacy campaigns failed to materialize within the past year, deflating the high expectations associated with last year's optimistic advocacy score of 3.5. Local advocacy initiatives, on the other hand, have gained strength in over thirty of Russia's regions, as demonstrated by the creation of local citizens' councils that meet regularly to advise legislative and executive-branch officials on policy matters. Advocacy mechanisms that exist at the local level are sometimes underutilized or abused.

Local government officials and NGO activists continue to find mechanisms to promote collaboration. In some regions, officials eagerly solicit help from NGO activists on programming and on drafting legislation. In Siberia, Southern Russia, Novgorod and Samara Oblasts, for example, over 280 consultations between NGO activists and government officials occurred during the first quarter of 2000, and 75 expert commentaries were submitted to officials on policy issues. In other regions, however, government officials (and sometimes NGO activists) envision the role of NGOs to be that of temporary social service pro

viders until the state can stand on its feet again.

Informal, issue-based coalitions are increasingly frequent and visible at the local level. Organizations pool resources and work together when there is a perceived need or a pressing issue such as the 1998-1999 National Campaign for Fair Taxation of NGOs. However, their impact on governmental decision-making has been limited. Larger issue-oriented NGOs have formed nationwide networks to advocate on specific policy

issues (such as youth, ecology, voter mobilization and military reform).

There are a few Russian "think tanks" following the Western model that advocate public policy recommendations at the federal level, and a core of well-known experts, whose opinion seems to be respected, in the major cities.

The lack of political parties with issue-based platforms, and the lack of accountability of elected officials in general, seriously hinders the effectiveness of NGOs' lobbying efforts.

SERVICE PROVISION: 4.5

Most NGOs provide some type of service to their members or to their communities based on needs perceived at the local level, rather than at the behest of donors. Most experts agree, however, that improving service provision is one of the biggest challenges facing the sector. Due to the lack of human resources and funding, the services that many NGOs provide cannot be supplied on a reliable and daily basis. Only the elite NGOs are able to provide high-quality services in the areas of housing, health, training, and environmental health. They have succeeded in creating a demand for their services among NGO, commercial, and government clients, and have found clients who are willing and able to pay. Their "product lines" are not, as a rule, diversified. These elite NGOs have also found ways of registering and obtaining the necessary licenses so that they can provide these services and manage their tax obligations. These successes are confined to a very small number of organizations, however.

Local government officials are beginning to recognize the value that NGOs can add to the provision of basic social services. For example, in 2000, legislation concerning government grants to NGOs for social services provision was passed in the cities of Stavropol, Novosibirsk, Kemerovo, and Krasnoyarsk. Local budgets will begin to have a separate line for NGO support.

Russian tax law does not favor cost-recovery schemes. For example, in many instances the tax implications of these schemes are so unfavorable as to make even charging membership fees unprofitable. Leading Russian NGOs are exploring fee-for-service and other cost-recovery options, and have found that many NGOs and some businesses would be willing to pay for publications, workshops, and expert analysis, as well as other services. Few of those willing to pay actually have the means to do so.

INFRASTRUCTURE: 3.5

RUSSIA

NGO resource centers provide local NGOs with access to information and technology in many regions throughout Russia. There is a growing cadre of capable Russian management trainers, and NGO management training and Russian-language materials are available in many regional capitals. Advanced specialized training and consulting in strategic management, accounting for non-profits, financial management, fundraising, and volunteer management are available in major cities and regional centers.

Resource centers that serve NGOs (as opposed to business support institutions) have difficulty earning income and generating revenue for the reasons noted above (see "service provision"). Vast distances between population centers in certain regions (e.g., the Russian Far East) and poor infrastructure limit NGOs' access to resource center services. Although several donor-funded programs feature Internet libraries, the overwhelming majority of Russian NGOs do not have reliable Internet ac-

cess. In most of the country, Internet connections are not sufficient to permit downloading of large documents.

Over the past several years, numerous attempts have been made to establish local grantmaking organizations and to develop mechanisms for the granting or sub-granting of funds, including the creation of local community foundations. Despite of the absence of clear and supportive legislation in this area, local development foundations were created in Togliatti and Tyumen. NGO resource centers in Southern Russia, Siberia, Samara, and Novgorod conduct small grant competitions for grassroots NGOs with funds from international and domestic sources.

NGOs are able to work in both formal and informal partnerships with local businesses and local government. In a few cities, awareness of the possibilities for, and advantages of, such partnerships is growing among the various sectors.

PUBLIC IMAGE: 4.5

Among government officials in regions where foreign donors are active, the perception of NGOs continues to improve. NGOs (and especially NGO resource centers) continue to work actively with local media representatives to increase coverage of the active, positive role that NGOs are playing in their communities. NGO fairs are an example of collaborative activities undertaken by groups of NGOs to promote their public image.

Much work remains to be done, as many organizations still lack basic public relations skills. Cultivating good relations with local media representatives may take more time and attention than small organizations are able to devote to

this crucial work, although many are improving their skills.

Many NGOs are open about their activities, though few organizations publish annual program and financial reports. Some membership organizations have adopted a code of ethics, but such examples are few. Journalists are often poorly informed about the role NGOs play in civil society and are preoccupied with other news items. Therefore, the public at large continues to have a poor understanding of the role and positive achievements of NGOs in society. Popular opinion continues to associate NGOs with illegal businesses or tax evasion. The lack of tax reform that would enable small businesses to func

tion profitably without resorting to registering as nonprofits also contributes to

this negative image.

SERBIA

SERBIA

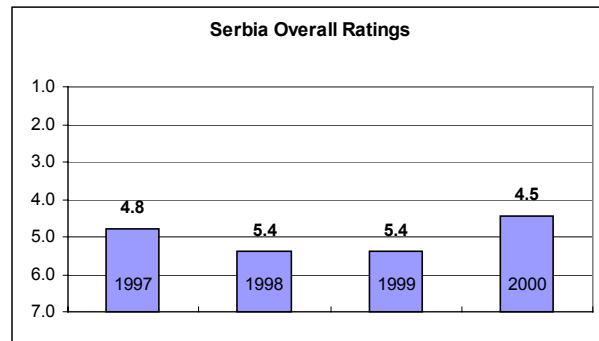
Capital: Belgrade
GDP per capita: n/a
Population: n/a

Inflation: n/a
Unemployment: n/a
Foreign Direct Investment: n/a

OVERALL DESCRIPTION: 4.5

During 2000 the position of NGOs in FRY passed through several different phases. After the NATO bombing, NGO activities increased in several fields, including humanitarian assistance, psychosocial services for displaced persons from Kosovo, and educational activities for displaced children. Parallel to that, activities of NGOs were focused on raising awareness of the need for free and democratic elections, as a non-violent means of changing power.

After the announcement of elections, NGOs entered a new phase, where activities were focused on organizing local and national campaigns. These efforts contributed to the highest voter turnout ever in Serbia and to the victory of democratic forces. These activities were carried out in especially difficult conditions due to the growing repression of the regime, including arrests and harassment of NGO activists, and the closing down of politically active NGOs. Contrary to the regime's aims, this repression served to strengthen the solidarity and networking of the sector and reduced fear from repression.



After the fall of Milosevic, NGOs are facing a new challenge – working with a friendly government, as opposed to working as an opposition force. There are many basic needs that the government cannot meet alone, ranging from education and health care to human rights and minority issues, where NGOs can play a valuable role.

There are around 2,000 NGOs registered on the Federal level, of which approximately 500 are estimated to be active. A large number of NGOs are active in the spheres of environment, education, arts and culture, and human rights. However, the sheer number of organizations does not correspond to the relative strength and activity of various groups. Some of the most influential NGOs are those working in the fields of civic education, economic development, and human rights.

LEGAL ENVIRONMENT: 5.0

Although there have not been any legislative changes over the past year, the environment in which NGOs in Serbia operate has changed dramatically. Growing repression against all individuals and groups acting in opposition to the regime marked the first part of the year –especially the pre-election period. Raids were carried out by the financial police, which resulted in the closing of many organizations. Other groups had their equipment and files taken from them, were subject to arrests, and faced other types of pressure. Although such harassment was aimed at preventing their activities, it did not succeed due to the strong solidarity among NGOs. Although the registration procedure is relatively simple, the Yugoslav Ministry of Justice and the Serbian Ministry of the Interior refused to register several organizations because of their programs. As a result of these conditions, NGOs were essentially only able to work in cities controlled by the opposition before October 5th.

Since the 5th of October, however, the repressive tactics of the government have stopped, even though the old laws remain in place. The new government has pledged to make NGO legal reform one of their top priorities.

With the exception of grant funds, NGOs do not receive any tax exemptions. There are also no tax deductions for people who support NGOs.

NGOs are allowed to earn income, as there are no laws specifically preventing this. As most NGOs were considered enemies of the state until recently, there have not been any public and transparent competitions for governmental funds. However, some NGOs do get budget funds.

There is a network of lawyers who provide legal advice and assistance to NGOs.

ORGANIZATIONAL CAPACITY: 4.5

Leading NGOs tend to have paid staff, as well as a clearly defined management structure. In smaller, local NGOs, there are still core groups of enthusiasts who do a bit of everything.

There are several organizations that assist NGOs with recruiting volunteers. However, the economic situation in Serbia is still so dire that it is hard to expect people to volunteer when they face daily problems of survival. At the same time, there is a wave of young people who are interested in working with NGOs as semi-volunteers, for the opportunities this affords to learn, gain experiences, meet people, travel, and earn a modest income.

NGOs still do not have wide constituencies – their activities are mostly based on the individual or group efforts, although this is beginning to change.

Until recently, the conditions in which NGOs worked really prevented the formulation of long-term strategies. Nevertheless, measures were taken to overcome all possible obstacles that the previous regime imposed. For example, when the state closed CESID, it did not prevent them from doing their work on the night of elections in the premises of other NGOs. However, many NGOs have undergone training on strategic

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planning, and the new conditions in the country should allow them to implement what they learned.

Approximately 35% of NGOs are equipped with computers and modems, but this is only the case when funders cover the cost of equipment, which is often not the case. Despite this basic level of equipment, electricity restrictions prevent them from fully utilizing this equipment.

FINANCIAL VIABILITY: 6.0

Due to the difficult economic situation, it is virtually impossible for NGOs to secure financial support locally. However, some NGOs are successful in securing in-kind support, both in the form of volunteers and other goods.

Well-established NGOs often have diversified sources of funding, while smaller groups still depend on one or two donors. Although there is a significant amount of donor funding available for Serbian NGOs, until recently, very few donors have had offices or representatives in country. As a result, it has been difficult for organizations to cultivate relationships with donors. Most NGOs need additional funding to remain viable for the short-term future. This problem is especially

acute for those groups that do not focus on foreign donors' priority areas.

Few organizations have financial management systems, but as a new NGO law is put into place, this situation is likely to improve.

NGOs do not generally earn income from their services or products, as beneficiaries cannot afford to pay. Government and local businesses do not contract NGOs for services, although NGOs do provide services that government is unable to. NGOs usually do not have assets that could be a source of income. Unions and other membership organizations do collect dues, but this amount of money does not represent a significant portion of their funding.

ADVOCACY: 4.0

In terms of advocacy, the situation before and after October 5th is also significantly different. Before October 5th, the only examples of cooperation between NGOs and government were on the local level, mostly in "free towns" run by the democratic opposition. On the Republic and Federal level, the only true example of advocacy by NGOs was their critical role in ensuring the active participation of citizens in the presidential elections.

Over the past few months, the situation has changed. Due to their role in the elections, several NGOs are seen as critical partners to political parties and the government, and are regularly consulted about various issues. Furthermore, many NGO leaders and members are becoming part of the federal and republican governmental structures. For example, the Deputy President of the federal government, head of the central bank, and future Serbian Minister of Interior all have NGO backgrounds. The influence of

NGOs on governmental policy at all levels is expected to increase as the new government consolidates power.

As their influence with the government increases, NGOs will need to develop new skills. As there is little experience in lobbying and advocacy, new training programs will need to be put into place to teach people how to work in cooperation with the government, rather than in opposition to it.

NGOs are very interested in reforming the legal environment under which NGOs operate, as this is necessary to enable them to function as legal entities with full accountability and transparency. A draft law is currently being prepared and will be proposed to the new government in the nearest future. The government has also pledged to make NGO legal reform one of its top priorities.

SERVICE PROVISION: 4.0

Given the poor economic situation in the country and the state's inability to meet people's basic needs, there is high demand for service provision by local NGOs. While they are not able to meet all of these demands, Serbian NGOs do provide a diverse range of services at a high quality. NGOs work in the fields of education, social protection, psychosocial support, human rights, environment, and humanitarian assistance. Services provided generally respond to the needs of various disadvantaged populations, including refugees, displaced children, single mothers, and disabled persons.

Although there is great demand for the services provided, beneficiaries

can not generally afford to pay for them. Therefore, services are generally provided free of charge, with the costs borne by foreign donors or through volunteers.

Given the political situation in the country before October, the government has not generally recognized NGOs as possible partners in providing basic social services. While some local governments have provided in-kind support to a few organizations, none have run competitions or provided grants to NGOs. NGOs are optimistic that they will be able to more actively provide services and to develop more cooperative relationships with local governments in the future.

INFRASTRUCTURE: 4.0

There are two NGO resource centers located in Belgrade, as well as several information centers on the local level that disseminate information among NGOs. Civic Initiative's Resource Center provides training, access to e-mail, and technical assistance, and also publishes a monthly bulletin for NGOs and translates books, projects and other materials. All of the services are provided free of charge. The resource center run by the Center for the Devel-

opment of the Non-Profit Sector (CRNPS) has a database and provides legal support for NGOs trying to register.

There are a few organizations re-granting international donor funds, including G17+, Civic Initiatives, CRNPS, and the European Movement in Serbia. There is also cooperation between local NGOs and foreign

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funderson in grant assessment procedures.

There are several networks that disseminate information among NGOs via email and newsletters, including those run by Group 484, CRNPS, and Civic Initiatives. There have also been several big conferences of NGOs, which facilitate networking.

Basic and advanced training is provided by a local group of trainers – Team Tri – that is part of Civic Initiatives. To date, they have trained almost 1000 NGO representatives, and there is a waiting list of over 300 people. All the materials

delivered to participants are translated into Serbian and adapted to the local situation, but there are still insufficient sources of information available in Serbian.

Although rare, there are occasional examples of inter-sectoral partnerships on the local level. For example in Kikinda and Vrsac, joint projects between local authorities and NGOs have helped develop small and medium enterprises. The trade union Nezavisnost also cooperated closely with local media in the pre-election campaign.

PUBLIC IMAGE: 4.0

Before October, NGOs in Serbia received very different treatment by the official and independent media. Only the independent media presented a positive picture of the sector. Since October, media have made strides in learning about NGOs and covering their activities. However, much work remains to be done to educate journalists about the role of NGOs in civil society.

Although the role of NGOs in society is still not well understood by the general population, NGOs do have a fairly positive image, especially after the NATO bombing, due to the programs and services that they have developed. As a result, the general public understands that NGOs are working for the common good.

The Milosevic government, of course, had a negative perception of NGOs.

Local government tended to be more cooperative, especially in “free cities”. Fortunately, already there are positive signs of a different approach by the new governments at all levels. While there is some progress within NGO-government relations, ties have not yet been developed with the business sector.

NGOs have a difficult time publicizing their activities for many reasons. There is still a lack of interest in the media, journalists lack knowledge of the sector, NGO representatives do not have sufficient skills in public relations and promotion, and there is a lack of funding for promotional activities. While these problems still exist, the electoral campaign made significant strides to improve the public image of NGOs and relations with the media.

