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**1998**

# **NGO SUSTAINABILITY INDEX**

## **FOR CENTRAL & EASTERN EUROPE AND THE NEW INDEPENDENT STATES**



**Developed by:**

**U.S. Agency for International Development  
Bureau for Europe & the New Independent States**

**Second Edition  
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## THE 1998 NGO SUSTAINABILITY INDEX

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## THE 1998 NGO SUSTAINABILITY INDEX:

### FOREWORD

This is the 2<sup>nd</sup> edition of the NGO Sustainability Index, created and developed by USAID's Bureau for Europe and the New Independent States (ENI) with the NGO community. Since 1997 this Index has annually gauged the strength and overall viability of the NGO sector in the transition countries of Central and Eastern Europe and the New Independent States.

The Index was first developed to meet the field's need for qualitative indicators in the area of NGO development. Several ENI Missions now use the Index as an indicator in their Results Review and Resource Request (R4) as it allows them to capture qualitative data in a quantitative format. Gathering data for the Index throughout the region provides the Bureau with a way to compare country-specific and regional progress and trends -- and to highlight constraints to this basic element in the development of civil society.

USAID staff and implementers share the responsibility of collecting background information on the sector and convening a focus group of resident experts. The insights, which are internalized through the process of discussing the health of the sector with the NGO observers and activists, can help USAID staff and implementers make everyday project management decisions and design longer term project development strategies. The Index thus has served as a diagnostic for uncovering areas of unmet needs. We hope it will have wider applicability for other donors and partners, as they plan their own NGO assistance efforts.

The Index is a living document. It was created with close collaboration with NGOs, methodologically improved with NGOs and scored with NGOs. Indeed 23 countries are now included, 6 more than in 1997, our first year. With a refined methodology and broader participation, this year's Index provides insight into trends emerging in the region, and opens the door to a closer look at the role of development assistance in the future.

#### The 1998 Index findings

- **Donor Assistance.** Donor assistance has been very effective launching NGOs, and in countries like Albania, Romania, and the Central Asian Republics NGOs have matured. However, the greater challenge is to advance the NGO development process. Interestingly, preliminary results suggest that larger amounts of donor funds do not necessarily contribute to sustained progress.
- **Role of Government.** As witnessed in Bulgaria and Georgia, positive standouts in their respective sub-regions, a government's active support and encouragement of the NGO sector to become a full partner in the development process plays a critical role.

in the success of the sector. In contrast, worst performers in the ENI region are, predictably, those countries with the most authoritarian regimes: Azerbaijan, Serbia, and Tajikistan. Still, international assistance contributed to strengthening the organizational capacity and financial viability of the NGOs that do exist.

- **Legal Environment.** A supportive legal environment is a necessary, but not sufficient condition for the development of a strong NGO sector. Equally important are effective implementation and enforcement along with NGO's determination and ability to exploit a positive enabling environment. For example, in the Czech Republic, a new Law on Foundations and Associations was passed in 1998 shortly after USAID closeout, but a lack of training of relevant judicial officials has made the new law difficult to implement.
- **People Participation.** Since the initiation of donor assistance to the ENI region, more and more people have become involved with NGOs, and more people's lives have been positively affected by NGOs, whether through social services to vulnerable groups or policy reforms that advance citizen's rights and interests. A greater understanding of the of people participation and how this phenomena has impacted the consolidation of democracy and enhanced economic reform is needed.
- **Post-Donor Presence.** As countries graduate from USAID and other donor assistance, more effort must be placed on strengthening revenue raising, corporate philanthropy and gift-giving, and generally creating a positive environment for domestic NGO financial support.

## THE NGO SUSTAINABILITY INDEX:

### *How it is measured*

Five different aspects of the NGO sector are analyzed in the Index: legal environment, organizational capacity, financial viability, advocacy and the public image of NGOs. Each of these five aspects 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.** The legal environment section 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.

**Organizational capacity.** Organizational capacity addresses the operation of NGOs. This section examines whether a critical mass of leading organizations exists, and whether an infrastructure exists to nurture NGO development. Questions evaluated include: Is there an indigenous infrastructure to support NGOs, such as a body of information and curricula on the not-for-profit sector and 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?

**Financial viability.** 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.

**Advocacy.** The advocacy aspect 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. However, it does not measure the level of NGOs' engagement with political parties.

**Public image** The public image of NGOs is determined by 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. Public awareness and credibility directly affect NGOs' ability to recruit members and volunteers, and encourage indigenous donors.

<p><b>Ratings: What they mean in general terms</b></p>
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The USAID 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.

On the following table we have also included Civil Society scores from the 1998 version of *Nations in Transit* to demonstrate how these two tools could be used together. (The Civil Society score gauges the number of NGOs, the forms of interest group participation in politics that are legal, the presence of trade unions, and the numerical/proportional membership of farmer's groups, small business associations, etc.) A specific focus on the sustainability of the NGO sector enriches the understanding and utility of the Civil Society score.

**THE 1998  
NGO SUSTAINABILITY INDEX**

The NGO sustainability index is numbered to conform with the Freedom House scale of 1 to 7  
Raw scores have been adjusted for standardization

COUNTRY	LEGAL ENVIRONMENT	ORGANIZATIONAL CAPACITY	FINANCIAL VIABILITY	ADVOCACY	PUBLIC IMAGE	AVERAGE RATING	1998 NATIONS IN TRANSIT CIVIL SOCIETY SCORE
ALBANIA	4	4	5	4	4	4.2	4.3
ARMENIA	5	5	6	6	5.5	5.5	3.5
AZERBAIJAN	6.5	6	6	6.5	6.5	6.3	5.0
BOSNIA	5	5	6	6	6	5.6	6.0
BULGARIA	4.5	3	5	2.8	2.8	3.6	3.8
CROATIA	6	3	5	4	4	4.4	3.5
GEORGIA	3	4	4	4	3	3.6	4.3
HUNGARY	1	2	2	1	2	1.6	1.3
KAZAKSTAN*	4.9	4	4.4	4.5	4	4.2	5.0
KYRGYZSTAN	3.9	3.9	4.2	3.5	3.8	3.8	4.5
LATVIA	4	4	5	4	4	4.2	2.3
LITHUANIA	4	3	3	2	3	3.0	2.0
MACEDONIA	3	4	5	5	5	4.4	3.8
POLAND	2	2	2	2	2	2.0	1.3
ROMANIA	3.5	3.5	4.5	3.5	4	3.8	3.8
RUSSIA**	3	3	4	3	4	3.4	4.0
SERBIA	5	5	6	6	5	5.4	5.0
SLOVAKIA	3.5	3	4	2	1.5	2.8	3.0
TAJIKISTAN	6.5	6	7	6.5	7	6.6	5.3
UKRAINE	4.6	3.7	4.6	4.4	3.9	4.2	4.3
UZBEKISTAN	5.6	4.2	4.4	4.6	4.8	4.9	6.5

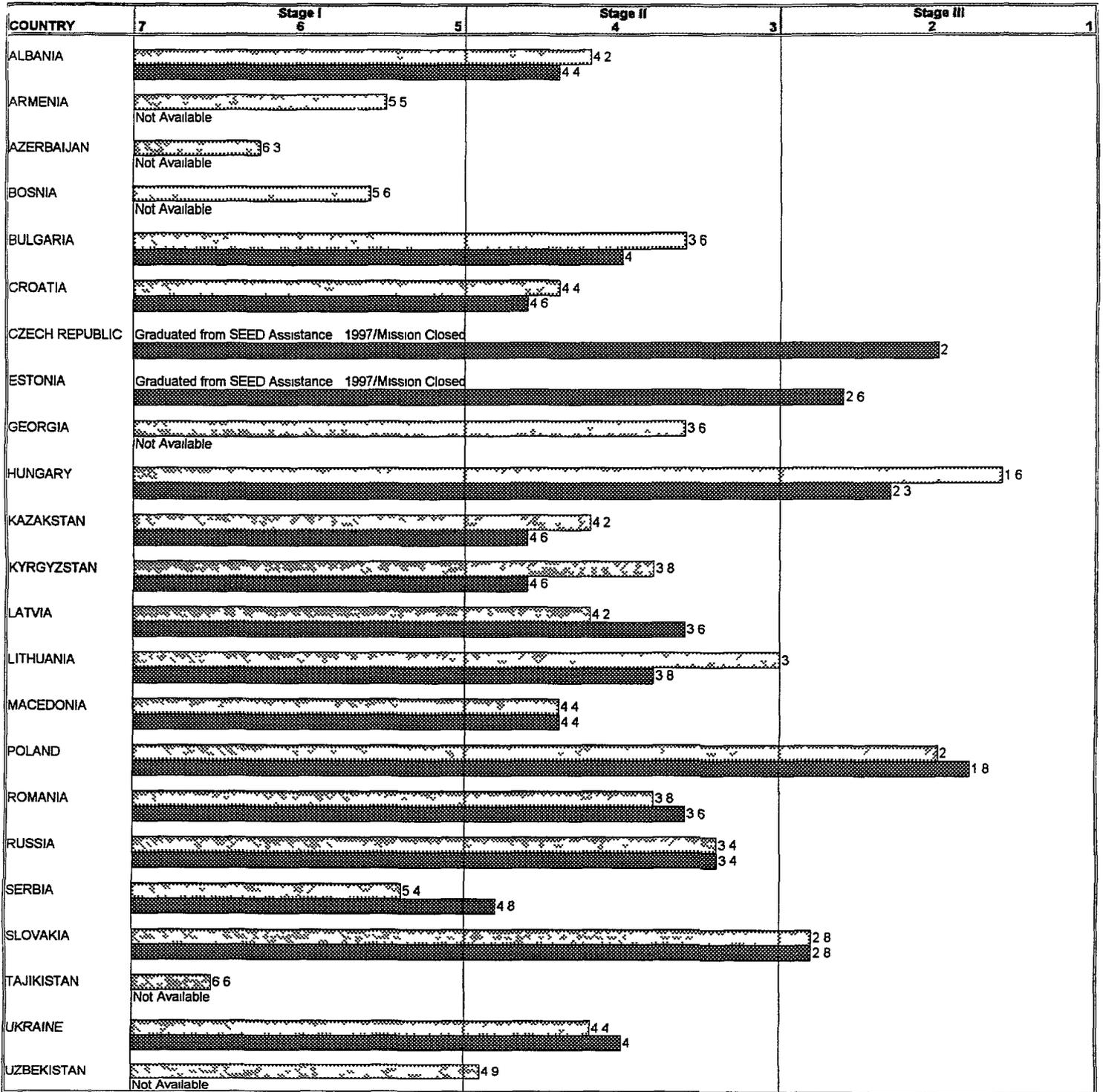
**Notes**

\* Scored prior to harrassment and arrest of NGOs, journalists, and opposition political candidates in late October 1998

\*\* Scored prior to Russia's recent financial crisis

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NGO Sustainability Index 1997 98



Key 1998 1997

## Ratings A Closer Look

The following sections go into further depth about the characteristics and trends in each of the five aspects 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 five aspects into seven distinct steps of development. Instead, these characteristics are clustered into three basic stages, with the numbers in parentheses indicating the 1-7 numerical equivalents. The least developed stage corresponds to 5 to 7 points on the scale, the intermediate stage corresponds to 3 to 5 points, and the most advanced stage corresponds to 1 to 3 points. Whether a score of 3 or 4 is chosen, is a judgement call, using the general description of the seven points and other countries' scores as reference points.

### Legal Environment

**Equivalent Agency Objective** "Promoting legislation that encourages organization and operations of civil society organizations (CSOs) "

#### Stage I (5-7)

The absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation) on non-governmental organizations (NGO) 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.

#### Stage II (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 benefitting 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.

**Stage III (1-3)**

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](http://www.icnl.org)) provides comparative analyses of NGO laws.*

<b>Organizational Capacity</b>	<p><b>Equivalent Agency Objective</b> "Promoting more effective management of CSOs Result 2                  Transparency of CSO management Result 3                  Increased demand for CSO services "</p>
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**Stage I (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 budgeting 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.

**Stage II (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.

**Stage III (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 accessible 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. Topics of available training cover legal and tax issues for NGOs, accounting and bookkeeping, communication skills, volunteer management, media and public relations skills, sponsorship and fundraising.

<p><b>Financial Viability</b></p>
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**Equivalent Agency Objective** "Promoting more effective management of CSOs. Result 1 Financial Viability "

**Stage I (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 diversify funding sources. Even with a diversified funding base, donors remain overwhelmingly international. A depressed local economy may contribute to this dependency.

**Stage II (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 simplify 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.

**Stage III (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

<p><b>Advocacy</b></p>
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**Equivalent Agency Objectives:** "Increasing participation in policy formulation and implementation" and "Strengthening civil society's oversight of state institutions "

**Stage I (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

**Stage II (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 Stage II 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

**Stage III (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.

<p><b>Public Image</b></p>
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**Closest (Equivalent) Agency Objective:** "Increasing internal CSO democratic governance practices "

**Stage I (5-7).** The general public and/or government is 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.

**Stage II (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 demonstrate strong working relationships with their local NGOs, as evidenced by their participation in advisory committees, consultations, public-private initiatives, and the funding of an occasional grant.

**Stage III (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 exists within the NGO sector to win public trust, including existence of a generally accepted code of ethics or a code of conduct.