SLOVAKIA

SLOVAKIA

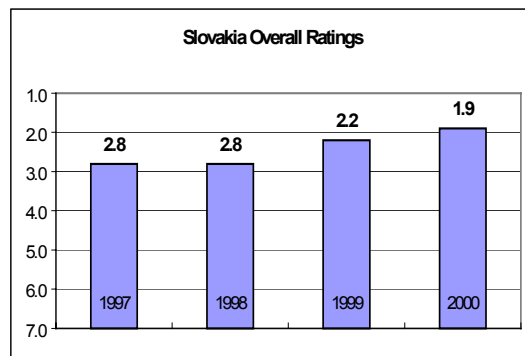
Capital: Bratislava
GDP per capita: \$3,851
Population: 5,400,000

Inflation: 12.5%
Unemployment: 11.9%
Foreign Direct Investment: \$500,000,000

OVERALL RANKING: 1.9

The last ten years have been characterized by the extraordinary development of the third sector in Slovakia. The sector is cultivating new values in society such as charity, solidarity, and philanthropy, as well as citizens' participation in public affairs. The sector has proved that it is also able to function under great pressure, and that it is developing and maturing politically.

The ability of the third sector to achieve a consensus, define targets, and co-operate is probably best documented by several nation-wide campaigns in which hundreds of NGOs participated. In 1996, there was the 'Third Sector SOS' campaign, announced through the Gremium of the Third Sector against the government's restrictive proposals on foundations. In 1998, the OK '98 civic campaign for free and fair elections significantly affected voter participation in the parliamentary elections. A further campaign was the Civic Initiative for a Competent Act on Information Access, culminating in the passage of this act in May 2000.



Despite all of the above, the third sector in Slovakia still faces challenges that need to be addressed. The most pressing issues are related to financing, legislation, and the public image and perception of NGOs.

LEGAL ENVIRONMENT: 2.5

The legislative framework relevant to the non-profit sector in Slovakia has changed several times over the past ten years. Slovak NGOs are able to register and operate under four existing laws – the laws on foundations, non-investment funds, non-profit organizations providing public benefit services, and civic associations. Proposed new legal standards, which should regulate the existence of foundations, non-investment funds, and

non-profit organizations in the future, have been prepared and discussed with the Ministry of Justice of the Slovak Republic. These include the adoption of new NGO legislation that reflects the major change in NGO-government relations after the 1998 elections. The Ministry of the Interior is also expected to propose an amendment to the law on civic associations soon.

In January 2000, the National Council of the Slovak Republic amended the income tax law. The most important change for the third sector enables taxpayers to designate 1% of their income tax payment for the support of public interest activities. This regulation will come into effect on January 1, 2002.

NGOs are also exempt from paying income tax on activities connected to the organizations' purpose. Income tax must be paid on income exceeding SKK 300,000 arising from unrelated activities (approximately \$6,000).

The existing tax framework provides only limited exemptions under the law. Organizations are subject to value-added tax, import duties and interest on bank deposits. Individuals and corporations can deduct donations that support public interest aims from the tax base. In the case of legal persons, the value of the donation must be at least SKK 2,000 (approximately \$40), while a maximum of 2% of the tax base can be deducted in total.

ORGANIZATIONAL CAPACITY: 1.5

The Slovak NGO sector has gradually increased its organizational capacity. This process is reflected in the professionalization, specialization, and regionalization of NGO activities. In addition, new types of organizations, such as think tanks and community development groups, are being formed, which have not been represented thus far in the wide spectrum of NGOs.

The internal structures created over the past ten years help the sector respond to its needs, as well as to enter into discussions, partnerships and co-operation with other important groups in society. Apart from the Gremium of the Third Sector, there are a number of national umbrella organizations in Slovakia.

NGOs often enter into coalitions to respond to the sector's needs. For example, there have been coalitions focused on regional development, decentralization of public services, and accession to the European Union.

The significance of volunteerism is coming to the fore, and special activities and projects are beginning to investigate this phenomenon, revitalize its ideas, in-

crease the number of volunteers working in various areas of public life, and increase public appreciation for them. For example, on International Volunteer Day (December 5), outstanding volunteers are awarded a ceremonial Heart of Palm under the auspices of the President of the Slovak Republic.

Engaging in foreign activities and reacting to current international issues in the region as well as in the European or global network is another characteristic of the growing capacity of the third sector. This includes the activities of Slovak NGOs in the Balkans, and membership in international networks such as the European Foundation Centre, the CIVICUS World Alliance for Citizen Participation, and the International Association for Volunteer Effort (IAVE).

Despite this progress, there are significant differences between more professional and less skilled organizations on both the national and local levels. NGOs still do not have equal opportunities to take advantage of the organizational development services offered by some institutions.

SLOVAKIA

FINANCIAL VIABILITY: 3.0

The financing of the third sector in Slovakia is similar to that in other economies in Central and Eastern Europe. In spite of the new skills and growing professionalism of NGOs, the third sector is still significantly dependent on foreign financial resources. Questions of financial sustainability, systematic and transparent public financing, the introduction of fees for services, the diversification of resources, as well as changes to the existing legislation are all subjects of intra-sectoral discussion.

The government has various mechanisms at its disposal through which it is able to co-finance NGOs. Other than indirect support, which involves the creation of an appropriate legislative and tax environment, there is also direct support, i.e., the direct financing of NGOs from public funds in the form of subsidies, contracts, and the allocation of income from lotteries, public collections, and other similar activities.

The level of funding allocated as a part of the proposed budget dedicated to "civic associations, foundations, and similar organizations" in 1996 was approximately \$17.6 million. In 2000, it grew to approximately \$19.6 million.

Apart from funds allocated to various government departments and state funds, NGOs can also turn to foreign government institutions with their projects, especially to embassies that support various grant programs.

There are currently over 470 registered foundations in Slovakia. Most of them are operational, and only a small number provide grants to other institutions or individuals. According to available information, there are only five founda-

tions in Slovakia with an endowment fund of over SKK 1 million (\$20,000), while only three have endowment funds of SKK 10 million (\$200,000) or more.

Foundations, which play an important role in the development of the third sector in Slovakia and are among the largest donors, often simply redistribute funds obtained from abroad, as they do not have their own endowment funds yet. In the last few years, 'community foundations' aimed at supporting civic initiatives and cross-sectoral cooperation on a local level have come into being in Slovakia and are slowly creating their own endowment funds. There is also an active group of foreign foundations that are not resident in Slovakia, but have special significance for the development of Slovak civil society.

Unfortunately, most private U.S. foundations have announced that they will begin cutting back their funding in Slovakia. While EU funds are expected to fill the gap created by the reduction in U.S.-based support, EU support is highly directive, limited to program assistance, and less flexible than the assistance it will be replacing.

In 1998, grant-making organizations created an informal group called the Donors' Forum, which is aimed at increasing the effectiveness of grant allocation, and creating conditions for improving the financial support of the third sector. In 1999, selected foundations in the Donors' Forum allocated grants amounting to 252,677 mil. SKK (over \$5 million).

Private donations are another possibility for supporting NGOs in Slovakia. According to the Central Tax Office of the

Slovak Republic, the number of people making donations to public benefit purposes over the last four years has decreased, though there has been a gradual increase in the total amount donated. The statistics do not specify whether these donations were provided to state, church, or NGOs.

Apart from donations made possible by existing legislation, voluntary collections by NGOs are more popular than ever. One of the most exceptional examples in 1999 was the 'Children's Hour' campaign by the Children's Foundation of

Slovakia, through which the record sum of SKK 13 million (\$260,000) was collected for projects aimed at working with children. The League Against Cancer has organized 'Daffodil Day', a campaign to support programs targeted at the prevention, early prevention, and the treatment of cancer since 1997. In 2000, almost 6,000 volunteers, 200 local sponsors, and 100 national, regional, and local media organizations joined in the campaign, raising more than SKK 6.6 million (\$132,000).

ADVOCACY: 1.5

The Gremium of the Third Sector (G3S) and the regional gremia functioning in seven administrative regions of the country have been the most visible representatives of the third sector, advocating its interests on national as well as local levels. G3S was involved in commenting on several acts by presenting its opinions and resolutions on important societal issues. Regional gremia serve as a platform for intra-sectoral co-operation, publicize the achievements of the sector, and communicate with representatives of regional and local government offices.

Since the 1998 elections, relations between the government and NGOs have improved significantly. A Council of the Government of the Slovak Republic for NGOs, chaired by the Deputy Prime Minister, has been created as a new advisory body. The council is composed of members of the third sector and all ministries. The two meetings held thus far have focused mostly on NGO legislation and the state of NGO financing from public sources.

The continuing ability of the third sector to mobilize was demonstrated by the

NGO campaign to adopt new freedom of information laws. This campaign, which was supported by 120 NGOs, ended successfully in June 2000, when the President signed the Act.

International co-operation and exchange of experience has been an important dimension in the Slovak NGO sector. After ten years of building civil society and surviving in an often hostile environment, Slovak NGOs have become ready not only to learn from international experiences, but also to offer and share their skills, especially with their counterparts in Central and Eastern Europe who are struggling with similar challenges. There are several examples of active and efficient involvement of Slovak NGOs in the Balkans, Ukraine, and other part of this region.

SAIA-SCTS published the first Slovak publication dealing with advocacy, entitled, "Civic Advocacy or How to Achieve Change in Society", in 2000. It builds on local and international experience with advocacy campaigns to stimulate interest and increase understanding of advocacy among Slovak NGOs.

SLOVAKIA

SERVICE PROVISION: 2.0

NGOs are actively providing services in a growing number of fields that is expanding beyond traditional social areas. The creation of new types of organizations, such as think tanks, is making the sector's expertise available in other areas as well.

Contracting of NGOs by public institutions is limited, despite the fact

that NGOs are often able to provide services more efficiently and less expensively. Existing government support, mostly in the form of grants or subsidies, is often offered to predetermined "traditional" NGOs.

The majority of NGOs still do not charge fees for their services, thereby foregoing an important opportunity to raise funds.

INFRASTRUCTURE: 1.5

The infrastructure of the third sector is diversifying and expanding the types of services it offers to NGOs. For example, the Donors' Forum has been transformed from an informal group of grant-makers into an officially registered NGO that aims to provide special services to the grantmaking community, while continuing to represent its interests and needs.

Several well-established service, umbrella and training organizations continue to offer consulting services and training courses, publish magazines, newsletters, and leaflets, distribute information, and create to discuss and address important NGO issues. In 2000,

the Gremium of the Third Sector and SAIA-SCTS organized the 7th national conference of NGOs – the Stupava Conference – and the 1st NGO Fair in Poprad. Approximately 400 NGO representatives and decisionmakers, including two Deputy Prime Ministers attended these events.

Various formal and informal coalitions have been created in response to the specific challenges of the third sector. For example, coalitions have promoted regional development, decentralization of public services, and accession to the European Union.

PUBLIC IMAGE: 1.5

NGOs in Slovakia strive to co-operate with the mass media to make their activities public and transparent. Co-operation with the media takes different forms, such as press conferences, inviting journalists to third sector activities, providing press releases and interviews and supplying notices to daily newspapers about the grant programs of different donors.

NGOs also use their own tools to present their activities. For example, NGOs publish their own leaflets, brochures, annual reports and other information materials, put information into the sectoral monthly NonProfit and on the Internet, and communicate electronically through ChangeNet.

2000 NGO Sustainability Index

The Donors' Forum is presently working to create a Code of Ethics and encourages other organizations to participate in this discussion.

The overall increase of acceptance of the NGOs is also visible from the increase in invitations for partnerships and co-operation extended by governmental and other institutions.

Despite this progress, there is still a high percentage of the population that is not informed about the existence of the third sector and its activities. This is increasing the need to conduct sociological research on the "usefulness of NGOs" to find new ways of improving the public image of the third sector in Slovakia.

TAJKISTAN

TAJKISTAN

Capital: Dushanbe
GDP per capita: \$211
Population: 6,200,000

Inflation: 12%
Unemployment: 3.1%
Foreign Direct Investment: \$29,000,000

OVERALL RATING: 5.4

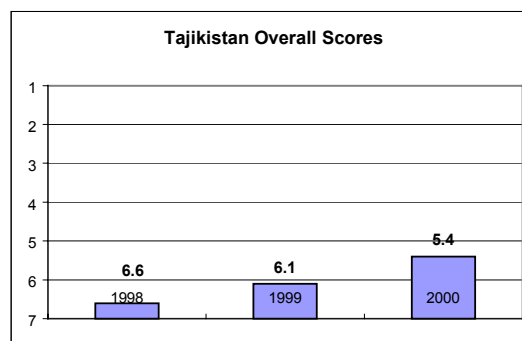
NGOs in Tajikistan are undergoing a renaissance. The end of wide-scale civil unrest has transformed the nature of NGOs from service providers and humanitarian aid organizations to lobbying and advocacy organizations working at both the national and local levels. Both the national government and regional authorities are increasingly receptive to recommendations made by non-governmental organizations.

There are more than 600 organizations officially registered in Tajikistan. Most are clustered in the Dushanbe, Khujand and Qurqon Teppa areas. Not all are non-governmental in the strictest sense (many were established during Soviet times as quasi-governmental unions), and many are currently inactive due to a lack of funds or the political environment.

The security situation has stabilized significantly in the past year, and this stability has promoted the development of NGOs in areas outside of the capital, Dushanbe. NGOs were effective in advocating the implementation of elections in the country. However, the manipulated results of the elections created a situation in which nominally-elected leaders are now more beholden to high-level political forces than they are to society, thereby clearly constraining the potential role of NGOs as agents for public lobbying and advocacy.

The biggest problems facing NGOs in Tajikistan are organizational capacity and financial sustainability. Other than relief and humanitarian work, the civil war and political and social instability that characterized Tajikistan for much of the postwar period largely precluded foreign engagement with the NGO sector. Due to this "late start," NGOs in Tajikistan are only beginning to develop the capacity for sustained sectoral activities. The economy is in shambles following the war, and few businesses are stable enough to think about charity. Furthermore, even donor funds must be handled through outside banks or in cash due to the tenuous nature of the local banking system. Despite having the best tax code in Central Asia, which stipulates broad tax exemptions for NGOs, the law is not implemented appropriately. NGOs with a more political orientation are experiencing harassment from the government.

LEGAL ENVIRONMENT: 5.0



A new NGO law was passed on May 23, 1998. Organizations pushed the legal ministries and participated in the drafting process. The new law ushered in a number of improvements. For example, the number of founders required for an NGO to register was reduced from ten to three.

Unfortunately, implementation of the new law is taking place slowly, but organizations have extensively lobbied to inform the government on these issues. After many seminars and discussions with local NGOs, tax authorities are becoming more acquainted with the work of local organizations and harass NGOs to a lesser extent than in previous years.

As the internal security situation in the country stabilizes, the government is more willing to accept the role of NGOs in society. Stability has given the government new priorities. In a surprising move forward, the Ministry of Justice is consulting with NGOs on the development of further NGO legislation, including a law on non-commercial organizations, and a law on charitable activities and charitable organizations.

Registration costs, averaging around \$500 (but lower for certain categories of NGOs, such as women's groups), are prohibitive, especially for NGOs outside of Dushanbe.

ORGANIZATIONAL CAPACITY: 5.5

Most NGOs were founded by and are controlled by strong personalities. Few have democratic boards or maintain strong membership. The goals of most organizations change with the objectives of international donors. Little progress was noted in this area since last year, although many organizations are striving to better define themselves. Often, the

capacity and ability of NGOs are correlated directly to their relationship with the government. Many NGO leaders maintain positions in the government. Permanent paid staff is maintained when grant money is available. No coordinating mechanism exists to link NGOs together.

FINANCIAL VIABILITY: 6.0

The relative impoverishment of Tajikistan prevents NGOs from becoming financially independent from international donors. Local donors do not exist. In-kind financial support is sometimes available but is limited to the provision of office space and expert consultation. Usually such in-kind contributions come from the government as opposed to independent sources. Few NGOs in Tajikistan are financially transparent. The banking system is disorganized at best, making money transfers difficult. Com-

pounding the difficulties, no legal basis exists for NGOs to provide services. Some organizations strive to receive government orders for services, but these opportunities are also limited. While local financial support is limited, volunteers are abundant and energetic. Organizations promoting women's issues, youth, refugees, and the handicapped receive an automatic tax exemption, enhancing their financial viability.