Comparing 1997 to 1998 scores, the reader will find several scores lower in 1998. In some cases this reveals a deeper understanding on the data collectors' and reviewers' part that certain phenomena which appeared positive were actually a reflection of a lack of development and/or the weakness of a particular country's NGO sector. Whether NGOs' income is taxed is a case in point. Last year, data collectors and reviewers noted the absence of taxation on NGOs as positive. This year, rather than assuming that the absence of taxation is positive, we asked ourselves whether a society is a "pre-tax" society, (i.e., tax laws are vague, government enforcement is sporadic, and taxpayers' attitudes are lax). Should the transition continue in such a country, a phase of stricter laws and more rigorous tax enforcement vis a vis NGOs may transpire as an unpleasant interim stage, until NGOs are able to build a case for more liberal treatment by the authorities. In such a case, a debate on whether NGOs should be liable is not necessarily an indicator of a government harassing NGOs, but could be a healthy step in a country's economic transition process, which ultimately benefits the NGO sector as well.

<b>Methodology</b>
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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 five aspects included in the index and draft a country overview statement
- 2 Convene a group of 6-10 observers of the sector--drawing on donors, NGO assistance implementors, 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 the updated overview statement with this 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 is more than enough for the regional piece
- 4 Ask the group to rank the sector according to the five aspects from a scale of 1 to 7 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 Please average the group's final rankings per aspect and round up or down you see fit
- 5 We will collect the country rankings and compare them with the overview statement's justification of the rankings as well as with the other countries' rankings Last year we found some missions were "hard graders" while others were "easy graders " So we will convene a working group here as well, which may adjust individual countries' aspect scores up or down If, however, we are inclined to adjust by more than a point, we will consult with you first (The overall score is simply the average of the five aspect scores )

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, each country report was checked for comprehensiveness by a member of the reviewing committee A first round of additions and clarifications were requested
- 2 The overview statements were reviewed by the five-member USAID/Washington committee The committee discussed both the overall and individual sector rankings
- 3 Any discrepancy between the field report and committee opinion were 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**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 4.2**

Albania is an extremely polarized society -- evident not only between political parties, but between urban and rural sectors, between the status of men and women, as well as a widening generational gap. Given the severe and widespread persecution of many during the Hoxha regime, it is not surprising that much of the political atmosphere is charged with a sense of vindication and retribution. The collapse of the financial pyramid scheme was the trigger for social upheaval during 1997, which showed both the Albanians and the international community how far Albania had yet to go to develop a stable civil society.

Albania lacks a tradition of conflict resolution without the use of violence, and though in a recent national survey widespread corruption and criminal activity are prominent concerns of the country's citizens, "lawlessness" has also made it extremely difficult for foreign donor organizations to work outside Tirana. In turn, the lack of assistance has resulted in a precipitous disintegration both of infrastructure and of the social safety net. The lack of effective social assistance during a difficult economic transition has turned people back to their traditional extended family structure, bringing with it a resurgence of the blood feud (*Kanun* and *Hasmeri*) as a method of resolving social conflict outside the major cities, and the growth of modern "gangs" in urban settings.

Overall, the NGO sector, while attracting more than its share of those with entrepreneurial spirit and energy, still reflects the larger environment. NGOs were unknown in Albania before the fall of communism, and since then it is estimated that from 300 to 400 organizations have registered. Approximately 50% of those are engaged in some sort of regular activity. Most are located in Tirana, though a few, mostly supported by foreign donors, have networks around the country. At present, the relatively small proportion of donor funds going to NGOs are being channeled to organizations working in civic education, advocacy and activities to support the passage of the proposed Albanian Constitution. Other strong NGO sectors include the environment, youth and women.

**LEGAL ENVIRONMENT: 4.0**

*Progress* In January of 1998, the Ministry of Labor agreed to participate in a working group consisting of NGOs and other government representatives to draft a new comprehensive NGO law. The draft reflects international best practices and is the most progressive in the Balkans. The Civil Code presently provides the basis for associations and foundations in Albania. The Code consists of 10 articles on foundations and 14 on associations. Examples of its ambiguities are lack of definition of a non-profit organization, an obtuse definition of foundations (which permitted the pyramid schemes to register as foundations), the extent of the Ministry's power to supervise foundations is unclear, the number of founders required to form an association is not stated, associations are precluded from engaging in economic activity which leaves them

legally unable to charge fees for their services, articles dealing with documentation required to register NGOs are missing important provisions, and finally, the distinction between activities that are for public benefit or private interest is unclear

At present, few NGOs pay a profit tax, but neither does the law offer them a clear exemption. As of the end of 1994, businesses may make deductions for their donations to some NGO activities, though individuals are not allowed to do so. What exemptions there are for NGOs' economic activities remain unclear. Even if the new NGO law is enacted, it is not at all certain that the Ministry of Finance intends to work on revisions to the tax laws applicable to NGOs.

ICNL estimates that, at present, approximately fifteen Albanians have demonstrated a thorough understanding of NGO legal issues. Along with this core group, there are also approximately 50 NGO representatives, Members of Parliament and Albanian Government officials who have been exposed to NGO issues at roundtables and meetings concerning the draft law. The future of the NGO sector in Albania now hinges on the passage of this law, perhaps late in 1998 or early in 1999.

#### **ORGANIZATIONAL CAPACITY: 4 0**

Before the 1997 crisis in Albania, NGO support programs were aimed at building organizational capacity. However, when the donors returned to country, assistance was targeted to emphasize rule of law and legislative issues. While grants and support have been forthcoming for NGO advocacy work, Albanian NGOs are still in the earliest stages of organizational development. There has been little offered in terms of strategic planning, board and staff formation, much less work with volunteers or fundraising and only a small group of local trainers has been prepared to date. The lack of more than a few developed local trainers means that widespread organizational capacity for NGOs is still very much in the future.

The few NGO resource centers that exist are still some distance from being able to offer more than the most basic services. Several hold workshops in English language and computer skills, while another collects NGO data, and still another provides some basic services such as photocopies and computer access. Donor organizations have offered specialized workshops for NGO sectors, while others support NGOs with one-on-one technical assistance, but the resource centers appear to be competing for resources more than they are supplying them.

Most importantly in a transitional economy where the society is in dire need of expanded social service capacity, there has been the barest minimum of support for NGOs attempting to engage in expanding community participation, or to provide adequate services to their memberships. With a few notable exceptions, the majority of NGOs in Albania remain donor driven and most are made up of one to three core members and a strong leader. Unfortunately, most donors have

exercised little oversight during the grant process, and as a result, the NGOs have not fully benefited from the process of monitoring and evaluation

Donors that provide technical assistance are achieving more notable results. One example is in the agricultural sector where both the Poultry and Meat Processors Associations have enlarged their memberships, developed both quality and protective standards for their industries, and have developed into organizations with increasing public support due to their targeted and visible activities. The Farmer's Union is probably the largest NGO in Albania with a democratically elected board working on a voluntary basis.

#### **FINANCIAL VIABILITY: 5.0**

Most support for Albanian NGOs comes from the foreign donor community. There was no tradition of philanthropy before the communist era other than religious prescription. Furthermore, as in most other communist countries, required activities for factory groups and young pioneers were labeled "volunteerism", and the concept acquired the same negative connotation as it has in the NIS and in much of Central and Eastern Europe. Though the image is changing in Albania, the challenge for local fundraising is still to be met. It will be particularly difficult in Albania with business only just beginning to develop, and little support expected from a government facing major financial, infrastructural and social problems. Some NGOs have managed to successfully sell their services to each other and to the private sector, but the future depends on the government permitting the NGO sector, or at least not creating barriers to the generation of income.

#### **ADVOCACY: 4.0**

Between 75 and 100 NGOs in Albania have received training in policy advocacy to date. Some have also taken part in cross-sector advocacy workshops. Of a total of 57 grants given to local NGOs by the USAID-sponsored Democracy Network (DemNet) project, approximately 40 have supported the drafting of legislation, roundtables and other advocacy activities. There are excellent relations between various ministries and some NGO leaders, and many of the Parliamentary Committees are open to NGO feedback during public hearings. As a result, there has been some progress in the NGOs' ability to lobby on a national level, especially in the environmental sector. The Parliamentary Committee on Agriculture has also held public meetings on a number of issues with the 20,000 member National Albanian Farmers' Union.

Though local government in Albania is still without much power of its own, and control of finances continue to be maintained at the central level, NGOs have made some progress in cooperation with local authorities. The network of Youth Councils has been granted office space.

in a number of municipalities outside Tirana, and some environmental groups have worked on joint projects with a number of city administrations. There are a growing number of locally based NGOs, and it is likely that if some of the present decentralization projects underway are successful, the objective of local government-NGO cooperation will benefit.

However, because the organizational capacity of the Albanian NGO sector is so limited, the cooperation between NGOs is seriously underdeveloped. Rather than sharing information and strategy, there is a competitive atmosphere inspired by dependence on foreign donor funding. Most cooperation between NGOs tends to be the result of donor prodding to produce a sectoral event. Moreover, NGOs often reflect the polarized partisan politics of Albania, over which donors can exercise little influence at this point in time. Given the politically charged atmosphere, the gains in advocacy skills made by Albanian NGOs will be tenuous until they are able to support their own coalitions and umbrella groups.

#### **PUBLIC IMAGE· 4.0**

According to a recent survey, no more than 11% of Albanians are active in NGOs. Of these, less than half actually understand that NGOs can accomplish things that the government can not. The rest have trouble identifying the role of NGOs in society. In general, respondents agree that NGOs are important to Albania's future and that they can contribute to the country's social and economic development.

The majority of Albanians do not know much about the NGO sector. This may be partly because there has been little output from the sector that affects the society as a whole. NGO leaders recognize the need to focus on concrete results. This was underscored during the period of unrest during 1997, when NGOs were one of the few sectors of society to continue functioning. Unfortunately, the media has taken little notice of the NGO community, either before or after the 1997 crisis. Public service announcements are a new phenomenon. NGOs have little idea of how to publicize themselves beyond the basic press conference. Even worse, the Albanian media is not noted for its close attention to factual detail, so when an NGO activity is described, the media tends to promote the competitive atmosphere that already exists in the NGO sector rather than what the NGO hopes to do to promote the growth of civic society.

**ARMENIA:**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 5.5**

With the legislature's passage of a new and more contemporaneous civil code, it is expected that tax issues related to NGOs will be clarified for the benefit of the sector, and enable NGOs to move closer to securing their financial sustainability. Further training to strengthen management, advocacy, communication and fundraising skills is imperative. This training will give NGOs the confidence and credibility to approach government officials and local businesses (to seek funding other than international donor resources), and to encourage the formation of alliances among NGOs with common goals. More comprehensive "training of trainers" programs are necessary to ensure that training skills in all aspects are available to NGOs located in remote regions and far from local NGO support centers.

**LEGAL ENVIRONMENT: 5.0**

*Progress* Under the current law, NGOs are capable of forming "daughter enterprises" to raise revenue to fund the NGOs' activities. They are able to open bank accounts and to operate legally. NGOs realize the need to address their tax status, and a core of NGOs are beginning to be more active in addressing legal/regulatory issues with the government. At present, only one association of lawyers has taken the initiative to provide *pro bono* legal counsel to NGOs on registration and tax procedures.

*Constraints* NGOs based in regions outside of the capital encounter difficulties in registering with the Ministry of Justice (MOJ), because local municipalities lack the infrastructure to process registration. NGOs based in the regions are often forced to travel to the capital to register with the MOJ, incurring additional transportation costs and time. The law (1996) only recognizes one type of voluntary/assistance entity, "public organizations." It provides no clear distinction between different types of NGOs, or standards regarding internal management and governance. A majority of NGOs lack a clear understanding of tax provisions, procurement procedures, and the bureaucratic paperwork-intensive hurdles of the registration process, which is burdensome and unsystematic. NGOs' entrepreneurial operations are taxed like local businesses, inhibiting sustainability.

**ORGANIZATIONAL CAPACITY. 5.0**

*Progress* A limited number of NGOs (10-20) have clearly defined missions, staff members, boards of directors and volunteer networks. Most NGOs still remain "one-man-shows". As a result of training, a growing number of NGOs have improved their proposal writing and strategic planning skills. NGO coalitions have been formed in the areas of environment, gender issues, refugee status, and social sector services, primarily for the elderly and the disabled. Typically, NGOs with established and on-going relationships/partnerships with international donors are able to write convincing proposals and implement projects successfully in the eyes of donors and grant-making organizations, maximizing their possibility for survival and continued support.

*Constraints* The vast majority of NGOs are still one-man operations that do not exercise teamwork skills. They lack clearly defined mission goals and objectives, financial and accountability structures, and message development skills to adequately communicate with their constituents, government and media.

**FINANCIAL VIABILITY: 6.0**

*Progress* For the most part, NGOs navigate from one grant to another. The sector is largely dependent upon international donor funding. Though many NGOs have formed successful partnerships with international relief organizations, these partnerships often subside after the life of the project, with limited continuity. A small corp of NGOs with experimental fundraising skills have earned limited contributions from local businesses. Most fundraising is targeted at international donors/organizations. Fees-for-service to the public are limited. Some NGOs, mostly based in the regions, have established good rapport with local government officials, who have provided in-kind support in the form of office space, staff salaries, or transportation costs. These examples are limited, and largely depend upon the personal relationships between NGO leaders and local authorities.