TAJKISTAN

ADVOCACY: 5.5

Generally speaking, the government has become more receptive to NGOs and frequently consults with NGOs on specific issues, thereby improving NGOs' influence on policy-making. Government officials are beginning to better understand NGOs and their purpose, and to see the impact of independent organizations. For example, NGO efforts to lobby the government have made an impact in the equal rights sector, where NGOs are writing the government's gender equality strategy for the republic. NGOs have also had some impact on the government's decisions on how to carry out the election, although they remained silent when the disappointing election results were announced. Self-censorship still exists to some extent – most organizations refrain from strongly

criticizing the government. NGOs are also playing a more active role in public councils recently convened throughout the country. NGO advocacy efforts remain consolidated at the local, and to a lesser degree, the regional levels.

Competition for international donor funding hinders NGOs' ability to collaborate on a large-scale level, although a few issue-based coalitions exist in the areas of health, ecology, and legal issues. In addition, coalitions were active during this year's presidential and parliamentary elections. Dilapidated and decaying communications infrastructure inhibits effective communication between organizations and thus further limits the possibilities for coalition building.

SERVICE PROVISION: 5.5

The dramatic and urgent situation caused by the civil war required that NGOs provide services and humanitarian assistance to those most in need. Due to these unique circumstances, Tajikistani NGOs are well versed in service provision. While such assistance is still needed, it is not profitable and does not encourage the financial sustainability of local NGOs. The poor economic climate and banking infrastructure also severely

limit the ability of NGOs to effectively engage in such activities.

There remains a lack of entrepreneurship and innovation among projects. Many NGOs replicate each other's projects because they know such projects are acceptable to the donor community. At the same time, NGOs are increasingly examining the real needs of the community.

INFRASTRUCTURE: 5.0

NGO support centers exist throughout the country and their numbers are expected to increase during the next year. Overall, there has been an increase in both the quality and the quantity of trainings developed by and delivered to NGOs. Well-trained cadres of Tajik-speaking trainers exist and are expanding their activities into the rural areas of the country.

Efforts to build coalitions exist. A nationwide association of twelve NGOs serving over 40,000 disabled persons was established. Other associations and coalitions include the Association of Medical NGOs; a coalition of refugee organizations; and the Coalition of Youth NGOs.

PUBLIC IMAGE: 5.0

Local media entities have increased the broadcast time devoted to the work of NGOs, thereby improving the public image of local organizations. Little national media attention, however, is devoted to NGOs. Many organizations favored by the government have received extensive attention from the national media, although the accuracy of the coverage is questionable because these organizations do not always perform the work reported. A newspaper published by NGOs and sponsored by a series of international donors continues to highlight

the successes of NGOs and is available for public consumption.

Some rural NGOs are also becoming better known due to the services they provide. While a few organizations have a solid community base for their activities, many are not grassroots oriented; rather, their operations lie behind the capabilities of a single individual. Due to this limited constituency base, many NGOs are not accessible to the general public.

TURKMENISTAN

TURKMENISTAN

Capital: Ashgabat
GDP per capita: \$537
Population: 4,800,000

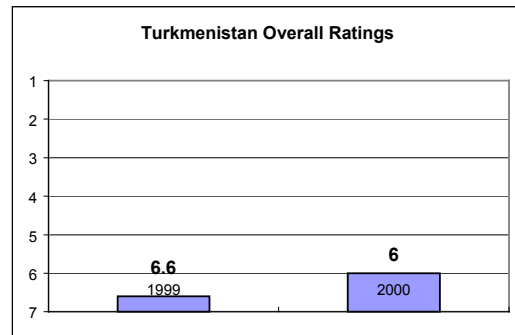
Inflation: 20%
Unemployment: n/a
Foreign Direct Investment: \$100,000,000

OVERALL RATING: 6.0

The NGO sector in Turkmenistan continues to be the weakest in the former Soviet Union. According to the database kept by the Counterpart Consortium, there are approximately 200 registered NGOs and unregistered “initiative groups” in Turkmenistan at present. Since registration is the major problem for local NGOs, many work on an unregistered basis. The national government remains largely unsupportive and often times hostile towards NGOs, viewing them as a threat to order and stability in the country. There is no evidence that any NGOs have been able to register as “public organizations” during the past two years, although 10 organizations were able to register as commercial structures in the past year. This reflects the government’s broad suspicion of the NGO sector. For the first time in three years, the Ministry of Justice began to provide written explanations for refusing NGOs registration. This acknowledgment of the right of a group to know why its registration was refused may be interpreted as a small step towards transparency. However, most observers believe that the government will continue to reject applications until a new law on public organizations is adopted, which is not anticipated to happen soon.

The only organizations officially recognized and actively supported by the government are quasi-governmental NGOs, such as the Union of Women, the Union of Veterans, the Union of Youth, and the Trade Union. Environmental NGOs are probably the strongest in Turkmenistan. Historically, they were the first to agitate for government accountability in the mid- to late-1980s. While based among intellectuals and disproportionately Russian in ethnicity, many ecological groups have become more involved in grassroots work within communities in recent years. In addition, environmental activism attracts some participation from government officials, both former and active. Social NGOs and groups working with disabled people are also active. Civil society also represents a vibrant arena for women’s participation. Approximately 80 to 90% of Turkmenistani NGOs are led by women, and a great number of NGOs and initiative groups are comprised of female staffs. Many of the program activities of these groups target women and their specific needs.

In some cases, NGOs are willing to advocate for their constituencies’ needs. However, the political environment precludes political lobbying or advocacy at the national level. Furthermore, NGOs have not been allowed to participate in the process of drafting new NGO legislation.



NGOs continue to be financially dependent on international donors. Since 1997, however, there has been a marked differentiation of international funding sources for Turkmenistani NGOs. Whereas in 1997, only one organization provided grant assistance, there are now 10. Meanwhile, the inability to register prevents NGOs from undertaking any official activities, including fund raising and income generation activities. In this respect, technical assistance provided by donors and through intermediary support organizations is very important. Questions remain, however, as to whether Turkmen NGOs will be able to mature and grow in the absence of government recognition and registration.

Most NGOs in the country remain small and have very small membership bases, limited community outreach, and poor networking and coalition-building skills. As a result, the NGO sector is still marginal in Turkmenistani society. In addition, most NGOs continue to be run by strong personalities rather than through decentralized and democratic structures of organizational governance. While this may assist NGOs in formulating and adhering to clear and cohesive strategies, it also limits the ability of NGOs to take the next step towards becoming truly sustainable organizations based on a stable and active membership and/or constituency.

LEGAL ENVIRONMENT: 6.5

The legal environment for NGOs in Turkmenistan is probably the worst in the former Soviet Union. Although the formal legal regime and tax code can be construed as being favorable for the existence of civil society groups on paper, in reality, the law is not implemented at all, and there are serious impediments constraining NGO development. NGOs continue to be harassed by the government and cannot freely criticize local or national governments. Many initiative groups are active and continue to operate without registration, however. They do so at the pleasure of the local or national government, and thus their activities represent ad hoc favoritism from individual government officials rather than the legitimate exercise of the right to exist.

As mentioned above, 10 organizations registered in the past year as commercial structures. As such, they gained legal status and the right to exist, but do not enjoy any of the privileges that NGOs in Turkmenistan receive.

NGOs lack knowledge of relevant legislation and their legal rights. There are no lawyers in the country who specialize in civil society issues, though some consultations may be provided by the Ministry of Justice to registered NGOs or by a few lawyers' groups.

Although NGOs officially enjoy some tax benefits, there have been cases when taxes on grants were allegedly levied. Taxes are used as a tool for limiting and/or halting the operations

TURKMENISTAN

of particular organizations. The inability to register affects the NGO sector's abil-

ity to generate income legally.

ORGANIZATIONAL CAPACITY: 5.8

Constituency building efforts remain weak in Turkmenistan. Most often, NGOs build their mission statements and strategies around donor organizations' requirements. Only a few organizations have membership fees and democratic structures.

ing, management structures, and advanced technical capacity. Only about half of NGOs possess the organizational management capacity, institutional structures, and physical and institutional equipment needed in order to operate effectively.

A scarcity of donors and a lack of local funding impede the development of organizational capacity. As many donors work only with registered NGOs, unregistered initiative groups are limited in their ability to ensure appropriate staff-

A generalized lack of funding encourages NGOs to seek support from volunteers. Volunteerism seems to have increased over the past year; however it is still not institutionalized.

FINANCIAL VIABILITY: 6.0

With the exception of quasi-organizations, most NGOs remain entirely dependent upon grants from international donors. The limited availability of grants induces a competitive, rather than cooperative, intra-sectoral dynamic. On the positive side, the growth of the international donor base for Turkmen NGOs has the potential to increase capacity within the NGO sector to manage grant projects.

atic, and is susceptible to the vagaries of local political authorities and the universally weak economy.

Depending upon the scope of activities and missions of NGOs, local governments or the business community may provide in-kind donations to organizations, such as free rent. However, this type of social partnership is not system-

Despite these difficult circumstances, some organizations, especially outside of the capital where donors are not present, continue to exist without donor support. This is particularly true for organizations representing environmental interests and the interests of marginalized groups.

NGOs need more training programs to develop and maintain sound financial mechanisms, and they will not be able to achieve financial sustainability until the registration problem is solved.

ADVOCACY: 6.3

Advocacy is practically non-existent in Turkmenistan, as it can be politically and physically dangerous to advocate vigorously for changes in the country. The ability of Turkmen NGOs to advocate varies by the issue, and is practically limited to a narrow range of community-based needs such as those expressed by marginalized groups of invalids, consumer rights groups, or water users' associations. The government tolerates no truly political or legislative lobbying. Even environmental organizations, which are the strongest in the country, have little opportunity to lobby the government, either nationally or locally, due to the repressive attitude towards NGOs. However, in certain cases

when an NGO's efforts have coincided with the government's agenda – environmental curriculum reform and AIDS awareness are two examples – joint activities have taken place.

The lack of unifying ideas and experiences, as well as strong competition for limited donor funds, results in the unwillingness of NGOs to create and maintain coalitions. A nascent association of environmental NGOs was created in the summer of 2000 with the support of the Ministry of Natural Protection. It remains unclear, however, whether it will prove strong and representative enough to play an active role in promoting its members' interests.

SERVICE PROVISION: 5.3

Despite a general weakness in constituency building efforts, NGOs in Turkmenistan have witnessed some improvement in service provision over the past year. Services provided include those to marginalized groups, such as disabled people. NGO services are limited because only registered NGOs are officially permitted to provide services. It should be noted, though, that many unregistered NGOs provide assistance to their constituents, for example re-

training services for unemployed women. The government does not recognize NGOs as a valuable tool in helping to solve social problems in the country, and its support is usually constrained to a few quasi-organizations. Despite ongoing problems, some organizations, like the Water Users' Association, effectively work with local communities to identify their needs and provide services accordingly.

INFRASTRUCTURE: 5.7

It was noted by a sampling of Turkmen NGOs that there has been some improvement over the past year in terms of infrastructure. This is due to an increase in the number of Intermediary Support Organizations and NGO Support or Resource Centers. Such centers provide invaluable support to NGOs and initiative groups by sharing information and offering training programs and technical

assistance. However, due to the problems discussed previously, they are solely dependent on international donors, as they are unable of generating income through fee-for-service schemes or from local sources. It is extremely important to sustain such centers, especially because of their information dissemination services. No governmental organizations are willing to disclose in

TURKMENISTAN

formation to NGOs. Intersectoral partnerships are not sufficiently developed. Existing NGO networks are limited to

information sharing activities and are not capable of implementing advocacy campaigns.

PUBLIC IMAGE: 6.2

The public in Turkmenistan remains extremely indifferent, but not negative, towards the NGO sector. The absence of non-state media in the country means that media coverage of NGOs is limited to sporadic publications in newspapers and television reports, all of which reflect the perspective of the government. Most of the population has never heard of NGOs or has incorrect information about them. Nevertheless, the term “NGO” has gone from being an unknown phrase to a term used frequently by government officials in newspaper articles and television interviews. With few exceptions, neither the business community nor the government consider

non-governmental organizations as an important community resource or a source of expertise. NGOs have made little effort to become more transparent by sharing information about themselves, for fear of divulging such information to the government and law enforcement authorities. Registered NGOs must submit reports to the Ministry of Justice, a practice that appears to be another method of controlling NGOs in the country. Unless the government’s negative and aggressive stance towards NGOs changes, it is hardly possible to anticipate that the sector’s public image will improve.

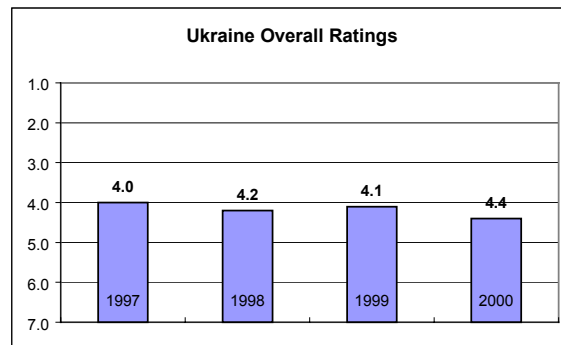
UKRAINE

Capital: Kyiv	Inflation: 45%
GDP per capita: \$1,048	Unemployment: 3.7%
Population: 49,900,000	Foreign Direct Investment: \$600,000,000

OVERALL DESCRIPTION: 4.4

The Third Sector in Ukraine shows signs of energy, enthusiasm, and vigor despite considerable obstacles that block progress toward sustainability. Of the 28,700 NGOs registered as of July 1, 2000, local specialists estimate that about 3,500 are really active. NGOs are heavily concentrated in the largest cities of Kyiv, Lviv, Kharkiv and Donetsk. Of national level NGOs, 58% are in the capital, Kyiv, 18% in Lviv, and 10% in Crimea. No other oblasts have more than 5%. Approximately 16 resource centers provide training and informational support to NGOs, and are united in their own organization, the League of Regional Resource Centers. A Ukrainian training organization provides courses in NGO management at several locations, and has a certificate program for trainers.

During 1999, 268 Ukrainian NGOs formed a nation-wide coalition in favor of free and fair elections and democratic reform, the Freedom of Choice 99 Coalition, that attracted foreign funding and domestic support for its members. The Coalition has survived into 2000, albeit on a shoestring, gathering about 100 NGOs to support the coalition's new National Anticorruption Program that began in February 2000. The largest NGO in Ukraine, the Committee of Voters of Ukraine (CVU), with member organizations in all 25 oblasts and over one hundred cities across the country, has expanded its between-elections work to include community advocacy and transparency programs that are having results at the grassroots.



NGOs in Ukraine – especially those involved with policy or advocacy -- are still heavily dependent on foreign funding, hampered by clumsy and restrictive regulations, and frustrated in their fundraising by an unsupportive legal environment and a declining economy. Still, some social-sector NGOs have been able to improve their sustainability by matching foreign donor grants with corporate and government funds. A few have even launched social enterprises to fund some of their work.

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LEGAL ENVIRONMENT: 5.0

Much work remains to be done to improve the legal environment so that NGO development can flourish in Ukraine. NGOs must still register by type, and according to whether they are international, national, or regional. The Law on Trade Unions (passed late in 1999) introduced comparably restrictive and complex registration requirements that generated an appeal by Ukraine's independent trade unions to the International Labor Organization.

The International Center for Not-for Profit Law (ICNL), Counterpart Alliance for Partnership (CAP), and the Institute for Civil Society are working to generate a consensus in Parliament for improvements in the regulations, and develop a cadre of lawyers specializing in NGO law. While donors are doing their best to provide legal training and advice to the NGOs they fund, there is a clear need to reach many more – especially outside larger cities. Numerous clarifications in the laws are needed. For example, tax authorities are able to interpret the existing law such that an NGO that distributes magazines is a for-profit business. NGOs also seek specific provisions that will encourage donations to NGOs and allow NGOs to

carry over funds from one year to the next without punitive taxation.

Following the late 1999 presidential elections, tax police harassment of NGOs has intensified – a policy that may reflect political impulses, but also the generally more aggressive approach to anyone receiving foreign funds.