*Constraints* The economic environment and unfavorable tax regulations discourage philanthropic deeds and private business contributions, due to the fear of being taxed. The strong personalities exerted by most NGO leaders cause NGOs to avoid cooperation in areas such as sharing costs for similar activities, public awareness campaigns or sharing an accountant. NGOs tend to be zealous and competitive for funding. The absence of clear legislation on the status of grants and tax exemptions inhibits NGO sustainability.

**ADVOCACY. 6.0**

*Progress* Some small but notable progress has been made in recent months. Some NGOs (26) have successfully lobbied government to improve legislation in the areas of environment, gender issues, social services, refugees and NGO legislation/grants/charity status. Some NGOs have been invited to participate in public hearings or to submit recommendations on specific issues (i.e. on the electoral law, on the media and broadcast laws, on environmental laws).

*Constraints* NGOs lack a basic understanding of the role they can play to influence reforms and public policy. Only a limited number of issue-based coalitions exist. The concept of lobbying is very new to NGOs, and no formal mechanism exists to facilitate NGO participation with government at higher levels. NGOs, concerned with the survival of their operations and in securing donor funding do not take full advantage of opportunities to form coalitions to increase awareness about specific issues, and raise them in a comprehensive manner with local authorities. Those cases where NGOs have successfully lobbied are not spontaneous initiatives, but are often hand-led by international organizations. Instances exist where government has hand-picked NGOs that it wishes to cooperate with. Fierce competition for funding among NGOs largely restrains the willingness to share information, form coalitions and advocate for mutual concerns to government authorities. Essentially, common causes are not presented nor acted upon in a team effort. Further training in developing effective advocacy skills is required.

**PUBLIC IMAGE: 5.5**

*Progress* Media outlets (mostly independent TV stations supported by USAID-funded providers) occasionally cover NGO stories, but not on a regular basis nor in an analytic way. Some local government officials have expressed interest in helping NGOs and have provided limited in-kind services. Some NGOs, particularly those that have had the opportunity to work closely on joint projects with international organizations, have assimilated and understood the need to increase public awareness on behalf of the NGO sector. NGOs are capable of exercising appropriate communications skills when reporting to donors, but don't take this a step further to inform media, constituents and the public at large of their successes.

*Constraints* Most NGOs lack professional skills and an understanding of the importance of communicating with constituents, beneficiaries and the public at large. Much of their outreach is targeted at international donors in order to gain credibility, and thus, future project funding. NGOs are only active in reporting back to donors, and are generally passive in highlighting their successes with government or media. This is partially due to a lack of

understanding of the power of spreading information to targeted audiences, cultural modesty/shyness, and to dubious popular perceptions about NGOs. The public at large, including government, is mostly unaware of NGOs' goals and their role in society. There is general media apathy and disinterest towards NGOs' activities. Limited media coverage on NGOs is more often critical and scandalous in nature, rather than serious reporting that reflects factual successes.

**AZERBAIJAN:**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 6.3**

Considering the lack of both NGO legislation and a basic grants law, it is fair to say that the current state of the Azerbaijani Third Sector shows little or no progress since the Soviet period. The virtually impossible registration process and the unclear tax status of grants, makes it difficult for organizations to develop and become financially viable. The public image of NGOs remains unknown or negative despite some recent progress. This is primarily due to inaccurate government perceptions and generally poor public awareness. NGOs are not in a position to affect public policy even if there were mechanisms for this within the current authoritarian structures. While individual NGOs are developing management skills, particularly in the areas of proposal-writing and fundraising, there remains a lack of creativity, sophistication, and professionalism which would foster greater cooperation and lead the sector closer toward sustainability.

**LEGAL ENVIRONMENT: 7.0**

*Progress* Many NGOs operate as unregistered organizations. As of the time of this review, a grants law has been approved by the parliament, but has not been signed by the President and enacted into law. It is not yet clear to what extent this law will make grants tax exempt, if enacted. Few NGOs are currently operating in compliance with existing legislation. There have been limited incidents of government investigation and/or harassment of NGOs. A recent project of the International Center for Not-For-Profit Law (ICNL) created a proposal for a comprehensive NGO law which may be submitted to the parliament in the near future. This will probably not happen before the end of 1998.

*Constraints* The lack of adequate legislation governing the work of NGOs is the main barrier to development of the sector. The existing law "On Social Organizations" is vague and unworkable. There is currently no law on grants, which are presumed to be taxable. Registration of new NGOs is nearly impossible. The process is controlled by the Ministry of Justice. The lack of adequate legislation enables the Ministry to delay registration indefinitely. Regional NGOs are forced to register in Baku. Many NGOs report incidents of corruption and bribery in the process. Within the past six months there have been reports of government investigation of the activities of certain NGOs, although the majority of NGOs work without direct government harassment. NGOs which have not yet registered,

or which are in the process of registration, cannot establish bank accounts and may in fact be considered by government officials to be operating illegally if they attempt to conduct activities. There are no active and registered NGOs working in the legal sector, and there is no core of local lawyers working on NGO law, legal reform, or providing NGOs with free legal advice.

## **ORGANIZATIONAL CAPACITY· 6 0**

*Progress* A small corps of NGOs, working generally in the social fields, has shown greater capacity following training and cooperative involvement with donors and partner organizations. NGOs have developed basic skills in strategic planning and fundraising, with training support provided by a USAID grantee that also offers more advanced management training and distributes training materials in the local languages. One local NGO maintains a sector-specific resource library for other local NGOs, with international financial support.

*Constraints* Many NGOs are one-person shows and do not have a corps of staff and volunteers who contribute to the organization's activities. Boards of directors generally exist on paper only. Organizational charters are vague and do not contribute to the NGOs' development. Few NGOs have a clearly defined mission, nor do they appear to recognize the importance of distinguishing themselves from other NGOs or of focusing on their own core competencies. NGOs are often involved in personality clashes with other NGOs, and there is almost no attempt at coordination or cooperation among NGOs working in similar fields. Many NGOs work out of their director's home and do not have access to email and/or fax machines. Difficulty with registration hinders the creation of a critical mass of more developed NGOs. There are no local organizations focused on and providing NGO training.

## **FINANCIAL VIABILITY· 6.0**

*Progress* NGOs are gradually improving their proposal-writing skills. Training and rounds of competitive grants have proven effective. There is adequate training support in proposal-writing, strategic planning, and fundraising, given the number of NGOs active in Azerbaijan. Several organizations have received grants from two or more donor agencies and a few have acquired in-kind support, such as office space, from government structures (schools, municipalities, etc.) There is potential for funding support from foreign companies, because of oil investment, although these sources have not yet begun to be tapped on a large scale due to ambiguous tax legislation.

*Constraints* Most NGOs operate from one grant to the next, provided by one or more international donor agencies. A few organizations have become implementing partners of international relief NGOs, and are entirely dependent upon this relationship. Some financing is provided by membership fees. Local fundraising efforts are hampered by the depressed economy. The government provides little or no financial support. Fundraising skills are relatively weak and primarily focused on international donors. Most NGOs do not understand how to communicate with potential donors, and believe that they are in some way entitled to financial support for their activities. The competitive nature of fundraising dissuades NGOs from working with each other, or even from sharing ideas, successes, etc. Due to the relatively large amount of funding available and given the small number of local NGOs, it is not difficult to secure funding for projects. This can make NGOs complacent and less likely to improve their skills. The absence of a grant law and clear tax exemption of grants, makes fundraising dangerous. Accepting a grant may make the NGO liable to the tax authorities and thus inhibit their efforts in the first place. There is no legal basis supporting revenue generating activities of NGOs.

#### **ADVOCACY: 6.5**

*Progress* Some NGOs working on specific social issues (the disabled, health care, etc.) have begun to conduct research and/or develop information to provide to government structures and parliament in order to promote their objectives. These groups tend to have close relationships with the government. One NGO assisted a parliamentarian in the preparation and submission of a draft grant law, though no other NGOs were involved in advocating for this law's passage.

*Constraints* The current regime and political situation make it very difficult for NGOs to play an active role in public policy. The government does not understand the concept of NGOs as policy advocates and in fact appears threatened by the existence of NGOs. A few active, "would be" advocacy organizations are unregistered and are considered illegal by the government. Most organizations do not become involved in advocacy because there is no real means for participating in the political process. They feel that it is not possible to affect change within corrupt and authoritarian government structures. There is a hesitance to deal with the government, because of the shaky legal and tax status of all NGOs, or appear critical of the government, for fear of repercussions. There are no umbrella organizations or coalitions of NGOs working to further their members' goals.

**PUBLIC IMAGE: 6.5**

*Progress* Some NGOs have become increasingly effective in gaining media coverage, generally through the assistance of personal contacts. NGOs with close alignment or some connection to the government have effectively focused government attention on their activities. This often yields no more than a patronizing speech and empty promises of support.

*Constraints* The public is generally uninformed about NGOs. The government is not only uninformed, but is clearly suspicious of NGOs. It seems to consider some NGOs as a threat to the authoritarian state. The government perceives, and often characterizes NGOs in the press, as political opposition groups. "Non-governmental" is more often perceived as "anti-governmental". There is not a good understanding of the concept of non-profit within society (even among some NGOs). NGOs may be perceived by many among the population as either former Soviet professional associations or clubs, or as ineffective social organizations. The media is not particularly independent and rarely covers the activities of NGOs. The public image of NGOs is particularly bad in the regions beyond Baku. Some NGOs are hesitant to present themselves and their activities publicly due to the tax status of grants. There is not yet a recognition of the importance of representing the NGO sector and its role to the public.

**Concluding Note**

In the past year, the legal situation with regard to registration has steadily worsened. It is considered to be virtually impossible for ANY NGO to become registered at present without a significant bribe, regardless of their activities. The President and Government officials have made steadily stronger statements warning of the political nature of NGOs, to the point of naming certain un-registered human rights organizations as "illegal". Following the President's visit to the U.S. last year, an investigation into the activities of certain more developed NGOs was conducted, which bordered on harassment. Despite these hindrances, ISAR continues to see progress in the development of local NGOs. While a year ago there were virtually no NGOs interested in management training, today there is a constant waiting list of NGO representatives interested in signing up for ISAR's month-long courses. Each small grant round shows significant improvement in the quality of proposals, and project quality is gradually improving as well. ISAR's database of NGOs has increased from 50 organizations a year ago to almost 140 today. Many of these are new initiative organizations. Significantly, a very small but increasingly strong core of NGOs is developing into true organizations with staff, volunteers, and a degree of respect within society. It is clear that a solution to the problem of registration and a new NGO law would enable a critical mass of new groups to raise the standard and begin to effect some change.

**BOSNIA AND HERZEGOVINA**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING.            5 6**

Modern NGOs evolved in Bosnia and Herzegovina (Bosnia) during, and in the aftermath of war. The sector's evolution cannot be divorced from the broader consequences of the war, including the devastation of Bosnia's political, economic and social fabric, the country's division into two Entities, politically-driven restrictions on freedom of movement, association and expression, and intensive international involvement.

The sector's early service orientation grew out of immediate war-time imperatives, the influence of international humanitarian relief organizations and the availability of donor funding for emergency assistance programs. The post-war period has seen the emergence of NGOs committed to a broader range of activities associated with "civil society development" including gender issues, human rights and media monitoring, legal advisory services, civic education, conflict resolution, and micro-credit extension. The "cultural divide" within the NGO sector community is significant and exacerbated by the fact that, due to the economic situation, working for an NGO remains a source of employment for many rather than a mission.

The unprecedented international presence in Bosnia, itself a function of the war, has had both positive and negative effects on NGO sector development. In some cases it has ensured that NGOs have received resources, training and technical assistance to establish themselves. In others it has contributed to what observers describe as an "ownership gap." Organizations 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. Fluid donor priorities, diversity of funding cycles and unwillingness to fund core operational costs have bred confusion, inefficiency and short-term planning among NGOs. Time, limited financial support, and skill-building will best nurture the organic development of a singularly "Bosnian" not-for-profit sector.

Estimates of the number of active indigenous NGOs range from 250-500 with the discrepancy explained by inconsistent registration patterns and definitions of NGO activity. The organizational capacity and project interests of NGOs differ from organization to organization and region to region, with a greater concentration of project-oriented, and institutionally developed NGOs in urban centers. Organizational and representative structures are nascent but developing, as is indigenous training capacity. An increasing number of organizations recognize their potential to effect socio-economic and political debate, public policy advocacy is rare.

The legal sector remains in flux in both the Federation of BiH and the Republika Srpska -- the two Entities comprising the state of Bosnia and Herzegovina. The lack of clarity as to what the legislative framework will look like and how it will be implemented not only causes uncertainty within the sector, but also may serve to galvanize NGO advocacy.

**LEGAL ENVIRONMENT: 5.0**

The constitution of Bosnia and Herzegovina confers all powers not specifically assigned to the state to its two Entities – the Federation of Bosnia and Herzegovina and the Republika Srpska. NGOs operate under a confusing, fluid, and potentially restrictive array of laws including, *inter alia*, a Law on Humanitarian Activities and Organizations, a Law on Citizen's Associations and a newly passed Law on Foundations and Funds in the Federation, as well as a Law on Citizens Associations in the Republika Srpska. Regulations in the Entities are inconsistent, effectively prevent state-wide NGO registration or operations, and tend to create large scope for government involvement in the affairs of associations and foundations.