A lack of sound legal advice is a major constraint on NGO development. Donors and Ukrainian activists are working to redress this, but there is a great deal of work to be done. The legal education system does not prepare professionals well to help. Some legal advice is available, often pro bono, from interested lawyers at local advocacy clinics and free clinics attached to law schools. Foreign donors often make it possible for some legal advice on a more systematic basis, and synergies are created when they cooperate. For example, NDI's civic program includes a CAP staff lawyer in its fund raising seminars, and the IREX media law specialist has participated in seminars and programs for NGOs and think tanks. CAP has already planned joint legal training with ABA/CEELI, Winrock, and the US-Ukraine Foundation

ORGANIZATIONAL CAPACITY: 4.0

The majority of NGOs in Ukraine are small local organizations, often isolated, and not eager to locate other community groups they may view as potential rivals in the quest for funds or attention. Those that receive foreign assistance do work to build their constituencies, but this task is much more difficult for groups in outlying regions.

Foreign-funded organizations are more likely to have clear goals and missions,

and foreign funded groups are among those few that can afford to have a small professional staff. Youth groups and social service organizations rely much more on volunteers. Only the most

on the list of requests to donors. Donors have been happy to meet these requests, and regard the capacity to communicate and build networks of

affiliates and like-minded organizations and partner groups across borders as a key achievement.

FINANCIAL VIABILITY: 5.0

The overall economic situation in Ukraine leaves little money in anyone's pocket to contribute to charity work, professional associations, advocacy groups, or community projects. Yet there are some successes in local fundraising. Some NGOs are doing very well -- not just in raising funds, but in diversifying their support among a number of foreign donors. This group includes think tanks, and civic action groups such as the Committee of Voters of Ukraine (CVU). One charity group in Donetsk has raised over one million dollars in cash, locally. However, hints of true financial sustainability are so far limited to some social service NGOs

that have not only found support from business and government, but have even been able to earn some income to support their charitable activities. Examples include wheelchair repair facilities in Kyiv, Lviv, and Chernivtsy that run bicycle repair shops; a homeless shelter in Odesa that sells clothing made by its residents; and other groups with unrelated economic activities -- stationery stores, pasta production facilities, cafés. All active NGOs are under pressure to show accountability and careful record keeping -- not just by foreign donors, but also by the tax authorities.

ADVOCACY: 4.0

Despite a continuing decline in polls that track public confidence and optimism, the past year has been an exciting one for those who have been hoping to see more signs of successful advocacy among Ukrainian NGOs. The Freedom of Choice Coalition that brought together 268 NGOs in a national campaign for free and fair elections and democratic reforms survives and has turned to anti-corruption advocacy. The new reformist Prime Minister has reached out to NGOs, and offered support to pro-reform think tanks, policy groups, and integrity advocates.

There is plenty of evidence that with assistance and prodding from donors, and given examples of success by others, Ukrainian NGOs can develop effective advocacy programs. Activist social service groups have been

effective on the local level in several cases: A Lviv NGO initiated a strong advocacy campaign for the wheelchair disabled and achieved improved access through ramps on streets and in public buildings.

CVU has worked hard to achieve changes in election laws that will allow domestic observers and improve transparency. Their latest efforts have been high visibility, but it is still too early to tell how successful their mixed citizen-government drafting group will be. CVU has done better at the local level, as in its successful defense of five activists jailed for trying to monitor the Vasilkiv mayoral election. In Rivne, CVU activists mobilized citizens for a "honk-in" that persuaded the city council to

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change its plans to restrict business opportunities for citizen transport.

Think tanks and policy analysis NGOs have also had some success. One NGO conducted a study of the shadow economy, and the language and ideas from its study were incorporated into the new government's plan. A retailer's union successfully persuaded the Parliament to make a small, but important change to the law on corporate income tax. The community-based Integrity Partnership in Donetsk achieved agreement from the Oblast government to open a citizen advocacy center, and a similar group in Kramatorsk exposed and halted thefts by city employees from a businessman's construction materials stockpile. A citizens rights group in Luhansk that successfully fought a groundless dismissal of a mayor in 1997 is now attempting to gather evidence and

mobilize public opinion against brutality in pre-trial detention facilities. In sum, national level lobbying has potential, although achievements have been modest, and greater impact would require more collaboration.

Legal advocacy groups are relatively rare among NGOs, but can and do play an important role. In some places, lawyers and citizens have joined to take action to help – such as the Association of Lawyers in Vinnitsya that provides free legal consultations for citizens. Human rights advocacy NGOs have occasionally registered successes, especially at the local level. The Environmental Public Advocacy Centers, an affiliate of ECOPRAVO funded and organized by ABA/CEELI, have had good success with legal cases pursuing citizen's rights under environment laws.

SERVICE PROVISION: 4.0

The majority of active NGOs in Ukraine provide some form of service across a variety of sectors: education, environmental protection, legal consulting, training, empowerment, job training, and health services. To some extent this has been driven by foreign donors that choose to assist those providing specific services to their community, or to a needy group. Reform-oriented NGOs disseminate their studies, publications, and advice, and are highly motivated to reach and influence a wide audience of government officials, legislators, and academics. As a result of donor requirements, groups receiving international grant funding have been able to reach a wider community beyond their own membership.

Cost recovery is extremely difficult, especially because of restrictive laws and

aggressive tax authorities. Although many service groups have attempted to link grant proposals to plans to use their expertise or facilities to generate a commercial return (using computers for job training or website development, using physical therapy equipment to offer paid treatments), in general cost recovery is rare. There have been some impressive successes with a few "social enterprises" that have been built by social service NGOs after specialized business training. In a few cases, social services NGOs have successfully concluded "social contracts". For example, a Rivne-based Volyn resource center has been sub-contracted by the city administration to manage a small grant competition for social service outsourcing. Elsewhere, some municipal authorities have developed quite favorable and supportive relations with youth

groups, social service NGOs, or those representing groups in difficulty (such as pensioners, the disabled). The integrity partnerships in Donetsk, Lviv, and Kharkiv are based on government-business-NGO agreements.

The new reformist government has offered support to some pro-reform groups, including a small grant to help the Freedom of Choice Coalition work on its Anti-Corruption Program. The

Prime Minister's office has asked a small collection of pro-reform think tanks to screen policy proposals. Groups like Mothers of Soldiers work closely with the government at many levels to seek better treatment for draftees –relationships that are sometimes difficult. The lawyers association in Vinnitsya occupies an office subsidized by the city government, and local deputies refer citizens to its consultative sessions.

INFRASTRUCTURE: 4.0

NGOs in Ukraine can avail themselves of some high quality support services, thanks to the maturation of some excellent Ukrainian resource centers. Training expertise is perhaps the best developed, as represented by the certificate program now in place for trainers and trainers of trainers by Counterpart Creative Center (CCC). CCC has even won contracts to administer US Embassy grant competitions, and has been hired to assist foreign funded implementers in building up training capacity in a variety of fields. A number of foreign donors have contributed to the development of these centers, but the effective temporary withdrawal of the key funder, the Eurasia Foundation, this year has left a big gap that has not been filled.

The Eurasia Foundation has supported a network of NGO resource centers that

continues to grow. Recently, new ones have appeared in Kirovohrad, and in Crimea. However, funding has not been level and there is a serious need to find ways to keep them operating, as most local NGOs are unable to pay for their services.

New NGOs and potential NGOs need help to get started, organize themselves, register, and plan for sustainability. Increasingly, useful information about potential funders, and about legal issues is available on the Internet, and is also available through local representative offices of donors, as well as through the resource centers. Coalition building has been successful among the civic action groups that formed the Freedom of Choice Coalition, but coalition building in other sectors -- even among groups active on similar tasks -- has not been very visible.

PUBLIC IMAGE: 5.0

The media in Ukraine are politically restrained, and face heavy harassment for coverage considered critical of the government or leading political figures. Yet the picture is not totally bleak. Aggressive and apparently successful efforts by a few well-funded NGOs to

utilize media, including the internet, to promote their programs, involve citizens, and publicize civic activism suggests that there is much untapped potential for citizen communication in Ukraine. In some cases, such as anti-trafficking, media and NGOs have combined forces

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to help publicize the dangers of trafficking.

For the average NGO, the media can seem unfriendly or uninterested. Some donors have sought to help remedy this through publications, conferences, and training that show NGOs how to use the media, and cultivate contacts with media in order to promote their goals.

Internews, a USAID-funded activity in support of independent broadcasting media, has also assisted NGOs directly with production assistance for media spots, talk shows about their successes, and even docudramas. The legal advocacy specialists at IREX-Promedia have also have been helpful.

UZBEKISTAN

Capital: Tashkent
 GDP per capita: \$626
 Population: 24,400,000

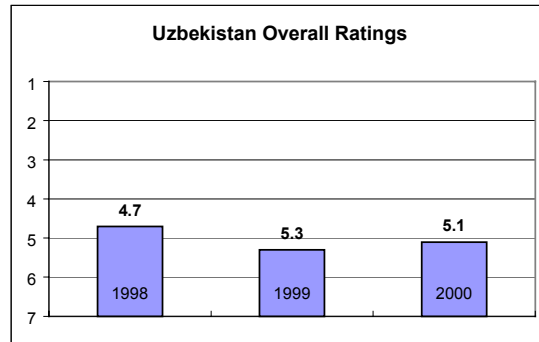
Inflation: 29%
 Unemployment: .6%
 Foreign Direct Investment: \$226,000,000

OVERALL RATING: 5.1

There are currently 469 active, independent NGOs in the country. There are also quasi-governmental NGOs (GONGOs), which exist in significant numbers and vary widely in their capacity. While the NGO community is diverse, organizations specifically promoting women's rights, health care, and environmental issues are able to excel in their fields, largely because their themes echo those supported by the government. Self-censorship exists in the NGO community and the media. Most NGOs are weak in constituency building, tend to be small, are often led by a few dynamic personalities, depend on foreign donors for financial support, and lack transparency in both their governance structures and finances.

The bombings in Tashkent in February 1999 produced an oppressive political atmosphere, which has limited the ability of NGOs to take a leading role in advocating for political changes. Presidential and parliamentary elections, held in January 2000 and December 1999 respectively, were considered neither free nor fair by international norms. NGOs played only a marginal role in monitoring and supporting candidates.

A new national law on Non-Commercial Non-Governmental Organizations (NNOs) was passed in 1999 that better defines the forms and rights of NGOs. For the most part, this law has eased the NGO registration process, but there remains intense confusion among regional authorities concerning implementation of the law. Such confusion limits the ability of NGOs to register in certain regions of the country. Proper implementation of the 1999 law, in addition to the passage of a law on Charitable Activities, would allow Uzbek NGOs to recover costs or provide services for a fee, aiding their efforts at sustainability.



Although the majority of NGOs are still located in Tashkent, Nukus, and Samarkand, the past year has witnessed a substantial growth of NGO activity in other regions. The Fergana Valley, Bukhara, and surprisingly, the remote southern region of Kashkadaryo, all witnessed recent growth in the NGO sector. NGOs and other grassroots initiative groups are also beginning to emerge in truly rural areas. NGOs have yet to develop in the Surkhandaryo and Khorezm regions. In areas outside of Tashkent, the attitude of the local government towards NGOs largely determines the ability of NGOs to work effectively.

UZBEKISTAN

LEGAL ENVIRONMENT: 5.4

Great confusion exists about a 1999 law regarding Non-Profit Non-Governmental organizations. While the law promotes and empowers NGOs, it has not been implemented. Interpretation of the law varies from region to region. Accordingly, the level of tolerance of the 14 regional branches of the Ministry of Justice largely determines the ability of NGOs to register in their regions. Confusion about the law does not only exist among local officials, but among many NGOs as well, thus impeding work. Many local authorities meddle in the charters of NGOs, dictating terms of their registration.

In at least one region of the country – Karakalpakistan – however, local government officials, including members of the local parliament, have proven to be strong supporters of the NGO community. In this part of Uzbekistan, NGOs have by and large not encountered difficulty (aside from financial) either in registering or in conducting their activities.

Politically, NGOs practice self-censorship, dealing only with those themes that are safe from a government perspective. Recent political events have had a chilling affect on human rights in the country. While human rights violations in Uzbekistan have not directly affected NGOs, they certainly limit the ability of NGOs to act as open advocates for political change.

Tax breaks for NGOs exist for limited activities by women's and environmental organizations. These tax breaks are limited, however, and are insufficient. The government often considers grants from international donors as profit, and therefore taxes these funds. GONGOs are exempt from taxes, but grassroots NGOs created through civic initiative are not. Fear of taxation and harassment by the tax police are permanent sources of stress for service providing NGOs.

ORGANIZATIONAL CAPACITY: 5.3

Few organizationally sophisticated NGOs exist in Uzbekistan. The missions and goals of local organizations are generally based on the objectives and missions of the international donor community, although some recent improvement has been noted in this area. Most NGOs lack adequate strategic planning skills and instead base most of their activities on the whims of donors.

Boards of directors and broad-based volunteerism have yet to be developed. Charismatic and dynamic personalities dominate NGO leadership, and can sometimes be inflexible and resistant to

transparency and sharing control of the organization with a board. Accountability and governance are the main challenges to constituency building.

A handful of NGOs retains a permanent paid staff, but staffing is generally dependent on the acquisition of donor assistance. When no donor funds are available, many NGOs work without a permanent staff.

Rurally based NGOs have emerged over the past year, which is encouraging, as a majority of Uzbekistan's population lives in rural areas. Such organizations are more dependent on con

stituency support than international support and, thus, better reflect the needs

of their communities.

FINANCIAL VIABILITY: 5.5

The lack of convertibility of Uzbekistani currency and poor laws related to the taxation of NGOs is a serious constraint on the financial viability of NGOs. The lack of convertibility limits the financial transparency of organizations, many of which receive grants in dollars from foreign donors, even though this is technically illegal.

With a few notable exceptions, NGOs in Uzbekistan are entirely dependent on international donor assistance. Local donors are rare, but their

number has increased over the past year as NGOs have increased their prominence in society and the media. Some NGOs receive small, off-the-books donations by local businesses and citizens. In a few instances, the government has also awarded grants to NGOs for specific projects, but the majority of these grants go to GONGOs. Currently, NGOs can generate income in a fee-for-services manner, but many organizations are hesitant to develop this practice until the tax codes are amended to adequately stipulate their regulation.

ADVOCACY: 5.2

Uzbekistani NGOs are promoting their causes through advocacy campaigns to a greater extent. Generally only the most developed NGOs are involved in advocacy efforts. Organizations working at a local level tend to be the most successful in such endeavors, as authorities in the capital do not tolerate national advocacy campaigns.

Given the current political environment, there are few political lobbying efforts. In January 2000, the Parliament formed a committee on NGO issues and activi-

SERVICE PROVISION: 4.5

NGOs are aware of the needs in their communities, but are not always able to meet them, in part because strict taxation laws virtually prevent NGOs from generating income through service provision. The current tax law taxes all income gained by NGOs through service provision. As a result, NGOs are largely dependent on international donors for

ties, theoretically providing NGOs with a direct channel to lobby the government. However, thus far the committee is seen as a rubber stamp body (as is the rest of parliament), where lobbying efforts are unfruitful. The creation of such a committee, however, demonstrates the increased lobbying power and social visibility of NGOs.

By law, NGOs are forbidden to play an active role in politics, but some NGOs attempt to participate in limited political activity, such as monitoring elections.

financial support, thereby removing incentives for marketing.

Crisis centers, known as trust centers in Uzbekistan, are notable in the service provision sector. The number and abilities of such crisis centers to respond to people in need has developed significantly over the past year. A network of such centers has been established and

UZBEKISTAN

centers in various regions of the country work together in close cooperation,

sharing experiences and training staff members in collaboration.

INFRASTRUCTURE: 5.0

Both the quantity and quality of Uzbeki trainers has improved in the past year, although their numbers still remain insufficient to meet demands. While Uzbek-speaking trainers are available, training materials in the Uzbek language are lacking. In addition, materials from other NIS countries must be adapted to suit the culturally Islamic and socially conservative situation in Uzbekistan. Few NGOs implement activities to increase their technical capacity; rather, they perform services to attract donor attention and potential funding. Local grant-making organizations are barely functional.

NGO Support Centers exist in a limited number of regional capitals. Coalitions and networks are still rare, as few NGOs desire partnerships with others in an atmosphere of scarce donor resources. However, efforts to create coalitions in certain sectors, such as the environmental sector, have emerged during the past year. A strictly government-controlled GONGO led by the deputy Prime Minister for women's issues has outwardly sought to control any coalition organized in the women's sector, thus limiting any potential to advocate independently of government control.

PUBLIC IMAGE: 4.8

Press coverage resulting from the passage of the 1999 law on Non-Commercial Non-Governmental Organizations truly bolstered the public image of NGOs. Following the passage of the law, NGOs received increasing attention from the local media. However, some perceptions

persist that many NGOs simply exist to attract large donor grants. There is still some apprehension in the public that a non-governmental organization is one that is anti-governmental.

Previously, NGOs had to pay bribes to journalists to attract publicity. This

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practice has ceased and journalists regularly cover NGO events in the capital city and in the regions. Organizations are publishing more materials that are available to the public, thus in-

creasing their public stature. On the other hand, self-regulation mechanisms are not yet developing.

STATISTICAL ANNEX

COUNTRY SCORES: 1997 - 2000

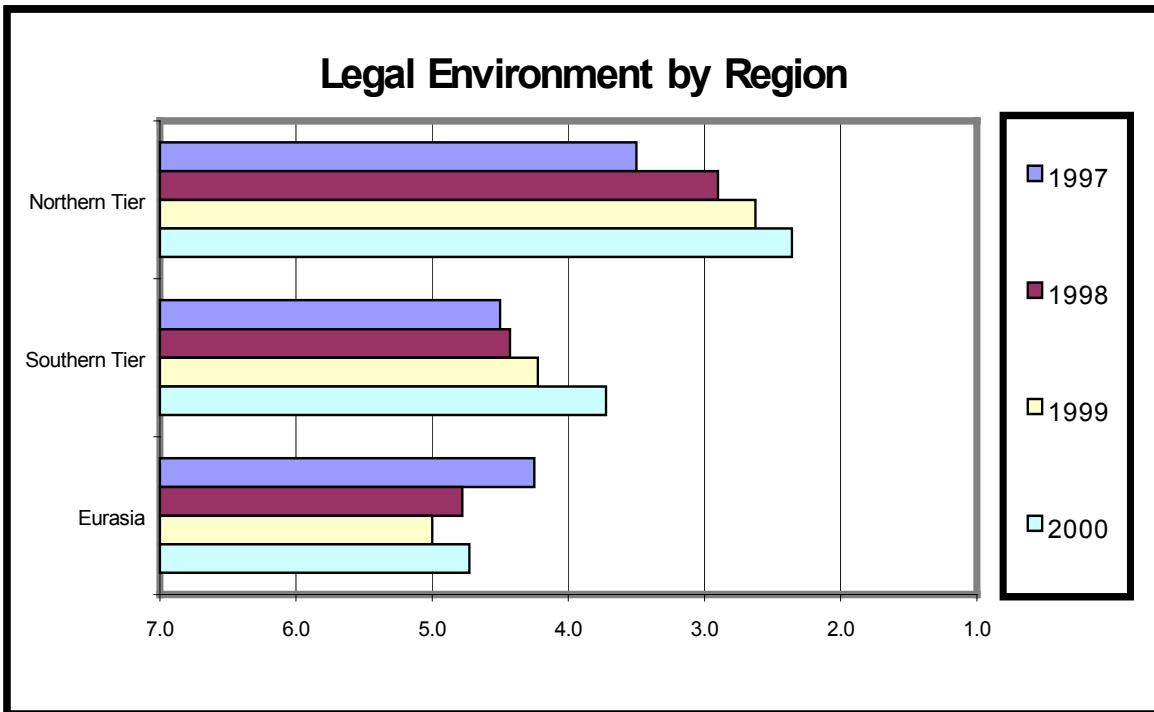
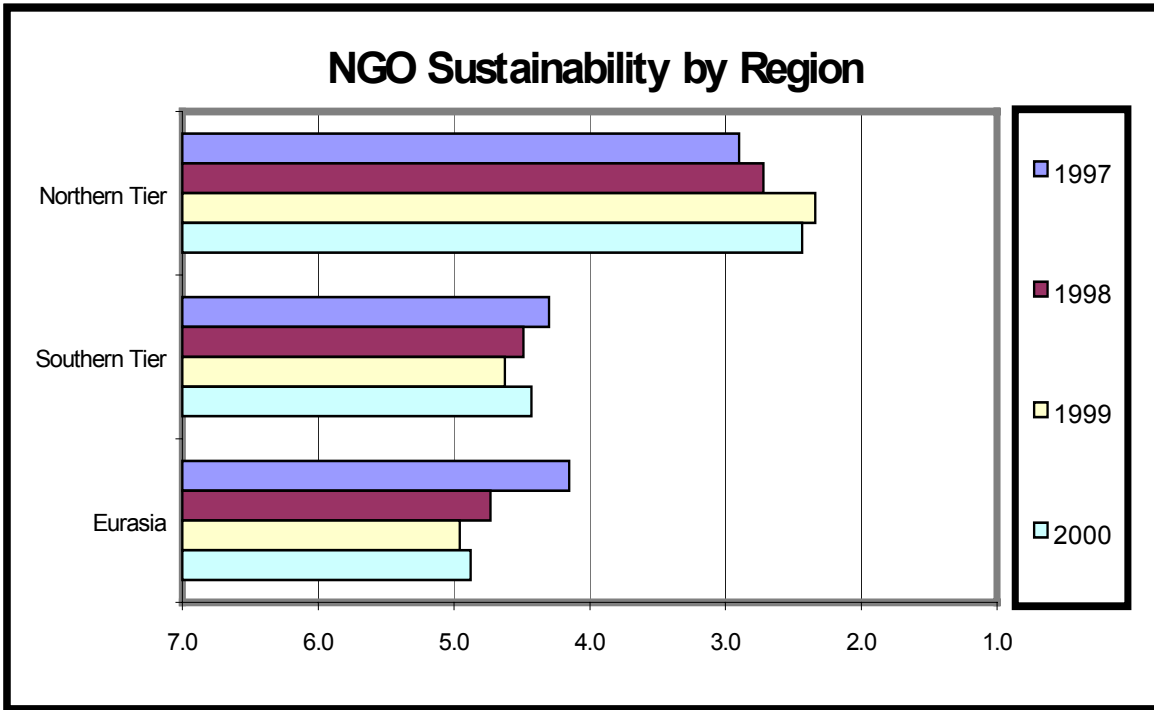
FINAL SCORES				
<u>NORTHERN TIER</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
CZECH REPUBLIC				2.4
ESTONIA				2.4
HUNGARY	2.3	1.6	2.1	2.3
LATVIA	3.6	4.2		2.8
LITHUANIA	4.0	3.0	2.9	3.1
POLAND	1.8	2.0	2.1	2.1
SLOVAKIA	2.8	2.8	2.2	1.9
<u>SOUTHERN TIER</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
ALBANIA	4.4	4.2	4.8	4.6
BOSNIA		5.6	5.3	4.9
BULGARIA	4.0	3.6	4.0	3.7
CROATIA	4.6	4.4	4.6	4.3
KOSOVO			4.4	4.6
MACEDONIA	4.4	4.4	4.6	4.6
MONTENEGRO			4.6	4.6
ROMANIA	3.6	3.8	4.0	4.1
SERBIA	4.8	5.4	5.4	4.5
<u>EURASIA</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
ARMENIA		5.5	5.1	5.0
AZERBAIJAN		6.3	5.6	5.0
BELARUS				5.7
GEORGIA		3.6	3.8	4.1
KAZAKHSTAN	4.6	4.4	4.8	4.7
KYRGYZ REPUBLIC	4.6	3.9	4.2	4.3
MOLDOVA				4.6
RUSSIA	3.4	3.4	4.1	4.3
TAJIKISTAN		6.6	6.1	5.4
TURKMENISTAN			6.6	6.0
UKRAINE	4.0	4.2	4.1	4.4
UZBEKISTAN		4.7	5.3	5.1

COUNTRIES RANKED BY SCORE: 1997 - 2000

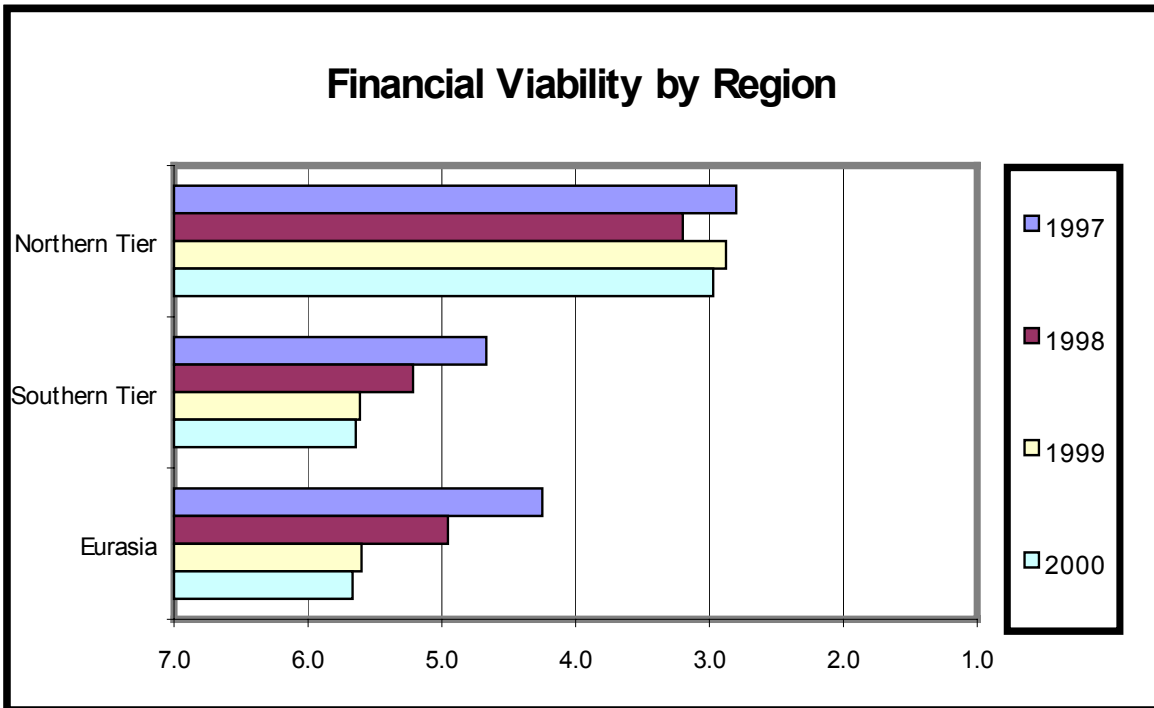
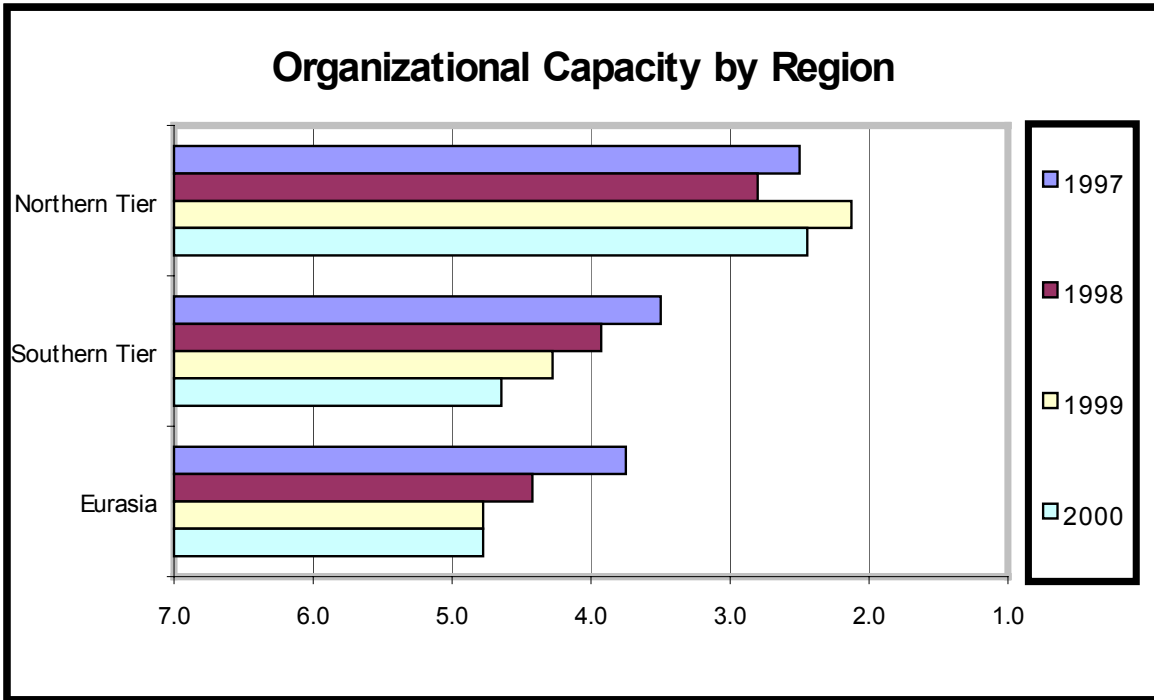
	2000		Prior Year Rankings		
	Rank	Score	1999	1998	1997
SLOVAKIA	1	1.9	3	3	3
POLAND	2	2.1	1	2	1
HUNGARY	3	2.3	1	1	2
ESTONIA	4	2.4			
CZECH REPUBLIC	4	2.4			
LATVIA	6	2.8		10	5
LITHUANIA	7	3.1	4	4	7
BULGARIA	8	3.7	6	6	7
ROMANIA	9	4.1	6	8	5
GEORGIA	9	4.1	5	6	
RUSSIA	11	4.3	8	5	4
KYRGYZ REPUBLIC	11	4.3	10	9	12
CROATIA	11	4.3	12	13	12
UKRAINE	14	4.4	8	10	7
SERBIA	15	4.5	20	17	15
KOSOVO	16	4.6	11		
MACEDONIA	16	4.6	12	13	10
MONTENEGRO	16	4.6	12		
MOLDOVA	16	4.6			
ALBANIA	20	4.6	15	10	10
KAZAKSTAN	21	4.7	15	13	12
BOSNIA	22	4.9	18	19	
ARMENIA	23	5.0	17	18	
AZERBAIJAN	23	5.0	21	20	
UZBEKISTAN	25	5.1	18	16	
TAJIKISTAN	26	5.4	22	21	
BELARUS	27	5.7			
TURKMENISTAN	28	6.0	23		