A task force of Bosnian lawyers has convened under the auspices of a collaborative 18-month Law Education and Advocacy ("LEA") Project to develop an enabling legal environment for the not-for-profit sector while coordinating a national advocacy campaign to prepare ground for the adoption and passage of new legislation. The authorities' response to new legislation has been inconsistent, and the lack of clarity as to how the legislative framework will evolve causes considerably anxiety within the sector.

**ORGANIZATIONAL CAPACITY: 5**

Institutional capacity in areas such as strategic planning, developing and maintaining democratic management structures, project implementation and accountability, membership outreach, and personnel and volunteer management, varies greatly from organization to organization and region to region. Regionally, the strongest NGOs are located in Tuzla, Zenica, Sarajevo, and Banja Luka. Sectorally, micro-credit and women's organizations appear to be organizationally and financially strongest.

In the last ten months, NGOs have launched numerous initiatives to convene locally, regionally and nationally. A large number of NGOs have been engaged in inter-Entity activities--seminars, roundtables, training -- for some time now. Some also have partner organizations across the IEHL with whom they work on common issues, like return. A smaller number of NGOs have established offices in both Entities, working on issues including human rights, women's issues and democracy-building. The legal environment complicates their work by impeding "state-wide" or mutual recognition of registration so those that are formally operating in both Entities have had to register twice.

While these demonstrate the sector's growing interest in collaboration, they have not yet produced practical, issue-oriented action. After an initial burst of activism, the fora appear to be stagnating for a number of reasons: they are convened along geographic rather than

substantive lines and as a result bring together organizations with few common interests, the phrase “networking” has become common currency but its purpose remains poorly understood, participant NGOs therefore lack a clear understanding of why they attend fora, a high turn-over leads to a leadership gap, enthusiastic international support for the fora threatens to promote cooperation in the interest of funding rather than a shared mission, and constituent NGOs lack the organizational development, strategic planning, and advocacy skills to give life to the fora. As one NGO leader suggested, a “house should be built from its foundation, not its roof ”

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. It is, however, in its very early stages of development. Indigenously produced or local language training materials are rare.

#### **FINANCIAL VIABILITY: 6.0**

The war-time devastation of Bosnia’s economy, a limited pre-war tradition of philanthropy, and the dearth of post-war tax incentives designed to promote financial contributions to emerging NGOs severely constrain the sector’s financial sustainability. The last year has seen some progress in development of an in-kind domestic donor base but community or 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 lack the skills in financial planning, accounting and financial management that might, together with identification of alternative financing methods such as membership fees, fees-for-service, in-kind contributions, and government funding, enable them to compensate for these constraints. Moreover, as a consequence of perceived political instability, organizations tend to live from project to project with very few making long-term strategic or financial plans.

Finally, and partially as a result of funding availability, many NGOs have considered turning 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 the power of NGOs to engage in sale of goods and services or limiting net revenue distribution, this tends to blur the line between not-for-profit and commercial business activity and exacerbate confusion about the concept of “civil society ”

**ADVOCACY 6.0**

The sector's capacity for advocacy remains largely untested. Until recently, NGOs predominantly managed programs to address practical citizens' concerns related to post-war recovery. While a number of NGOs originally conceived as social service providers are taking on issue-based education functions, few have sought to engage the authorities in constructive cooperation. Though an increasing number of organizations recognize their potential to effect socio-economic and political change, many acknowledge their own lack of experience in establishing cross-sectoral relationships. Others resist overtly "political" activity.

Government agencies, while generally not openly hostile to NGOs, demonstrate little understanding of the merits of third sector activities. The governmental and non-governmental sectors therefore work in a parallel rather than an integrated manner, undermining NGO capacity to influence policy-making or efficiently complement the public sector.

Moreover, the concept of advocacy is difficult to adapt to, and implement in, an environment in which neither the political nor legal systems enforce the accountability of elective or appointive representative structures. Individuals are confused by who is responsible for what (often looking at the international community rather than local officials to meet their needs) and remain intimidated by or alienated from their authorities. No word in the local language precisely expresses the spirit of "advocacy" as understood in English. At the same time, the subtle but important difference between "policy" and "politics" is difficult to understand. Future assistance to the sector in this area will need to be grounded in and driven by local experience.

**PUBLIC IMAGE: 6.0**

Few NGO leaders view their own sustainability as "a multi-stakeholder process," or a process from which the community as a whole benefits. Successful examples of cross-sectoral cooperation are un-publicized and therefore go largely unrecognized.

The sector's youth, the relative inexperience of its leaders, and the dearth of financially sustainable independent media have inhibited the evolution of a partnership between NGOs and the media. As NGOs also tend to carry out their programs in isolation from the authorities and broader community, the general public -- beyond the beneficiaries of specific NGO programs -- has had little exposure to the NGO sector's capacity to contribute to its welfare.

Rather than hostility, 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, however, increasingly recognize the importance of their public image and are seeking assistance in making use of their existing contact base.

**BULGARIA**  
Development of the Not-for-Profit Sector  
1998

**OVERALL RANKING: 3.6**

Bulgaria's nascent NGO sector has made good progress in the areas of "Advocacy" and "Public Image", and has prepared a draft for a new NGO law that has been cited as a model for use in a number of other countries. Nevertheless, this draft has not yet been enacted into law, and little progress has been made in the important areas of "Organizational Capacity" and "Financial Viability". While the broader enabling environment and managerial/administrative capacity of NGOs can be expected to improve over the near term, the ability of these groups to secure adequate funding domestically will remain serious obstacles to sector sustainability.

**LEGAL ENVIRONMENT: 4.5**

Current NGO legislation dates back to 1949 (the Law on Persons and the Family). This law contains a number of gaps, ambiguities and restrictive provisions, including involvement of the public prosecutor in the registration process, ambiguity as to whether legal entities may found or join an association, the absence of certain minimum requirements for the internal governance of foundations, and confusion over the extent to which NGOs are permitted to engage in economic activities. However, it is interesting to note that despite its restrictive provisions, the current law is being implemented in a fairly progressive manner.

Bulgarians have prepared a draft NGO law that reflects a number of international best practices. In fact, this draft has been used as a model in countries ranging from South Africa and Vietnam, to Hungary and West Bank/Gaza. Unfortunately, the draft has not yet passed in Bulgaria, because of political motivations, internal divisions within the sector, the focus on economic issues, and other reasons.

Bulgaria adopted new tax laws, which became effective on January 1, 1998. There was some concern that the focus on broadening the tax base would lead to a substantial reduction in benefits for NGOs. This was avoided, but the rules governing NGO tax exemptions, the deductibility of donations, and customs duty preferences still require revision.

**ORGANIZATIONAL CAPACITY: 3.0**

A small number of transparently governed and capably managed NGOs exist across a variety of sectors. Essential organizational skills demonstrated by a small number of NGOs include how to recruit, train, and manage a volunteer network. Strong organizations are emerging in additional locations other than Sofia. A professional cadre of local experts, consultants and trainers in non-profit management exists. An accessible network for identifying trainers and consultants exists. NGOs recognize the value of training, but the lack of financial resources remains a constraint. Topics of available training cover legal issues for NGOs, communication skills, volunteer management, media and public relations skills, sponsorship and fundraising.

Most Bulgarian NGOs are composed of small groups of people with missing or fragile links to constituencies. Often, focus is on keeping organizations solvent through project writing and good reporting. The opening of NGOs to partnership building with outside stakeholders to development and effective outreach work is still very slow and limited. Most of the international donors' programs, including Democracy Network I, have limited impact on the institutional growth of the NGO sector with regard to its role in society. Often training is routine, without good "translation" to fit in the cultural context of the country and its relevant stage of development. Most of the existing in-country trainers have some theoretical knowledge in their area, but limited civic practice, which often reduces the impact of their efforts. Exceptions in this direction are organizations trying to link theory with practice, inviting practitioners in the relevant area to serve as trainers in their programs (i.e., The Foundation for Local Government Reform). Reduced effectiveness in training programs threatens to confine the civil society process to NGOs with limited outreach, instead of building them as institutions working on behalf of their constituencies, effectively communicating with all other stakeholders of importance to development.

DemNet monitoring data shows improvements in grantees' organizational capacities and performance. Progress has been made over the last six months to improve training standards and develop a registry of trainers that serve NGOs and donors. On the whole, however, more work is needed to improve organizational capacities in the sector.

**FINANCIAL VIABILITY: 5.0**

Little progress can be reported over the previous year's ranking or characterization of this indicator. Most Bulgarian NGOs are dependent upon foreign funding. New organizations survive from grant to grant, which usually is short term (6 months to one year). A few more established NGOs have longer term foreign funding (2-3 years). NGOs are exhibiting a

growing capacity in proposal writing Government funding does not exist or is very limited, both on the central and local level Taxation policy and the depressed local economy do not stimulate local fundraising There have been a few attempts to raise money locally, mainly for social assistance to orphans or disadvantaged children There is limited awareness about the need to nurture future donors through education of the public at large about the importance and impact of the NGOs A few organizations publish their annual reports - mainly those who redistribute grants Some publish case studies on their project activities Transparency and accountability are at a very initial stage

Individual NGOs are experimenting with raising revenues by providing services, winning contracts and grants to provide services from municipalities and ministries, and attempting to attract dues-paying members or domestic donors NGOs are beginning to pool resources by sharing overhead costs, such as hiring one accountant for several NGOs Programs are in place to accelerate financial viability by offering strategic planning, revenue raising and advanced fundraising skills training This training is available from indigenous trainers and NGO support centers NGOs are beginning to understand the importance of transparency and accountability, from a fundraising perspective Fundraising training has been offered through groups such as ISC and the Union of Bulgarian Foundations and Associations, however the economic picture in Bulgaria is still depressed While some groups, such as the Bulgarian Red Cross and Tasko Foundation in Plovdiv, have run successful fundraising campaigns, these are the exception rather than the rule Citizenry rarely make financial contributions to CSOs, while some organizations, such as the Atlantic Club, have found corporate sponsors

On the whole, the outlook remains gloomy for CSO's to achieve financial viability without continued international support

## **ADVOCACY: 2.8**

Progress has been made in increasing the role of NGOs in advocating positions and influencing public policy both at the grassroots and national levels DemNet grantees, for example, have influenced national legislation concerning environmental protection, labor laws, and children's welfare At the local level, an increasing number of NGOs have the skills and the support to lobby for changes in municipal regulations and ordinances Coalitions of NGOs have emerged around issues such as the social assistance law, natural resource protection, and remain active in areas such as human rights and worker rights DemNet training in areas such as lobbying and advocacy, working with the media, and public participation has increased the number of organizations with the skills to be effective advocates

The NGO sector has the ability and capacity to respond to the changing needs, issues and interests of the community and country. As NGOs secure their institutional and political base, they are beginning to form coalitions to pursue issues of common interest, such as the adoption of favorable media legislation by The Group for European Media Legislation in Bulgaria, monitor and lobby political parties, and monitor and lobby legislatures as well as executive bodies.

Existing NGO support centers like the Union of Bulgarian Foundations and Associations are not, however, effective with regard to advocacy. They serve more as technical providers of general NGO information. There is growth in issue-based advocacy groups in the areas of human rights, minorities, children, the disabled, gender issues, and the environment. Some of them already have a positive record of opening discussions on important issues related to their constituencies. There is a general weakness in coalition building and suggesting alternatives at the policy level. Other groups, such as policy research NGOs ("think tanks"), serve as alternative policy analyses centers. A few of them have links to activist oriented NGOs or to advocacy groups, to link the policy research with emerging issues and practices from the field. Training provided in the area has had a limited impact.

## **PUBLIC IMAGE 2.8**

NGOs have enjoyed an increase in their public image over the last year. A recent national poll determined that NGOs are more trusted in Bulgaria than political parties, although the percentage of the population that are aware of NGOs remains somewhat low. The improved image of NGOs is attributable to more positive coverage in the press, a larger number of journalists who understand the role of NGOs in building and strengthening civil society, better public outreach by the NGOs, and more NGO publications, such as bulletins, that are disseminated more widely than in the past. NGO efforts in such areas as educational reform (starting school boards for example) and local government transparency projects, have encouraged many more citizens to become involved in NGO initiatives. The fact that the "first ladies" of Bulgaria, the Prime Minister and the President's wives, are involved in prominent NGOs, helps raise awareness of the sector in the general public. There is a growing public knowledge of and trust in NGOs, and increased rates of volunteerism. NGOs have coalesced to mount a campaign to win public trust. There are a number of examples of good working relationships between NGOs and national and local governments. Increased accountability, transparency, and self-regulation are developing within the NGO sector, including efforts to develop a generally accepted code of ethics. Still, understanding of the concepts "non-governmental" or "non-profit" among government officials, business leaders and journalists is very limited.

The effective involvement of NGOs in humanitarian assistance efforts in the country during the crises of 1996-7, and the winter of 1997-8 raised the public image of the usefulness of the NGO sector. The impact of NGOs in reaching out to the most vulnerable groups in society was recognized in the UNDP Human Development Report for 1997.