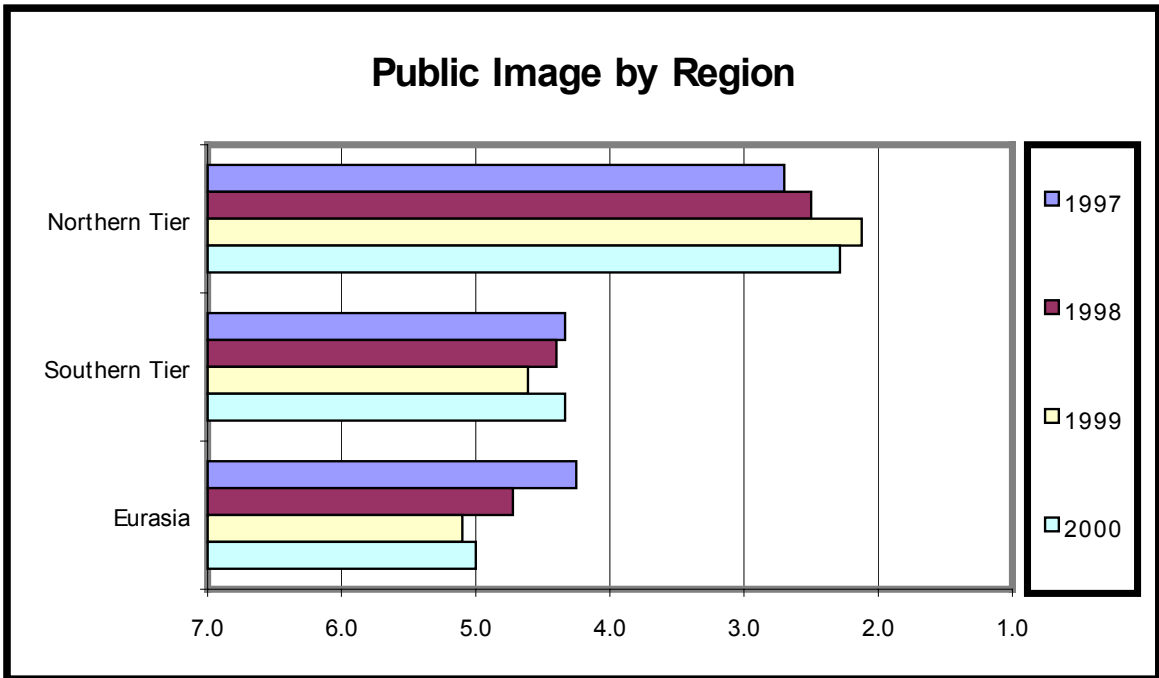
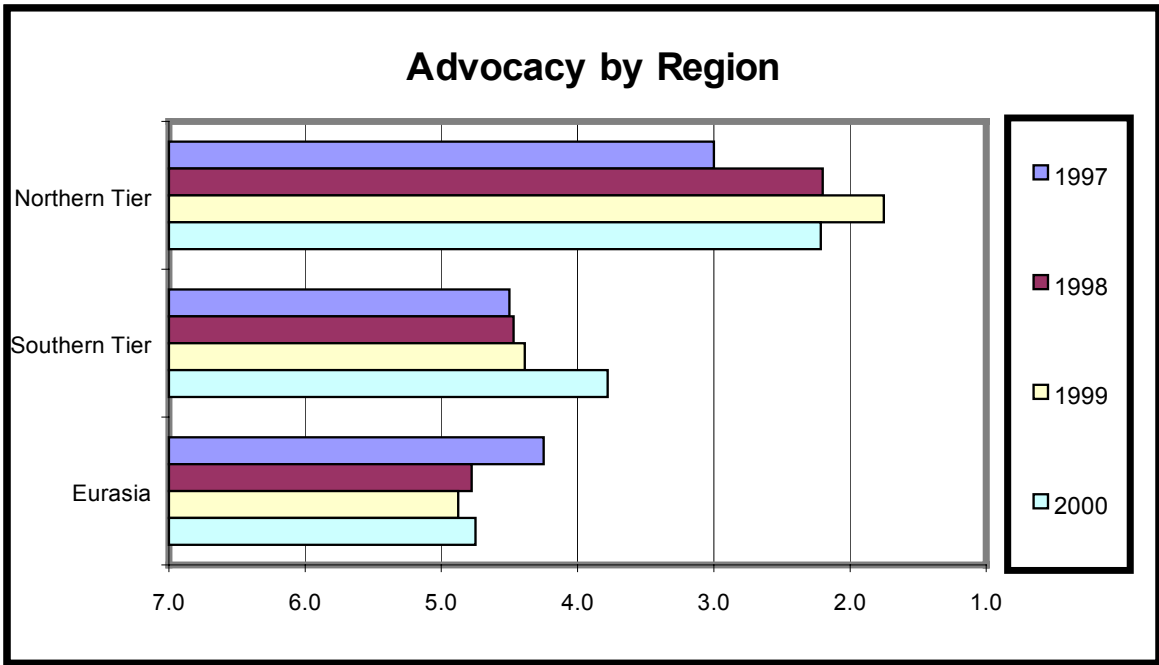
STATISTICAL ANNEX

INSERT FOUR YEAR SCORING TRENDS CHART

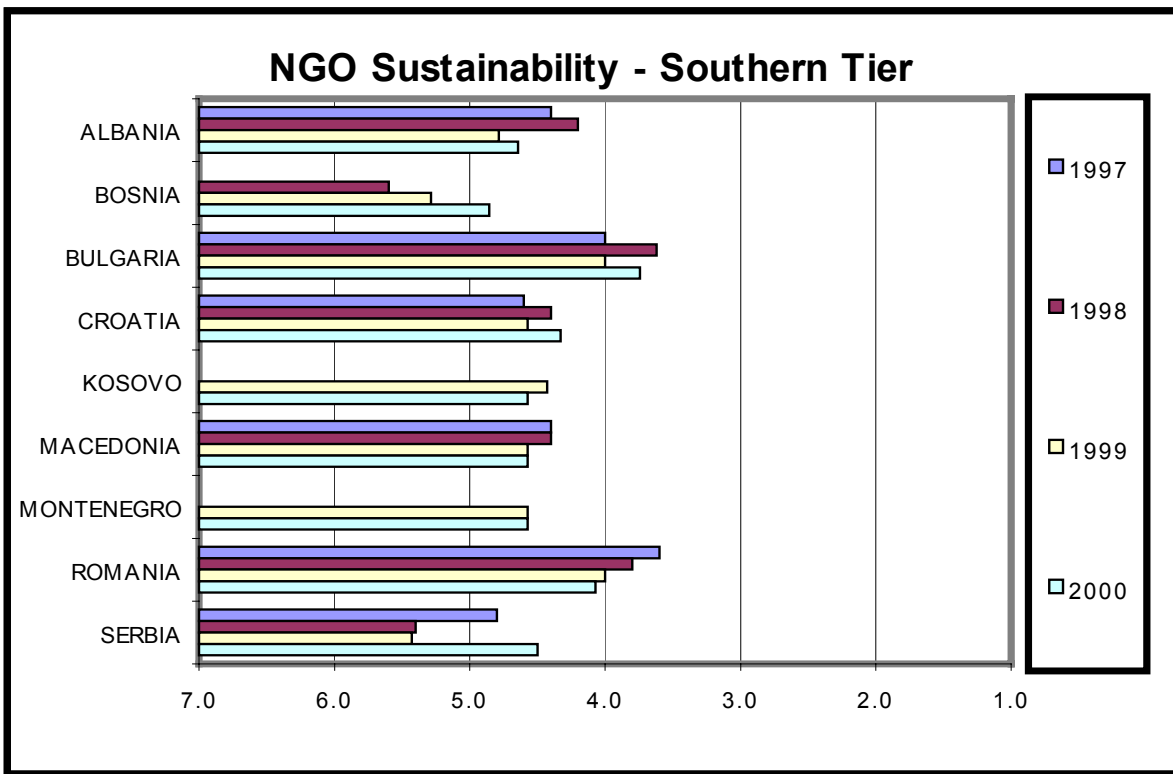
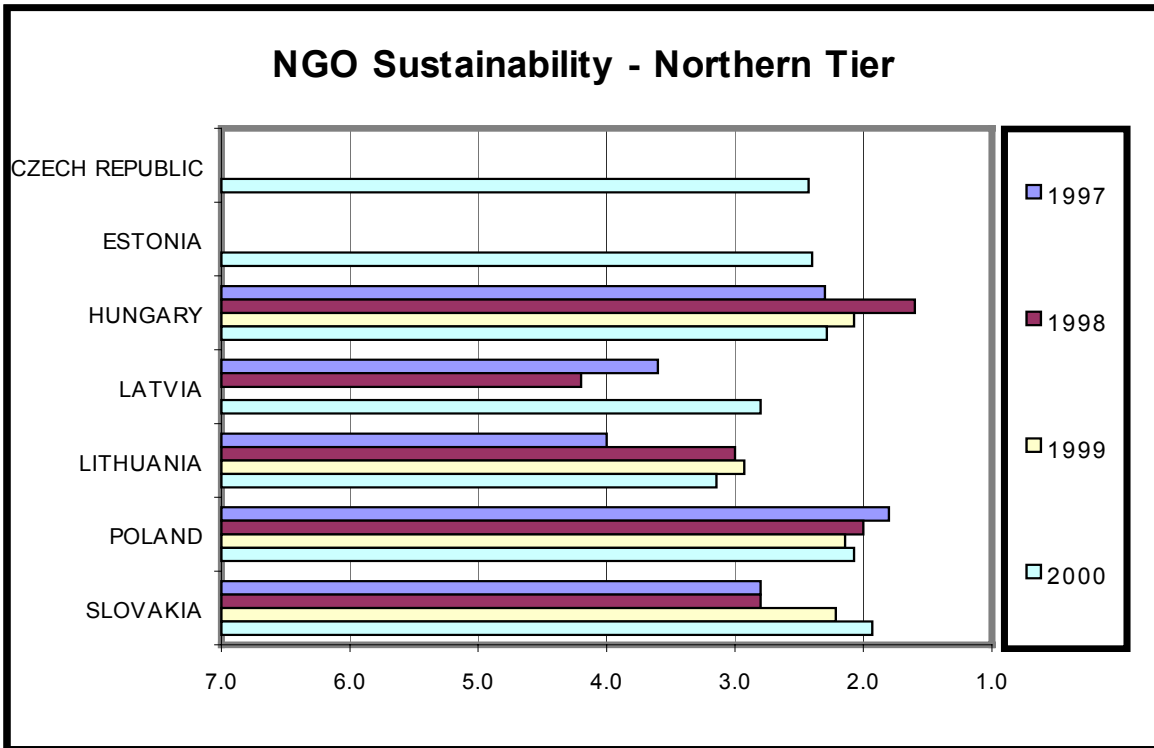


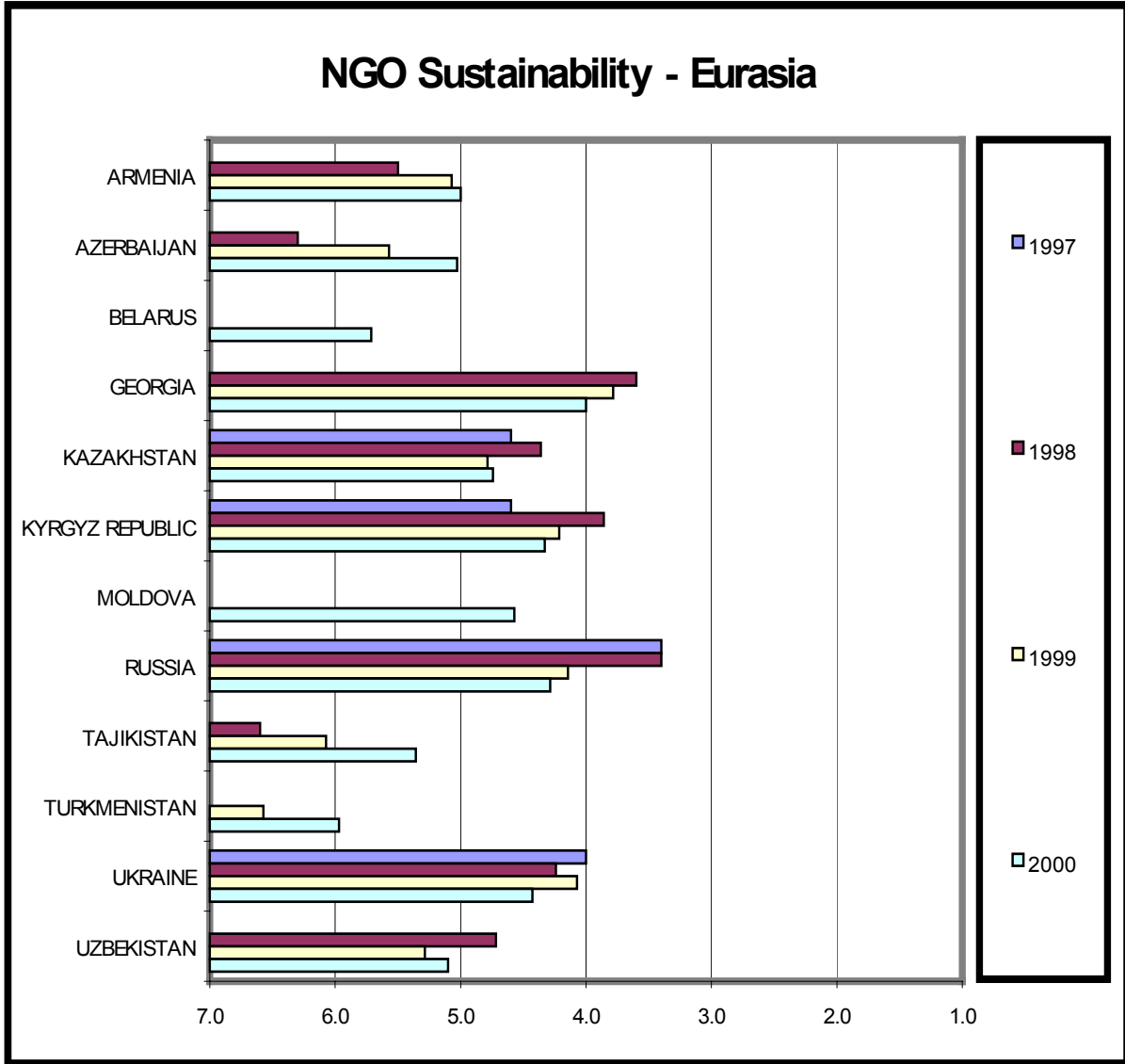
STATISTICAL ANNEX



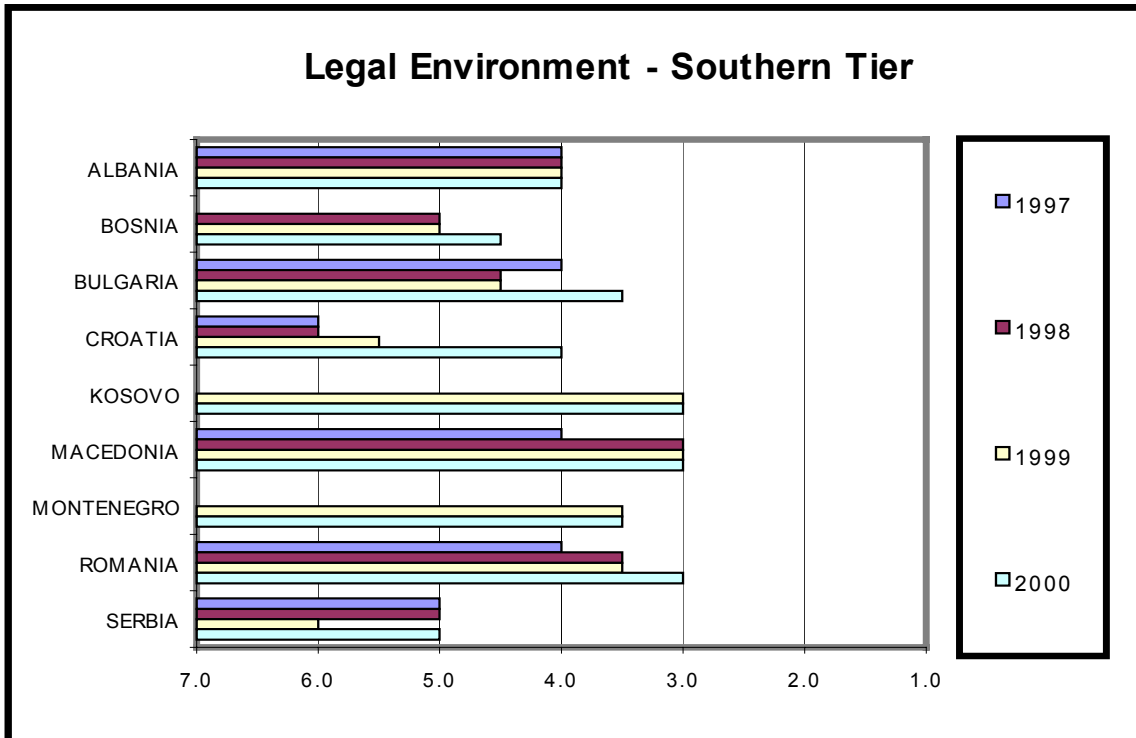
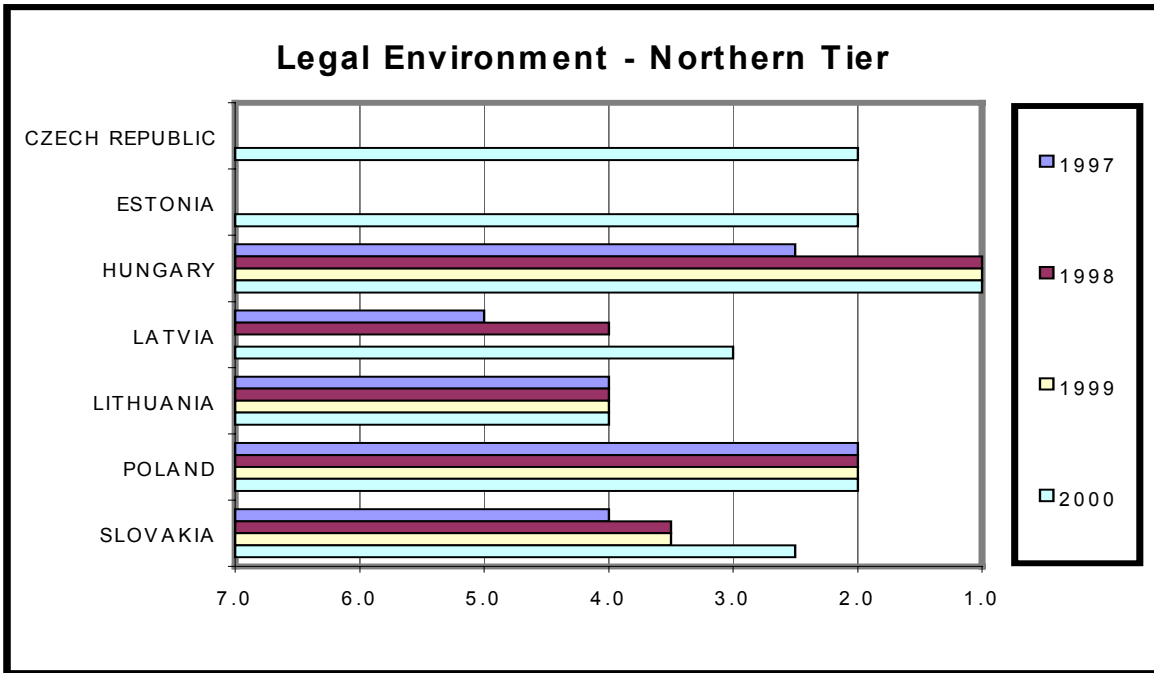


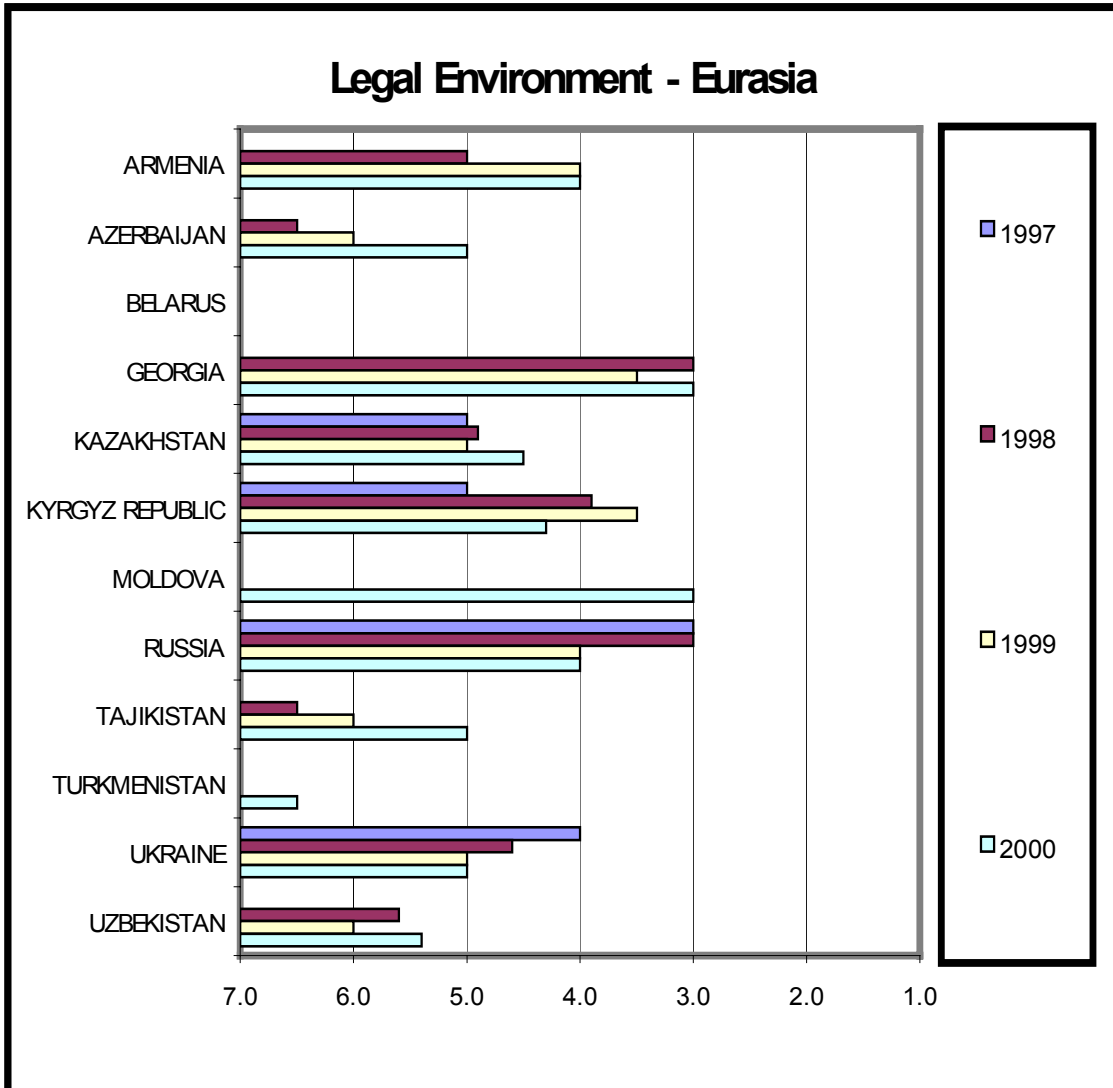
STATISTICAL ANNEX



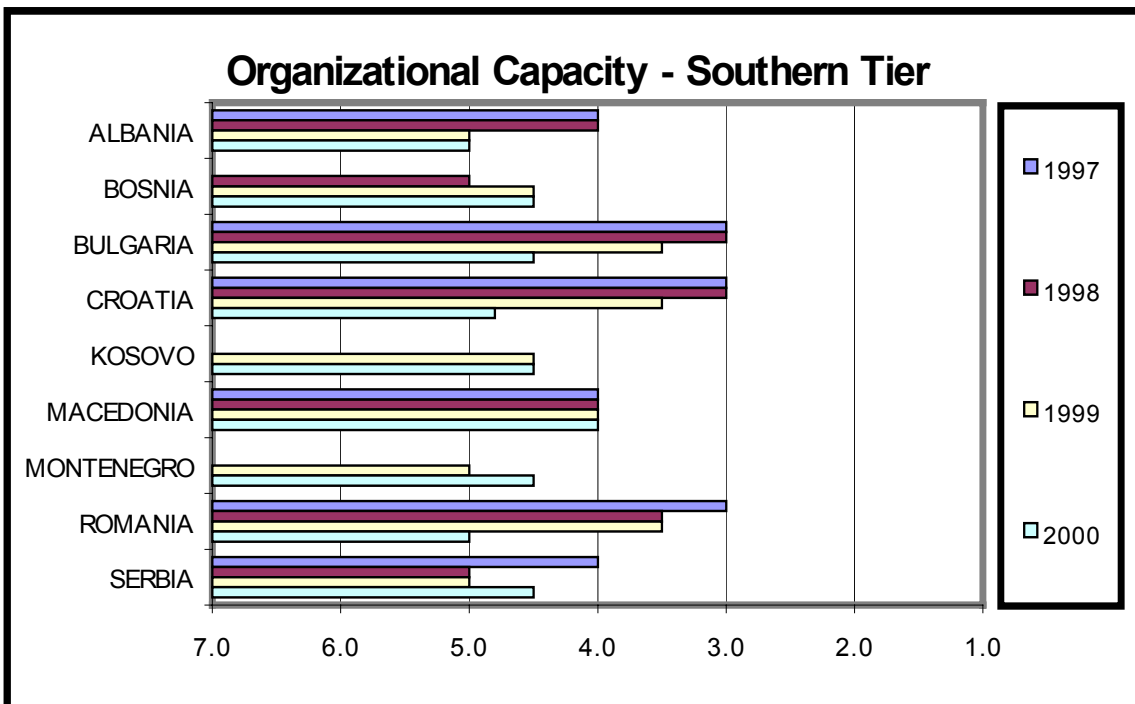
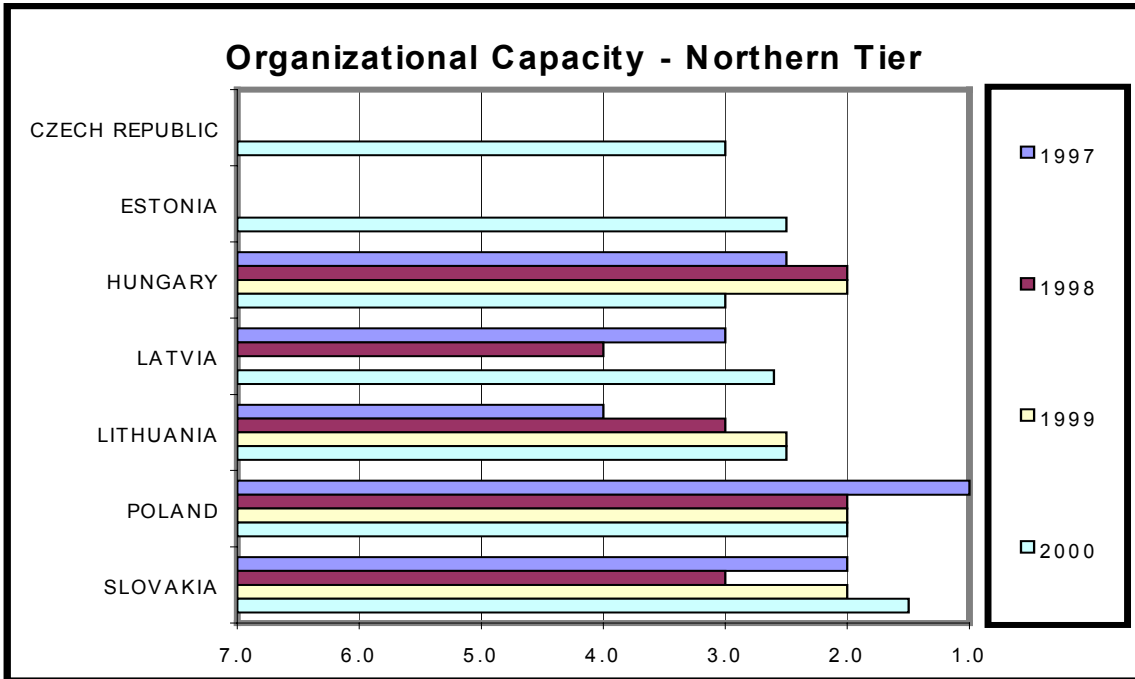