There are emerging attempts of some NGOs for more consistent work with the media, as well as educating government officials and the public of the development opportunities provided by civic self-organizing. Some local governments already have a record of good working relationships with NGOs in their municipalities, which is evidenced by long-term contracts for cooperation and joint initiatives. However, in most cases, NGOs are appreciated as a possible source of outside funding and other resources, to support limited local municipal budgets, instead of contractors to carry out local initiatives through local government funding.

**CROATIA.**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING 4.4**

Despite the substantial organizational capacities of a number of Croatian NGOs, the sector's activities and successes are still hampered by highly restrictive and unsupportive legal environment, a lack of available legal assistance, decreasing international support, a diversity and multiplicity of directions and activities, the lack of transparency and advocacy skills, and a lack of cooperation and intra-sector communication. It is estimated that there are no more than 500 active NGOs in Croatia.

**LEGAL ENVIRONMENT 6.0**

The Government of Croatia (GOC) has been drafting and, in some cases, passing legislation which serves to regulate the activities of NGOs, undermine principles of freedom of association and otherwise restrict the development of a civil society. In general, the environment in which NGOs operate in Croatia has served effectively to restrict and limit the activities and successes of organizations. Success in NGO development in all areas is contingent upon an improved legal and regulatory framework.

A new Law on Associations came into effect in July, 1997. As a result of this law, all NGOs were required to re-register with the Government, a process which has been hindered by implementational problems in processing and has proven problematic for the NGO community in absence of formalized documentation, which is necessary to open and maintain bank accounts, pay staff, rent office space. The re-registration process has not occurred *pro forma* but has seen the NGO community scrutinized by the Government, down to the wording of the organizations' titles and nature of their activities. (For example, the use of the word "education" must be approved by the Ministry of Education or changed to another word. Likewise, "athletic events" were disallowed for a community center, which had to change the wording to "recreational activities.") The application of the laws appears to be indicative of civil servants' uncertainty about the intentions of the legislation, but the ramifications of this misunderstanding are impacting the NGO community. The Law on Associations was passed with only partial consideration of the comments and protests provided by NGOs and the international community. It allows for heavy involvement of the Government, including the right to suspend organizations for perceptions of financial mismanagement or activities considered "unconstitutional." Further operationalization of the law is still unclear, but attempts are being made to change this law, possibly through a Constitutional Court ruling.

This past year has also been disappointing on a number of other legal fronts. A draft Humanitarian Organizations bill, a sub-sector NGO law which would have allowed the Government extensive involvement in the operations of humanitarian organizations, including required approval for individual activities and final approval of client base, was drafted, redrafted and finally overthrown after local and international protest. This bill may yet be revived in amended form. There have been several attempts to pass a Peaceful Assembly Public Protest bill, which would restrict the rights of individuals to gather and would place an inordinate responsibility on organizations planning public events. A new tax law, introduced in January, added a 22% VAT on all goods and services, with no exemption for NGOs. (Prior to the new VAT law, NGOs paid 10% tax on goods and services and were also exempt from customs, as they were registered as humanitarian organizations.) Comparably, tax-free status for corporate contributions, which existed to some extent before independence, only currently exists for athletic and cultural organizations, up to a set limit.

There is no corps of lawyers *per se* in Croatia. One law firm has facilitated re-registration issues for NGOs (meeting market demand for this) but that is the extent of their involvement. There are lawyers who are NGO activists, but largely their expertise is used for individual NGO issues and legislative concerns which do not address greater NGO issues. Legal advice is available informally, through word of mouth of those who have researched (from interest or necessity) NGO legislation. However, it should be kept in mind that this deficit is reflective of the lack of interest NGOs have in addressing legal environment issues.

NGOs are able to get government procurements, some by virtue of being a minority group, and others which meet the newly-defined conditions of operation in "national interest", which allows them to get funding from the government. Central and municipal funds are available and NGOs are increasingly getting these funds, although the system is, to some, not transparent and confusing.

### **ORGANIZATIONAL CAPACITY: 3.0**

*Note: The panel felt that last year's ranking of three was too high, and thought that a more appropriate measure was four. This year's ranking of three would therefore indicate improvement in this area over last year.*

Over the past year, NGOs which have received funding from foreign donors have largely improved their organizational operations, both as a result of the training and technical assistance they have received and by virtue of their financial sustainability, which has allowed them to further strengthen their organizational capacity. Still, the experiences of NGOs varies by location, nature, and relationship to foreign donors (which often require NGOs receiving assistance to implement expected organizational structures and operational plans). Increasingly, organizations have boards of directors and operational plans. This is not, however, the norm.

Active NGOs have permanent positions filled by salaried NGO activists who often contribute more time and assistance than they are remunerated for. Some NGOs are able to pay staff quite well, thanks to foreign funds. There is little volunteerism in Croatia.

There are a number of NGO trainers who have been trained and are working (with foreign funding) nationwide to address a host of topics. Training is not institutionalized and consists of individuals hired to provide training on an ad hoc basis.

Any NGO which has received foreign funds (i.e. all of the more active ones, and a number of smaller ones) have all necessary office equipment. Indigenous budgets would not otherwise allow for such equipment. One NGO has established an internet server and is offering computer training to other NGOs, but due to infighting among NGOs, it is underutilized by the greater NGO community.

#### **FINANCIAL VIABILITY· 5.0**

NGOs are in a very financially precarious position. Membership fees are nominal, when they exist, and do not constitute a significant revenue for NGOs. Continued economic distress has hampered individual contributions, and the absence of financial incentive to make donations reinforces this problem. The 22% VAT has hit NGOs hard, and the flow of funding from foreign sources is shrinking. Increasingly, NGOs are getting assistance (in cash and kind) from local governments. A Government decree on funding "National Interest" NGOs has been hotly debated, as it determines which NGOs are eligible to receive funds straight from the Government's budget. Although this debate was fruitful in that it actively engaged NGOs, the wording of the decree ("national" interest rather than "public" interest) was imposed by the Government and did not allow NGOs to voice their opinion about the framework for selection on a broader scale.

However, NGOs throughout the country are finding assistance from municipalities, which appear to increasingly acknowledge and respect the roles NGOs play in their communities. The State Directorate for the Protection of Nature and the Environment has been giving \$8,000 annually to the Regional Environmental Center for subgrants, the Ministry of Reconstruction and Development likewise has a pool of funds which it passes on to NGOs. Organizations working in the areas of psycho-social assistance and with youth appear to have the best relationships with local governments, and, thanks to affirmative action policies under the Law on Human Rights and Ethnic Minorities, ethnic minority groups are finding their share of the wealth from national and municipal budgets.

But while this improved relationship bodes well on one hand, it also raises concern about the suitability of NGOs receiving government funding and their ability to remain autonomous in light

of government support. True improvement in the financial situation of NGOs can only be made when the tax system is relaxed for non-profit organizations, and contribution incentive (both perceptual and financial) are afforded. Unless an organization receives a grant from USAID, or other fiscally demanding donor, sound financial management systems are not in place.

Grant proposal writing training has been provided for some time. Accounting, fundraising and financial planning and management training is available to a limited extent, but needs to be made more available and to be more fully utilized by NGOs.

#### **ADVOCACY: 4.0**

Advocacy has become a buzz word for NGOs. As the donor community has continued to emphasize the advocacy role NGOs can play and has apportioned grant funds accordingly, many NGOs have taken on the terminology without necessarily capturing the essence of advocacy actions. Only a few NGOs have an advocacy plan of action *per se* and organizations are both discouraged by the perceived complexities and hostility of the bureaucratic and regulatory systems and underestimate their ability to lobby for changes. Still, the frequency of advocacy-oriented actions appears to be increasing. A consortium of women's NGOs drafted and implemented a "Stop Violence Against Women" campaign. Green Action, an environmental NGO, campaigned successfully against a proposed nuclear power plant, NGOs have banded together to protest the laws cited above as well as the Criminal Code and Pension Reform bill and have seen some successes for their action. Some political parties are starting to court NGO support, but this is more the exception than the rule. The greater successes are based more on personal contacts in significant positions than on campaigns and lobbying activities. Often advocacy actions fall short of a greater goal, looking to fix more minor problems within the bigger picture. This results, in part, from the fact that NGOs are disenfranchised and do not have access to legislation or information before it is passed. Proactive action is difficult in an environment in which information is not shared. Further, concern about political repercussions and feelings of disempowerment, which seem to be the largest roadblocks to further success in this area.

#### **PUBLIC IMAGE: 4.0**

There continues to be a general sense of confusion and misunderstanding about the role of NGOs in society. Cities and villages which have had a targeted public information campaign on the activities of local organizations have seen improved understanding and support for their activities, while populations in other areas, including the capital, admit continued confusion about what NGOs are. The general public does not yet understand that NGOs represent their interests and rights. NGO relations with the media have improved somewhat since last year, as NGOs have started actively seeking interested contacts to promote their messages and

interests. The frequency of reporting on NGO activities in the press has increased and as NGOs have learned how to better prepare press releases, their image has improved. But there is still a long way to go. NGOs are generally perceived (when they are understood) as being ineffective, poorly organized, and (sometimes) anti-ruling party in nature, which many are, to varying and lesser degrees. However, as they have improved their operations, inter-NGO networking and public image, the public has been slow to reexamine NGOs and reappraise their value. A concerted effort working with NGOs, the media, and government officials has led to better relations in the past year. NGOs need to continue to strengthen their public relations skills in attracting the interest of the average citizen.

**GEORGIA:**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 3.6**

With the continuous financial support of international donors, it is expected that the number and sophistication (including financial and managerial capabilities) of active NGOs will grow significantly. From the perspective of NGO sustainability, a central priority needs to be to improve the present tax regime's treatment of NGOs. Training on NGO management and development issues, along with individual consultations, still remain a major need. More assistance is needed in regions outside of Tbilisi.

**LEGAL ENVIRONMENT: 3.0**

*Progress* As a result of the work carried out by a group of representatives from different Georgian NGOs, focused on legal issues, a number of significant improvements have been made in the present legislation regulating NGO activities in Georgia. There is no separate legislation on NGOs. Articles from the Civil and Tax codes of Georgia govern the NGO sector. NGOs were very active in drafting the chapters of the legislation directly related to NGO activities. A satisfactory initial legislative base for NGOs has been built. Appropriate amendments to articles relevant to NGOs, in the Civil Code and Tax Code, were made. The new Civil Code (1997) and Tax Code (1997/98), both of which affect NGOs, were passed and have gone into effect. NGO activities in Georgia are regulated by the Civil Code of Georgia, the Tax Code of Georgia and the Organic Code Regulating the Liquidation of an NGO, in addition to the Civil Judicial Procedure Code which addresses certain questions of NGO registration. The new Civil Code recognizes two types of non-entrepreneurial legal persons (NGOs): associations (membership-based) and funds/foundations (property-based). There are some local lawyers who are familiar with NGO legislation. Some members of the Georgian Young Lawyers Association are considered to be the best experts in NGO legislation.

*Constraints* One of the main constraints is the lack of an intermediary law to provide NGOs (charities) with benefits or tax exemptions, for certain types of business activities (i.e. providing social services and creating employment opportunities for refugees or the disabled). One disadvantage of the present codes regulating NGO activity is that they do not clearly define when business activities carried out by an NGO (i.e., for education or publishing purposes) can be considered charitable and beneficial for society -- and therefore receive special tax consideration. The legislation does not currently provide mechanisms for deduction of donations for charitable purposes. NGOs are aware that the legislation must be crafted carefully, in order not to allow

the abuse of tax privileges for purely commercial gain. For these reasons, the current draft (and the current review process) of the proposed bill on "Charity Activities and Charity Organizations in Georgia" (created and publicized by NGO leaders) is considered a high priority. Many NGOs do not want to establish an association or a fund/foundation, per se, but an "institute" (educational/think tank). Despite aggressive lobbying on this point by NGO leaders during the consideration of the Civil Code, this additional legal form was not included in the approved Code. While the new Civil Code has eased the process for forming NGOs, the institutions (local judges and Ministry of Justice) responsible for these services are still in need of substantial training, especially on a local level outside of Tbilisi.

#### **ORGANIZATIONAL CAPACITY: 4.0**

*Progress* The organizational capacity of many NGOs has grown substantially. The vast majority of highly developed NGOs have a board of directors and permanent paid staff. There are several NGOs offering training programs, including training on NGO management and development, basic computer classes and internet training, which facilitate capacity building among NGOs. Many NGOs have been created, gained experience, and then have gained access to appropriate training programs. Existing training on NGO managerial issues has responded effectively to the changing needs of developing NGOs. The Horizonti Training and Consulting Program offers the following training: NGO organizational structure and board development, strategic planning, financial management, proposal writing, community fundraising, relations with mass media, business and government, and information management. Horizonti also provides a seven-day generic introductory course for NGO development and management, and individualized consulting sessions. Georgian NGOs that have existed for over a year, are generally well-equipped, including access to internet and e-mail.