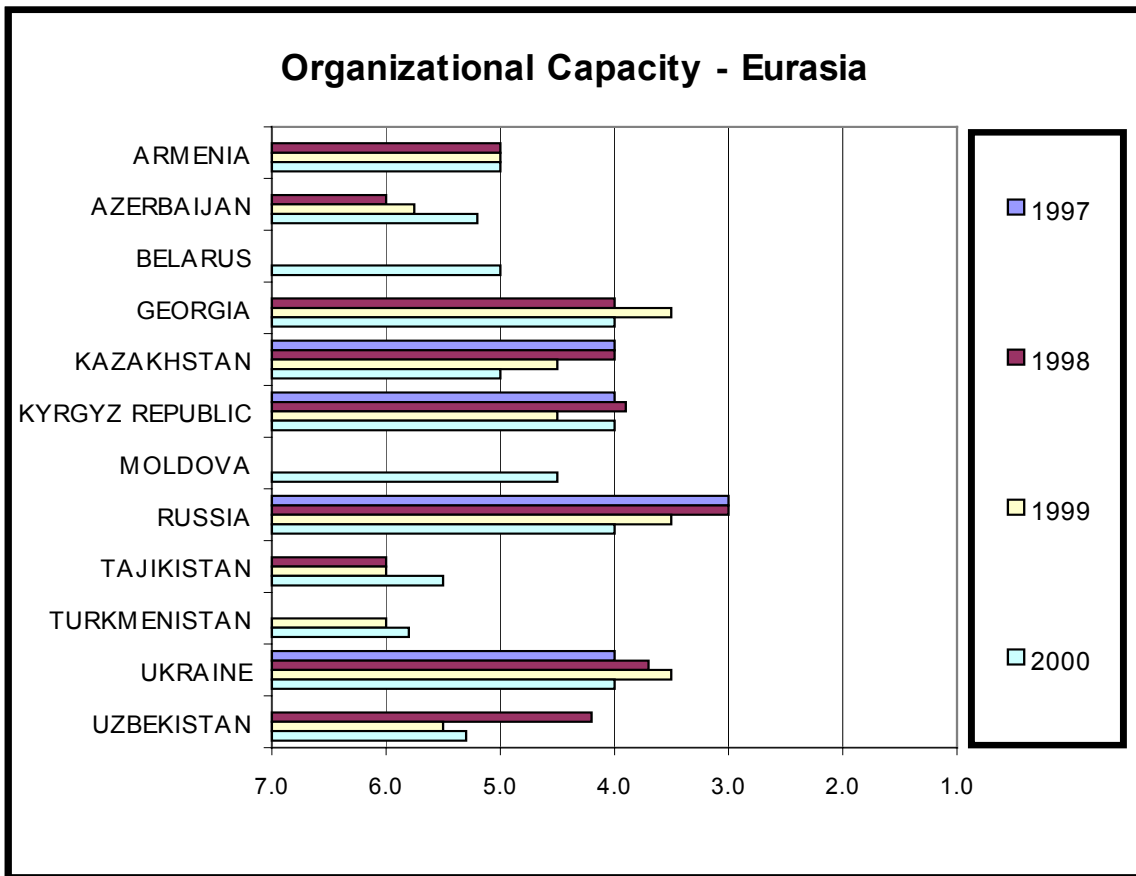
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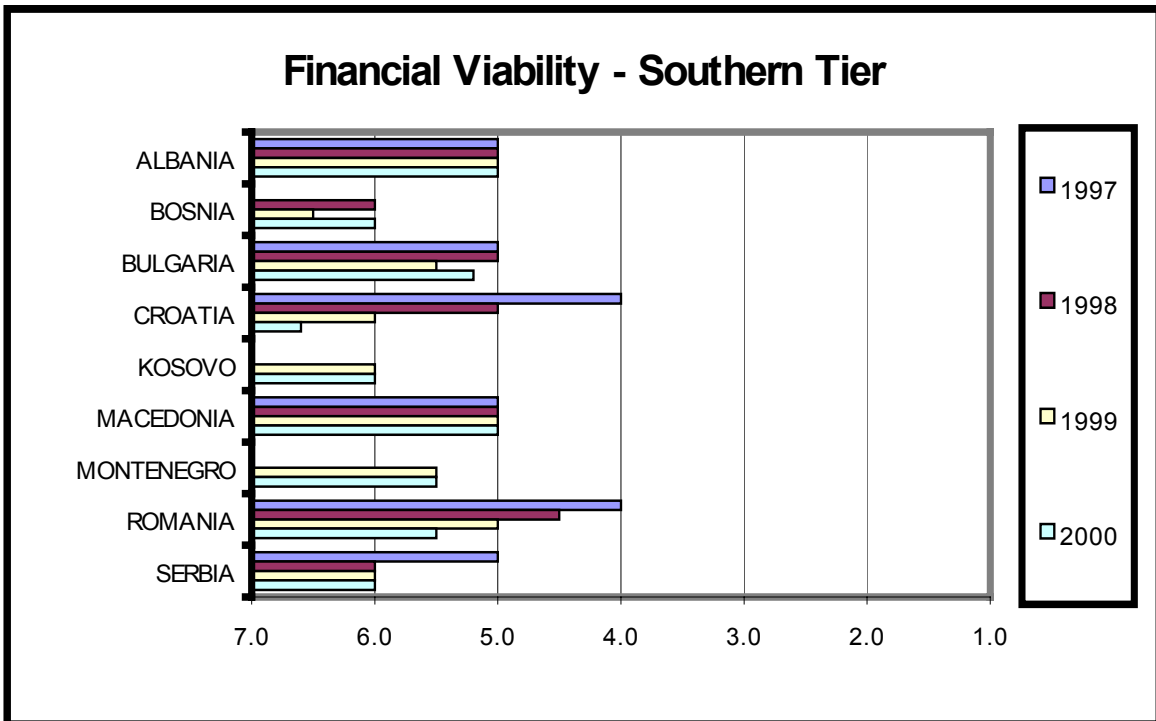
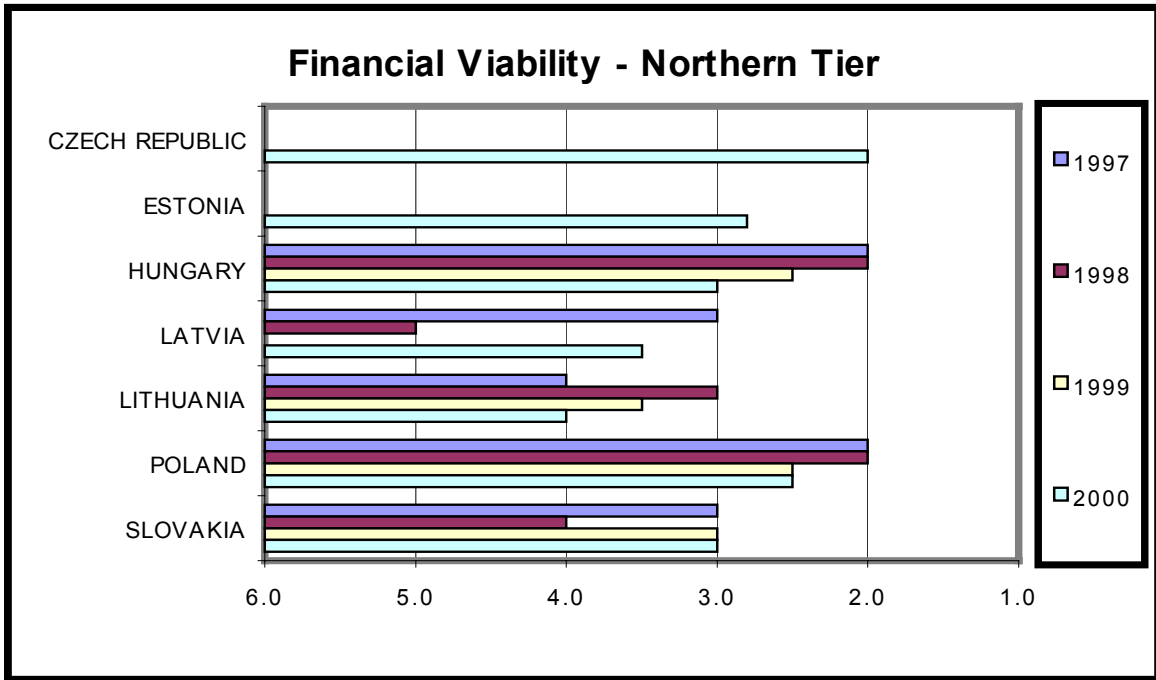


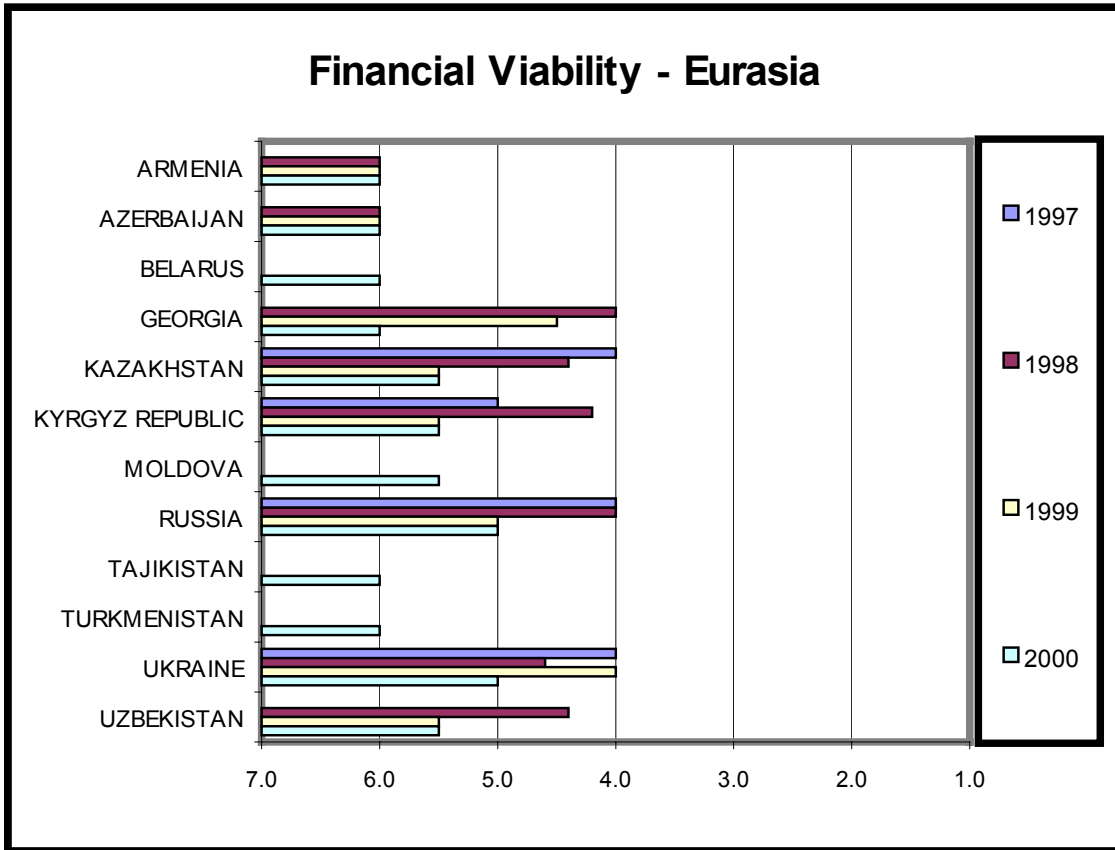
STATISTICAL ANNEX



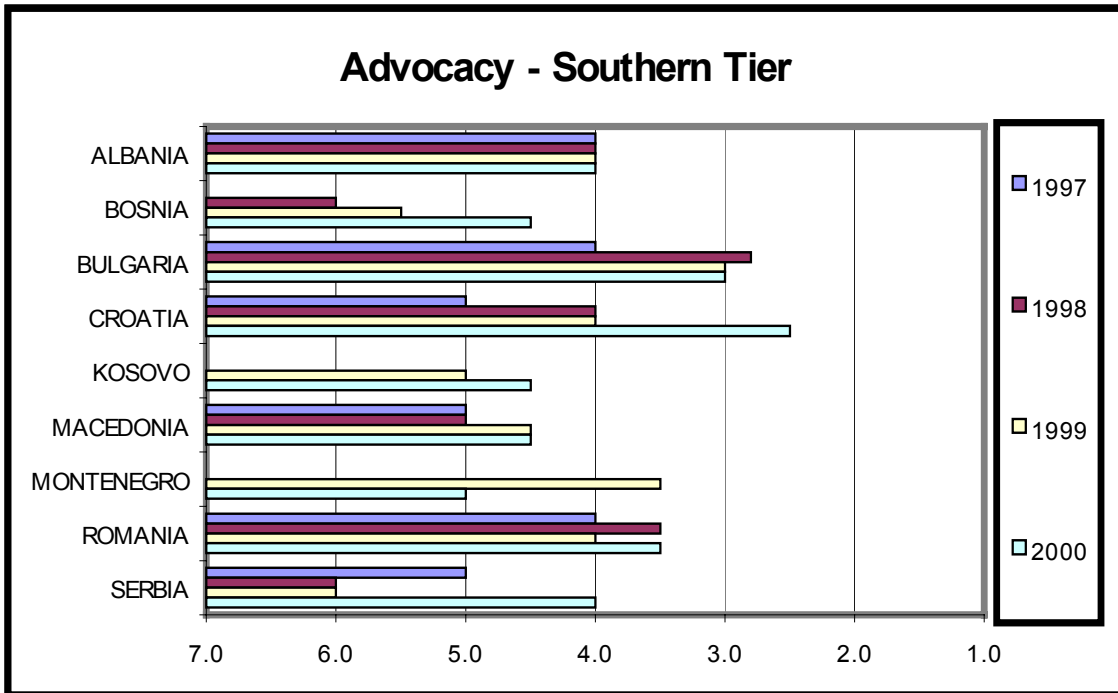
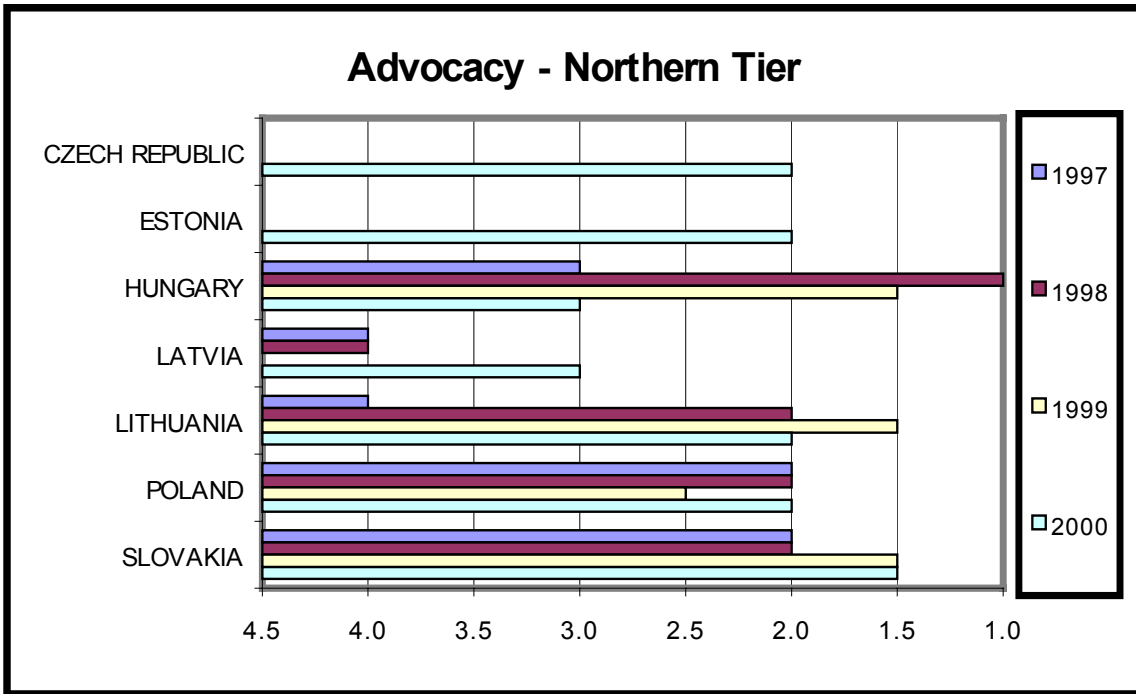


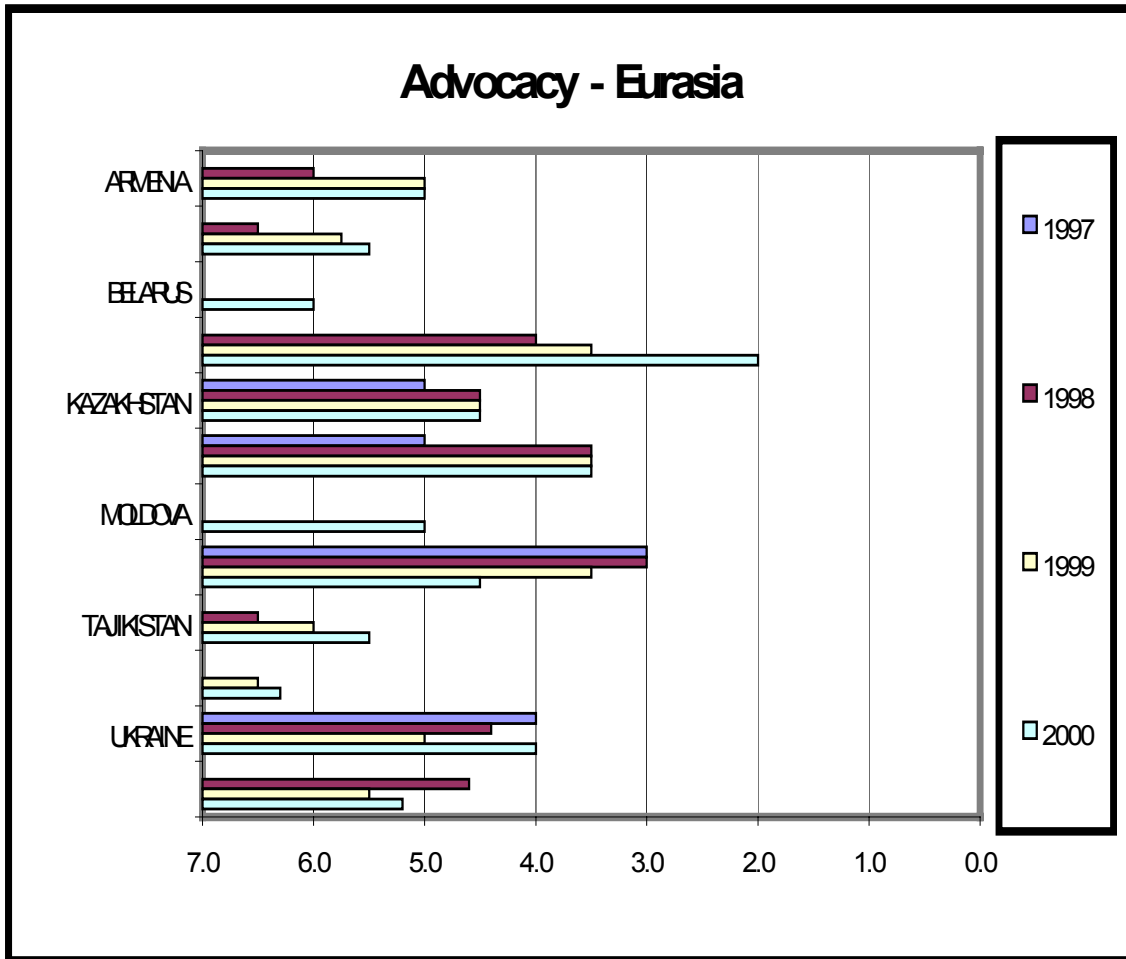
STATISTICAL ANNEX





STATISTICAL ANNEX





STATISTICAL ANNEX