*Constraints* The main constraint facing NGO organizational capacity is that the majority of NGOs are dependent upon foreign financial assistance/grants. A few NGOs offer fee-based services, which are considered fully taxable under current legislation, but they are clearly an exception to the overall picture. This situation must be considered in light of the overall economic situation of the past few years. Today, NGOs seem to be in a good position to develop self-sustaining strategies if the economy continues to improve. The tradition of volunteerism is not yet well-developed, and is one of the problems that Georgian NGOs will need to address. According to Horizonti, NGOs need to create programs that will attract volunteers and offer certain benefits for their future careers, etc. NGOs on a local level outside of Tbilisi are much weaker in terms of organizational capacity, than NGOs in the capital. More training and assistance is needed in the regions.

## **FINANCIAL VIABILITY 4.0**

*Progress* While many NGOs have improved their skills in proposal-writing and fundraising, and have succeeded in such activities, the question of overall financial sustainability of the sector remains less positive. The majority of money received by NGOs comes from foreign grants. Local donations are not significant.

*Constraints* Income from fees for service is very insignificant. There are no tax exemptions for income generating activities carried out by NGOs. Few income generating projects have been implemented. The lack of alternative sources of funding is related to the overall lack of local interest/support for western type philanthropy. No local endowments have been attempted, probably due to weak philanthropic traditions, the weak economic situation and existing regulatory legislation.

## **ADVOCACY: 4.0**

*Progress* Certain NGOs have successfully lobbied for legislation. One noticeable example is the amendment of articles relevant to NGOs in the Civil Code and the Tax Code. NGOs in many different fields are receiving and exchanging drafts with the legislative branches of the Parliament. They are frequently asked for comments and suggestions.

*Constraints* The lobbying process remains very difficult. There are many subjective factors influencing the process, including the lack of a "culture for lobbying". Cooperation among different NGOs -- especially those working on health care, youth issues, education and humanitarian issues -- is not strong and can be improved. There are no examples of NGOs with multi-ethnic membership/cooperation efforts.

## **PUBLIC IMAGE: 2.0**

*Progress* Although there is a significant increase in the coverage of NGO activities, both in printed media and on television programs, the image of NGOs among the general public must be improved extensively. NGO activities are publicized only as a result of aggressive "self-promotion" by the NGOs themselves. In general, the media is not particularly interested in highlighting NGO activities. A high priority must be the stimulation of the media to track and highlight NGO events. Similarly, the lack of awareness of NGOs on the part of government is especially noticeable on a local level, in the regions outside of Tbilisi.

*Constraints* The media, business and government do not fully understand the importance and role of the Third Sector. This facilitates constraints the environment in which NGOs must work. Regular commercial advertisements and social advertisements (public service announcements) cost the same, partially due to the inappropriate taxation policy. It is very difficult for NGOs to promote their causes through such mechanisms.

**HUNGARY**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 1.6**

As the not-for-profit sector continues to mature, a major concern of the program during the close-out period, and the issue against which the success of civil society development in Hungary will be gauged, is the relationship between NGOs and the public and private sectors. With the continued increase in legitimacy and capacity of the Third Sector as a partner in service delivery and decision-making, there must be reciprocal increases in levels of cooperation and support from government and businesses to insure sustainability. Simultaneously, NGOs must continually prove themselves as worthy partners, both to private and state institutions, as well as to the public as a whole.

Hungarian NGOs have proven themselves very capable of creating and implementing innovative programs in a number of fields. Examples include supporting NGO-local government cooperation, with training and grants being provided to both sides for project implementation.

Vulnerabilities exist in a number of areas. Regional differences are very pronounced in Hungary, measured by dramatically divergent investment patterns, unemployment rates, and per capita GDP. NGO development mirrors economic development. This presents a great challenge, namely that in those regions where needs are objectively the greatest, indigenous resources for NGOs are the scarcest. Another area of great concern are those problems facing the Roma community.

**LEGAL ENVIRONMENT: 1.0**

*Progress* The legal environment in which non-profit organizations operate in Hungary has improved substantially in the last few years. The Government of Hungary (GOH) enacted comprehensive NGO legislation in December 1997, which lays out financial and reporting criteria, and seeks to remove inactive NGOs from the official registry. This legislation offers several benefits to not-for-profits, including the opportunity to compete for public procurement at the local and regional levels, especially in the areas of social services. Long-term benefits of the legislation will likely include a gradual improvement in the credibility of the sector. Currently there is some degree of skepticism as NGOs have been used as tax-dodgers in the past. The GOH has also enacted so-called "One-Percent Legislation", which allows citizens to designate a registered NGO to which one percent of their income tax will be transferred. While there have been some difficulties encountered at the beginnings of the program, steady

improvements have been made. This legislation has also helped NGOs realize the benefits of reaching out to their local communities, and increases the exposure of the sector in general. Provided that NGOs register under the new law on Not-for-Profits, they are allowed tax-benefits based upon the kind of NGO they qualify as. Public Benefit Organizations (PBOs) are defined according to the type of work they do (civil service, working for the public benefit, etc.) and are given tax and fiscal preferences. Mutual Benefit Organizations (MBOs), which work exclusively for the benefit of their members (political parties, trade unions, insurance associations, etc.), do not receive these benefits. Registration procedures are relatively straightforward.

*Constraints* Areas of concern revolve largely around the methods the GOH uses to distribute resources to NGOs. Issues of transparency are often noted in regard to the NGO funding programs run by the various ministries. With regard to the One-Percent Law, NGOs are unable to find out which citizens have selected them for funding, which makes it difficult for them to thank and further involve donors.

#### **ORGANIZATIONAL CAPACITY: 2.0**

*Progress* Organizational capacity, as measured purely in the number and variety of NGOs, is strong. Currently, there are between 40,000 - 50,000 legally registered NGOs. (It must be noted that until the recent legislative changes, there has been no means or incentive to de-register an NGO, so no one knows exactly how many are truly active.) In examining how professionally these organizations actually function, the picture is more blurred. Certainly the situation has improved in the last few years, due in no small part to the many training programs offered by foreign donors. The quality and innovativeness of proposals have shown marked improvement.

*Constraints* Organizational capacity varies tremendously. Most NGOs tend to be small grassroots ventures, and as such, usually do not have a full-time employee. There are of course examples of stronger NGOs with strong capacity and more elaborate organizational management, but in absolute numbers these are in the minority. Weaknesses are present in areas such as reporting, strategic management, and public relations. The degree of these weaknesses is very much dependent upon sector and region. Environmental NGOs, for example, have become among the most professional, as they have been in existence the longest in Hungary. NGOs outside of Budapest, especially those in the economically depressed eastern region of Hungary, have far greater needs in organizational capacity.

#### **FINANCIAL VIABILITY: 2.0**

*Progress* Approximately 60% of NGO resources in Hungary are revenues from basic or related activities. This suggests that NGOs have developed the beginnings of a core base of support (20% comes from domestic donations, and the final 20% comes from foreign donations). The new NGO law provides increased possibilities for public sector contracting. Hungarian NGOs

are still in the beginning stages of approaching commercial and corporate sponsors. For some NGOs, this is not seen as a viable strategy at this point in time, particularly in disadvantaged regions where companies often do not have resources to spare. The "one percent law" will eventually help NGOs develop stronger ties to their local communities as well as providing financial support. NGOs in Budapest and environs have proven to be quite successful in capturing funds from ministries, foreign donors, and multinational corporations. Generally, financial management systems are in place, although they can be weak, or very simple.

*Constraints* Financial viability is very much a function of regional distribution. Although only one-third of Hungarian NGOs are located in Budapest, these NGOs have two-thirds of all the sector's resources. Unfortunately, the greatest needs are actually outside of the capital city, which has a per capita GDP double the nation as a whole. There is great concern in the NGO community, about the withdrawal of foreign donors and the effect that this will have on institutional stability. It is too early to call the Hungarian NGO sector as a whole "sustainable." There will be some degree of consolidation, both because of the new NGO law and because foreign donors are shifting resources to other countries. Important areas are particularly vulnerable, especially those NGOs providing innovative social and educational services in poorer regions.

#### **ADVOCACY: 1.0**

*Progress* The most prominent example of the NGO sector as public policy advocates on the national level, was their active participation in the regional debates prior to the passage of comprehensive NGO legislation. NGOs have been actively involved in advocating for employment possibilities for those with disabilities, culminating in a substantial effort by the Labor Ministry towards this goal. Environmental not-for-profit organizations have arguably run the best organized and most professional advocacy efforts, nationwide.

*Constraints* Although the number of NGOs engaged in advocacy increased from 5,061 in 1993 to 6,500 in 1997, the weakest element of the activity of NGOs in their local communities remains their effectiveness as advocates. The concept of advocacy in the context of local governance and how it differs from basic organizational development is not yet well defined. It is hoped that the procurement possibilities provided under the new not-for-profit legislation will create opportunities for NGOs to become more active in decision making processes at the local level. Except for environmental NGOs, local level advocacy is very weak, and coalitions around issues generally are not formed. Advocacy as a concept does exist, but is practiced at the local level with varying success. Usually advocacy does not exist in conjunction with other organizations.

**PUBLIC IMAGE : 2.0**

*Progress* The impact of the One-Percent Law and the new NGO law will primarily be felt only over the long-term. One change, however, has been rather immediate. NGOs have begun to undertake concentrated efforts to inform their local communities of their activities. The fact that the One-Percent Law has proven to be popular with the public at large suggests that perceptions are generally improving. As people begin to read more stories about the vast majority of NGOs that do good work, and less about the sensational cases when NGOs have been used as tax dodges, the public image of the not-for-profit sector will improve.

*Constraints* Very often in Hungary, NGO personnel do not speak the same language as business and government members. This may be in part a consequence of providing segregated training solely for NGO activists. Nor do most NGOs have a sophisticated media/PR strategy. Media coverage of NGO activities tends to be modest. At a joint US-EU awards ceremony, the President of Hungary recently admonished the Hungarian media to take more notice of the sector. As previously stated, the Hungarian non-profit sector has suffered for some time from a popular perception that NGOs are a convenient way of hiding money from tax officials. This has caused a wariness and skepticism among the public, which can be healthy, but which also makes it difficult for worthy grassroots organizations to find financial support. The true test of the public image of NGOs will be measured by levels of individual (not institutional), indigenous support through contributions and volunteerism.

**KAZAKHSTAN:**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 4.2**

More than 3,500 NGOs are officially registered in Kazakhstan, but only 600 of these groups are currently active. A number of them are quasi-NGOs created by the government agencies (GONGOs). The active Kazakh NGO community is fairly diverse, both in the issues that it addresses and in its organizational capacity. Certain groups of NGOs are more well developed than others.

While the NGO sector is growing, its presence is not evenly distributed throughout the country. Sixty to seventy percent of Kazakh NGOs are located in the former capital city, Almaty. In other areas of the country, NGOs are virtually non-existent, or tend to be poorly trained. The recent opening of NGO Resource Centers by USAID grantee Counterpart International, and the Soros Foundation, will help to alleviate this problem. In addition, a national NGO newsletter covers events and information relevant to the community (the local NGO CASDIN's "Sustainable Development").

Finally, as Kazakh NGOs become more sophisticated, and as more people become aware of their activities, the sustainability of the NGO sector continues to improve. However, several problems stand in their way. The legal environment does not encourage either NGO commercial non-profit activity or corporate giving. Furthermore, most NGOs themselves do not seem to see large memberships and constituencies as the way to financial or organizational sustainability.

**LEGAL ENVIRONMENT: 4.9**

The legal environment for NGOs in Kazakhstan is at a moderate level of development. Laws exist that address NGO registration and taxation issues, though they are somewhat ambiguous and not wholly supportive of the sector. The Public Associations (PA) Law of 1996 provides for mandatory registration of NGOs through the Ministry of Justice, presenting a concern for basic notions of free association since the law may be open to the interpretation that an unorganized collection of people may constitute an illegal organization or an illegal meeting. There are harsh liquidation rules and conversely, a lack of re-registration requirements. Other drawbacks of the PA law include geographic restrictions on NGOs which hinder regional/republican activities and a requirement of 10 founders.

needed for NGO registration. The international standard is three. Nevertheless, many non-registered NGOs continue to exist and operate without open actions taken against them.

Under the Tax Code, tax exemptions are limited and difficult for NGOs to use. NGOs can receive excise tax benefits without undue difficulty, though tax codes discourage NGOs from taking part in self-sustaining commercial activity. NGOs that engage in any type of commercial activity are considered commercial entities. Tax regulations are written without adequate definition, resulting in inconsistent application from region to region, and from inspector to inspector.

The law and constitution are ambiguous and even contradictory with regard to government procurements. While the PA law allows for contracting to public associations, both the PA law and the constitution note that the government should not finance public associations. In practice, an NGO is unlikely to receive any government procurements unless the NGO is a quasi-governmental NGO. Some local governments have provided office space for NGOs, but there is no formal mechanism or transparency in such situations.

The current legal framework sustains a long standing feeling that NGOs engaged in political activity and/or any activity that is critical of government will be liquidated or pressured to cease such activity. In reality, this is rarely done, as NGOs themselves are aware of the unstated lines which they should not cross in challenging government. There have yet to be any specific examples of government entities harassing specific NGOs for their activities.

The ambiguity of many of the regulations of the PA law and the Tax Code give rise to a high potential for corruption on the behalf of governmental entities. The suspension and forced liquidation sections of the laws are particularly dangerous to NGOs, as there are no safeguards to guide in their usage. Although the current legislation contains references and benefits for "charitable" activities, no definition of "charity" or "charitable activity" can be found in Kazakh law. Legal consultation is generally unavailable to NGOs, particularly outside Almaty, making it difficult to get a clear sense of the rules and regulations.

In 1997, the Ministry of Justice requested USAID assistance in drafting a law on Charity. Despite the request, the President of Kazakhstan adopted a parliamentary agenda for 1998 that did not include any form of NGO legislation. A small group of parliamentarians has expressed interest in drafting a new law defining charity, and requested assistance from the UNDP and USAID grantee ICNL. A working group was formed comprised of senators, deputies, international consultants and NGO representatives, under the auspices of UNDP. This working group has drafted a Law on Charity and is lobbying the government to include the draft in the 1999 parliamentary agenda. ICNL has been invited by the Senate Legislative Committee to work on NGO legislation on foundations and institutions.

## **ORGANIZATIONAL CAPACITY 4.0**

Hundreds of NGOs in Kazakhstan have received training in organizational development. Many NGOs have had training in strategic planning, and have developed clear problem driven goals and a concept of mission. The structure of the present system of international donor grants, combined with the lack of other avenues to financial sustainability, has pushed a number of NGOs, particularly those based in Almaty, to change their missions to be closer to donor's interests.

The majority of Kazakh NGOs remain organizationally weak. NGOs often have an Advisory Committee formed by the leader of the NGO, from people who he/she knows, rather than a Board of Directors. Most NGOs are centrally run by a very small number of dominant personalities. There are very few permanent paid employees, and of this group, most of their salaries derive from grants. Consequently, staff varies in its commitment to the NGO depending upon whether they are receiving a grant. Some NGOs have been able to leverage volunteer help, but most do not have a structured mechanism for recruiting, engaging, and officially recognizing volunteers.

In-country training capacity has been cultivated by foreign assistance. A large cadre of "contract trainers" has been trained in different regions, and are versed in various skills training modules. Given the large size of Kazakhstan, the number of local trainers outside of regional centers still needs to be increased. NGOs that have training capacity must develop a system where the conducting of their training is self-sustainable and not dependent upon international donor organizations.

Almost all Almaty NGOs, and many in regional centers, are equipped with modern computers and other equipment. There are a growing number of NGO Support Centers, but they are still mostly limited to Almaty. Internet and email is readily available, but it is much harder and expensive to access outside the former capital.

There is no recognized mechanism for governmental agencies to contract out work to NGOs, and there is no tradition of NGOs providing social services through governmental contracts. The legal framework is contradictory, and certain readings of the law make it appear that government financing of NGO activity is illegal. A recent conference on "social partnership" brought together business, governmental, NGO, and media sectors to promote this idea, and was met with interest.

#### **FINANCIAL VIABILITY: 4.4**

Kazakh NGOs are heavily dependent upon foreign donors for funding. They have developed skills in writing proposals for international organizations, but are much less adept at seeking other sources of income. Some NGOs have been successful in leveraging the support of small local businesses, but business savvy in the NGO sector is limited, and there is little charitable ethic in Kazakhstan. There is no legal mechanism to make charity beneficial to local businesses, in terms of taxation.

Training in financial planning and management, accounting, fundraising, and grant proposal writing are readily available in all regional centers of the country, but are most accessible in Almaty. Most NGOs in Kazakhstan have improved their financial management systems due to the monitoring requirements of international organizations that provide grants. Most grant giving organizations require that NGOs have an accountant for any project which they propose. Often these accountants are hired for single projects and are not permanent staff members, creating a revolving door of financial skills.

#### **ADVOCACY: 4.5**

Gradually, Kazakh NGOs have become more comfortable with the concepts of advocacy and lobbying, but they are still rather suspicious of the idea due to the high level of doubt among people in Kazakhstan that citizens can participate in the political process through the government structure.

NGOs are increasingly attempting direct and close contact with policy makers -- with more success on the local level and with parliamentarians than with the ministries and the president's apparatus. Unfortunately, there are no concrete mechanisms in place to facilitate this relationship. Individual NGOs have developed their own mechanisms for participating in the political process, but this is most often accomplished through personal relationships rather than a transparent mechanism which would work for all NGOs.

On the local level, specific NGOs have been able to establish good relations with local government representatives. Some local administrations include a person who is charged as the liaison to "social organizations." While most of these "social organizations" are GONGOs, the liaisons can also serve as a government contact for more grass-roots NGOs. Unfortunately, the move of the country's capital to Astana has made it difficult for the majority of strong NGOs with capacity in advocacy (who are mostly in Almaty) to liaison with parliamentarians. The questionable nature of the power and independence of the parliament brings into doubt how effective advocacy through parliament is.

**PUBLIC IMAGE 40**

There has been progress in media coverage of NGOs. The media is increasingly covering NGO activity and often agrees to print things NGOs write, invite NGOs to speak on the radio, and air videos that NGOs have made. Hence, to announce an event, NGOs either advertise or try to incorporate the event into a news item that will be printed as public interest. There have been very few instances of NGOs being accused of being anti-government or corrupt in the media. This may be largely because the Kazakh people as a whole have not yet begun to view NGOs as important enough to criticize. The general populace does not truly understand the concept of an NGO, or how it differs from Soviet era social organizations. However, those who have had exposure to NGO activities seem to be mainly supportive.

Within the NGO sector itself, there is a large problem with NGO coordination and cooperation in Kazakhstan. While there have been attempts to create umbrella organizations, NGO leaders are more likely to gather for cooperation and joint efforts when called together by international organizations.

**KYRGYZSTAN**  
Development of the Not-for-Profit Sector  
1998

**OVERALL RANKING: 3.8**

It is difficult to get an accurate count of active NGOs in Kyrgyzstan. The Ministry of Justice has 951 registered general public organizations. USAID grantee Counterpart Consortium maintains a database that includes questionnaires from 1,027 NGOs, of which 735 have active operations, some of which are admittedly not registered. The 1991 law "On Public Organizations" regulates the NGO sector. This law groups NGOs, political parties, religious organizations, and trade unions together, a structure that hinders NGOs.

In general there is limited public awareness and understanding of the NGO's role in society, including building a democratic environment, public advocacy, and providing social services to complement the public sector. There is continual growth in understanding the importance of NGOs, among Government officials. Increasingly, government officials refer to NGOs in their speeches, as possible partners in overcoming problems. The stage where officials perceive NGOs as possible competitors has passed. NGOs are trusted on the local oblast and village levels. There is evidence of successful collaboration between public, private and NGO sectors, but it is neither widespread nor supported by appropriate legislation. While many NGOs in Kyrgyzstan continue to prefer being small organizations of a handful of activists, rather than membership based organizations, there is a growing awareness of constituency. The legal status of NGOs and the fiscal policy concerning their activities remain crucial obstacles to be considered for sustainable development in the sector.

**LEGAL ENVIRONMENT: 3.9**

In practice, NGO registration procedures are simple and fees are affordable for the majority of people in Kyrgyzstan. Registration takes no more than 1-2 months including paper processing by NGO activists. According to the regulations, the Registration Division of the Ministry of Justice should notify NGOs about the decision of their registration within 2 weeks of application. The only restrictions on internal management, scope of activities, financial reporting, and dissolution of NGOs are that an NGO must operate in accordance to the provisions of Legislation of the Kyrgyz Republic and according to its own organizational bylaws. There is a legal basis for the government to dissolve an NGO for political reasons if it promotes forced change of the existing political system, or if it promotes racism and inter-ethnic hostilities, but this has not occurred to date.

There are local lawyers and representatives of judicial NGOs who are trained and familiar with NGO law. Many of them offer legal advice to NGOs. There are no tax exemptions for NGOs except for some limited tax privileges, for organizations that represent the interests of disabled people. Individuals may donate money for charitable purposes and deduct those amounts from taxable income, limited to no more than 2% of taxable income. Business activity does not qualify for deductions. NGOs do not pay taxes on grants, except staff income taxes (up to 40%) and social contributions (39%). The law does not distinguish clearly between NGOs and for-profit organizations with regard to tax liabilities. There have been no examples of government seriously contemplating the option of contracting work to NGOs.

There is a growing awareness in the NGO community on how a favorable legal and regulatory framework can enhance NGO effectiveness and sustainability. Several meetings were held among working groups of NGOs to discuss the drafting of an NGO law. Three drafts emerged. The Center InterBilim (a local NGO resource center) and ICNL have coordinated the integration of all three drafts, with the participation of all stakeholders including NGO representatives and deputies. There is great hope that this effort will translate into significant changes in the legal environment for NGOs in Kyrgyzstan.

#### **ORGANIZATIONAL CAPACITY 3.9**

The majority of active NGOs have a clearly defined, problem-driven mission statement that reflects problems existing in society. However, they are often designed very broadly in order to fit donors' criteria. In many respects, this type of catering to donors' missions remains a problem in encouraging NGOs to develop a clear mission that they feel strongly about.

Existing management systems among NGOs reflect a high level of inexperience. If there is a clearly defined management structure within NGOs, it is related only to the executive level. As for policy functions, there is usually some confusion between the role of a Board of Directors and the implementing staff. The main tendency is that newly formed Boards have more of an advisory function, rather than responsibility for making policy. The majority of NGOs do not have paid staff and work mainly on volunteer basis. Paid staff, when in existence, are not usually permanent and rely on project grants. Volunteer management is still a crucial issue that needs to be developed, since the small amount of voluntary work in the country is not well organized. Recruitment and constituency building are areas in need of significant development.

All Kyrgyz NGOs' technical resources and equipment have been purchased through grants from donor organizations. NGOs are not capable of purchasing and modernizing their basic office equipment by their own means. A few resource centers provide NGOs with access to basic office equipment including computers and software, fax machines, Internet, etc.

#### **FINANCIAL VIABILITY 4.2**

Kyrgyz NGOs are generally dependent upon grants or donations from abroad, and would have difficulty sustaining themselves financially, if international donor funds were to disappear. However, at least 30 active NGOs can be considered financially viable for the short-term, because of their ability to diversify funding sources. Interestingly, a main income generating activity for NGO outside of the capital is participation in microcredit programs within the framework of the UNDP Poverty Alleviation Program.

Financial management training is available to NGOs, but most do not have good transparent records of their finances and financial management systems are generally weak. This is a large stumbling block for NGOs hoping to attract private sector funding of contracts for services. Commercial activities and cost recovery fees are not a good option for NGOs at this point, due to the current legislation for NGOs on business ventures.

#### **ADVOCACY: 3.5**

Some NGOs have direct links with policy makers, including some with active members, or board members, among the representatives of the Jogorku Kenesh (Kyrgyz Parliament). A certain number of NGOs, including the private farmers' associations, directly influence policy making on both the national and local levels. Advocacy remains most effective at the local level, where one of the NGO leaders in Nookat rayon was elected as chairman of the village administration, and several NGOs working in the Osh oblast, on the rehabilitation of drinking water systems, play a crucial role in the decision making for this project.

NGOs often hide information, and consider other NGOs as potential competitors, but an NGO Forum has developed to solve problems of coordination and networking. Several NGO representatives from different oblasts have been elected to a Coordination Council that has a schedule of regular meetings to coordinate efforts on shared issues and develop common strategies.

### **PUBLIC IMAGE. 3.8**

As a result of several projects funded by international donors to promote collaboration and develop skills among journalists and NGO personnel, NGOs are actively using media resources. There are no regulations pertaining to public service announcements, and therefore, there are no incentives for the media sources to provide NGOs donations of air time. In general, the Kyrgyz media is interested in the materials provided by NGOs, but it is difficult to say that the media commonly highlights NGO events. There is not any sound evidence, on other hand, that the NGO sector is strongly attacked as being part of a political opposition or as a source of corruption.

There is a varied perception of NGOs by the general public. A large part of the population still does not clearly understand the concept of NGOs. Some parts of the general public perceive NGOs as tools to earn money, and from that perspective, they are suspicious.

There has not yet been any attempt to adopt a code of ethics for NGOs, but the situation in the sector requires its development, both because of problems that have surfaced among several NGOs and because it is important in their quest to develop trust with the public, government, and the private sector.

**LATVIA**  
Development of the Not-for Profit NGO Sector  
1998

**OVERALL RANKING: 4.2**

The development of the not-for-profit sector in Latvia has been significantly retarded by the unfavorable legal environment. Taxation of grants inhibit philanthropy, restrictions on revenues inhibit revenue generating. Limitations on staff size inhibit the expansion of more developed NGOs or force them to register as companies. While there is enhanced capacity within the sector, there is considerable room for growth as well.

**LEGAL ENVIRONMENT. 4.0**

*Progress* Two legal forms for not-for-profit organizations exist public organizations and non-profit, limited liability companies. The registration process is rather complicated and should be simplified. Changes in the law favorable to NGO development are under discussion in the Parliament. Suggestions proposed by the NGO community have been incorporated into draft amendments to the law. The Ministry of Culture is working on a Sponsorship Law. A Cabinet regulation provides a mechanism for public organizations to be placed on a list and receive tax deductible donations. 85% of the donation may be deducted from the taxable income of companies, up to 10% of total income. The NGO Center has two lawyers providing legal advice to NGOs. Procurement from NGOs, by ministries and local governments is allowed, although there is no established system for it.

*Constraints* The legal environment is complicated and not conducive to the development of NGOs. Any NGO with 5 employees or more is obligated to register as a company. There is no law for foundations or other asset-owning NGOs. Economic activities are restricted, and Parliament is not supportive of changing this, due to fear of abuse.

**ORGANIZATIONAL CAPACITY. 4.0**

*Progress* A number of NGOs demonstrate an enhanced capacity to govern themselves and organize their work. These NGOs have the capacity to become "role models" for other NGOs. Service-providing NGOs have the capacity to provide effective services, if funding were available. The NGO Center has established several local NGO support centers to inform, train and advise other NGOs, and provide technical assistance. Twenty indigenous

NGO trainers provide seminars and consultations throughout Latvia. NGOs recognize the value of training and actively participate in it. There is demand for more advanced training. Available training topics include organization basis and networking, fundraising, strategic planning, conflict resolution, team building, media and public relations. Training material is available in Latvian.

*Constraints* Leading NGOs have not yet consolidated enough or matured sufficiently to be in a position to help other NGOs with their development. The organizational strength of NGOs differs markedly between Riga and rest of Latvia.

#### **FINANCIAL VIABILITY: 5.0**

*Progress* Most NGOs have mastered proposal writing. Some have diversified funding sources, which include several foreign donor and local businesses. Talk about cultivating philanthropy is in its beginning stages. Many NGOs collect membership fees. Such fees are generally small, as the average income in Latvia is low. Some NGOs have started charging fees for their services. Ministries are beginning to give grants to NGOs in a transparent fashion (i.e., the Ministry's of Education "Student Initiative Fund").

*Constraints* There is no overall policy for, or a commitment to, government subsidies for NGOs. Nor is there a widespread sense of philanthropy among the private sector or the public. The government taxes grants to NGOs unless the donor can make special arrangements, (i.e., USAID or Soros). There is a high level of economic discrepancy between Riga and towns/villages in the countryside. A significant number of NGOs rely entirely on volunteers.

#### **ADVOCACY: 4.0**

*Progress* NGOs have developed expertise based on clients served or associated members. Human rights is the most ably represented policy issue. In some instances NGO research or expertise has helped change policies -- recent successes have been seen in the areas of tenant rights, rights for the disabled, and consumer protection. Issue-based coalitions have started to spring up among similarly minded advocacy groups, most effectively around the issues of tenant rights and adult education. In September 1997, the first NGO Forum was organized, bringing together almost 1,000 NGO activists, from over 300 NGOs, as well as representatives from municipalities, state institutions, the government, Parliament and the mass media.

*Constraints* NGO activists are not shy to advocate for their interests with their elected representatives, but they are not very skillful in the art. NGO coalitions have not been very effective. They tend to work for only a short period of time, often falling apart before reaching a shared goal.

**PUBLIC IMAGE: 4**

*Progress* Local media regularly cover the activities of NGOs. Public debate on civil society and the role of NGOs is taking place, at conferences and in the national media. Some NGOs have established good relations with individual municipalities, although they still strongly depend on personalities. Some NGOs (like human rights, environmental and tenants groups) have continuous contacts with the mass media and have created a good public image for themselves.

*Constraints* The national media occasionally covers NGOs, but provides little information on the activities of the third sector. Most journalists do not understand the role of civil society. The impact of NGO activities on the national level is rather weak. The community is still not aware of the meaning of the term "non-governmental organization", although individual NGOs try to explain the benefit they bring to the public. The public image of NGOs suffers from a basic identification problem -- journalists cannot agree on what to call NGOs and the term is not defined legally. Federal government officials tend to be suspicious and ignorant of NGOs, although on the local level there is some exception to that.

**LITHUANIA:**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING 3.0**

The existing myriad of NGO laws is often ambiguous and contradictory. An apparently transparent and inclusive process to amend the laws has begun, but should be expanded to review all NGO laws in order to simplify and coordinate the legislation. A significant constraint on NGO growth and sustainability is the limited availability of domestic resources. One of the major problems with the current regulatory environment is that most of the existing NGO laws do not allow NGOs to have any earned income, and the concept of voluntary labor is not recognized under Lithuanian law.

**LEGAL ENVIRONMENT. 4 0**

*Progress* NGOs do not have major problems registering. Lithuania's current NGO laws recognize four types of NGOs: two membership based organization types, ("community organizations" and "associations"), and two property based organization types, ("charity and sponsorship funds" and "public institutions"). The existing laws are generally seen to be overly prescriptive, ambiguous and overlapping. Nevertheless, a process of review and amendment of these laws has begun, with the Prime Minister's establishment of a working group to amend the current Law on Charity and Sponsorship. Government and Parliament representatives are more aware of the legal needs of NGOs and open to the involvement of NGOs in developing regulatory reform proposals.

Local NGOs, with the support and assistance of the international donor community, have successfully engaged the Prime Minister, the Ministers of Finance and Labor/Social Security, and members of Parliament in a growing dialogue on a range of issues including NGO status and tax legislation. This dialogue has contributed significantly to the rejection of an initial draft, generally perceived to be counter-productive, and has opened the continuing amendment process to greater transparency and participation by NGOs.

A number of local lawyers are trained and familiar with NGO law, and provide legal advice in the capital and secondary cities. NGOs have the capacity to bid, and have been awarded contracts for the delivery of services by local governments.

NGOs are exempt from taxes on charity and other support they receive. Legal persons giving charity or support are entitled to concessions of up to 20% of any type of enterprise profit allocated to charity or support, and an equal amount can be deducted from the calculated taxable profit. A natural person can receive an income tax concession of up to 100%.

*Constraints* Registration of NGOs remains complex and time consuming, and is implemented in a way that confers broad discretion on registering officials who often make arbitrary and inconsistent judgments. Most types of NGOs are prohibited by the status laws from engaging in any kind of economic activity, and severe restrictions and limitations exist on the use of volunteer labor. The Law on Charity and Sponsorship, which ostensibly promotes grant-giving, is viewed by NGOs as having actually complicated it further, and problems with this law are cited as a major concern. According to the existing regulations, each program prepared by an NGO must be approved by the Government. With some minor deductions, NGOs have to pay all taxes in Lithuania. In some instances, legal regulations with regard to tax liabilities do not clearly distinguish between NGOs and for-profit organizations.

### **ORGANIZATIONAL CAPACITY 3.0**

*Progress* Most prominent and active NGOs acknowledge their organizational and management needs and receive training on organizational sustainability. NGOs acknowledge that professionally functioning organizations are likely to achieve better results. Individual NGOs in individual sectors have all the elements constituting a sound NGO: a board of directors, volunteers and paid staff. Many NGOs have had training in strategic planning and have developed a clearly defined, issue-driven mission. The level of professionalism and experience of people involved in NGO activities is noticeably increasing. The number of volunteers has increased too. Many volunteers have a university degree.

More NGOs realize the necessity for preparing strategic and fund-raising plans. Under the DemNet program, a core of model NGOs is being developed in the country. These NGOs receive intense training on all aspects of organizational management. The training, provided by local trainers, will contribute to the development of a local NGO training capacity.

A significant number of NGOs have basic modern office equipment at their disposal, such as computers, fax machines, Internet access, or have access to these facilities through regional NGO support centers.

*Constraints* Many small NGOs still do not realize that business-like management of an organization is the key to success and are exclusively service-oriented. Boards of directors and volunteer programs are not well-established. NGOs do not have a clear structure and do not apply strategic planning methodology.

### **FINANCIAL VIABILITY: 3.0**

*Progress* Many NGOs have diversified funding sources which include foreign donors, local and national government funds, and private sources. Local governments are more aware of financial needs of local NGOs and are increasingly willing to provide support. NGOs recognize sound financial management to be one of the most essential characteristics of a successful NGO. Many

NGOs have professional financial management staff, conduct audits, and have used available training opportunities to enhance their financial reporting systems

*Constraints* Financial resources are usually small. Most funding still comes from foreign donors. The prohibition to engage in commercial activities is still a major constraint to revenue-raising and cost-recovery, and Lithuanian law does not recognize the concept of voluntary labor. Voluntary labor can subject NGOs to tax and social security payments, based upon the fair market value of the voluntary labor provided. These restrictions severely limit the ability of NGOs to develop volunteer/membership bases, and supplement their income.

Undeveloped philanthropy in the country deprives NGOs of significant potential local corporate and individual financing. Few NGOs engage in active fund-raising management. Government support does not embrace all aspects of NGO activities. NGOs are poorly informed about availability of Government funds.

## **ADVOCACY 2.0**

*Progress* Public policy advocacy has become a working concept for many NGOs. The dialogue between NGOs and governing institutions has become more open and constructive. Seminars and conferences involving the NGO community and government officials are more frequent. A core of 10 model NGOs received intense training on public advocacy under the USAID DemNet (USBF) program. Some public policy advocacy activities on the local level have also emerged. A coalition on social issues between NGOs of the Kaunas region and its local authorities has been formed. In other regions, NGO representatives are involved in the work of municipal commissions on various issues. NGOs have started collectively addressing governing bodies with suggestions and recommendations. The relatively stronger and well-known NGOs have been requested by the Government and Parliament to provide their recommendations on law amendments and regulations.

*Constraints* Not all governing institutions recognize that NGOs possess considerable expertise in certain areas, and do not acknowledge them as being active partners in the decision-making process. Few NGOs are involved in consultations and participate in legislative amendments. The system of drafting and amending laws and regulations is not well known to all NGOs. The mechanism of soliciting and incorporating inputs from NGOs by the Government is not smooth or effective.

## **PUBLIC IMAGE: 3.0**

*Progress* Media coverage of NGO activities has increased. A growing number of local governments view NGOs as their partners and effective service providers. The suspicion of NGOs on the national level has been substituted with a dialogue. Many NGOs are active in

publicizing their activities and promoting their image and services NGOs organize highly visible public events, such as NGO forums, fairs, and international conferences NGOs receive training in public and media relations

*Constraints* There is still a limited understanding by NGOs of the necessity to develop their public image NGOs tend not to publicize their successes effectively Open cooperation between government institutions and NGOs is constrained, due to perceived conflicts-of-interest There is still a need for NGO transparency and self-regulation

**MACEDONIA**  
Development of the Not-for-Profit Sector  
1998

**OVERALL RANKING: 4.4**

The NGO sector in Macedonia is generally described as including about 5,000 NGOs, with active NGOs numbering perhaps 250-500. These figures incorporate a wide range of organizations, including a large number of clubs, which are often purely social in nature, and interest groups, such as the pensioners association, with narrow focus. Many of these have their roots in the earlier socialist period. The sector also includes more civic-oriented entities such as environmental, women's, humanitarian and youth groups. The vast majority of these organizations are grass roots in nature, coming together to deal with problems in their respective communities. Typically, several similar organizations can be found in a single community, reflecting the ethnic and religious divisions found in Macedonian society. The vast majority of these NGOs are institutionally weak and few have professional management, relying on volunteers to carry out the duties of the NGO. Training is therefore a continuing and inefficient process.

Most NGOs survive on grants provided by international donors, although some obtain limited resources in their communities by carrying out local services, charitable work and bake sales, etc. Given the authoritarian history of the country, fear still exists within the NGO sector about local and national government reaction to its activities, although no instance of direct harassment has taken place in several years. Cultural pressure does threaten the sector however, especially in communities with women's organizations that are active in community issues, often seen as an inappropriate role for women. Both of these perceived and real constraints will take time and effort to overcome.

**LEGAL ENVIRONMENT: 3.0**

*Status* Until this year, the NGO sector was governed by the 1990 Law for Social Organizations and Associations of Citizens which contained a number of gaps, ambiguities and restrictive provisions. With assistance from USAID grantee, the International Center for Not-for-Profit Law, a new Law on Associations and Foundations was enacted by the Parliament in June 1998. While this law is not perfect, it does reflect a number of international best practices, including provision of a legal framework for foundations, expansion of right of foreigners to establish NGOs, establishment of appropriate rules for internal governance of NGOs, and limits the ability of the government to dissolve an NGO.

The process itself reflected a best practice effort -- the draft law was distributed widely within Macedonia, and open round table meetings were held where governmental officials, NGO representatives, and other interested people were invited to comment on the draft law. As a result, changes to the initial draft were made. This open, participatory approach to law development has been touted by the GOM as a model for the handling new laws. Plans are underway to design and hold workshops for the NGO community to explain the new NGO law.

While tax laws affecting the NGO sector have not yet been drafted, assistance has been requested from the U.S. Treasury by the Finance Ministry, and from the ICNL by the law faculty of the Skopje Law School, which will be involved in the drafting and review of the tax law. Efforts to integrate NGO law into the curricula of the Skopje Law School are underway, aimed at preparing lawyers to service the legal needs of the NGO sector. Discussions are also underway regarding the inclusion of material on the role of NGOs in society into the curricula of the Political Science Department of the University at Skopje.

*Constraints* With the passage of the new NGO law, the smooth implementation of the law will be the next challenge. This effort will require continued support to ensure that the new NGO law is properly implemented and understood by the NGO community. In addition, attention must now turn to the passage of tax legislation favorable to the NGO sector, including, the granting of tax free status to registered NGOs and providing tax incentives to the individuals and the private sector for making donations to NGOs. Without the passage of this legislation, the sustainability of the NGO sector may be in doubt.

#### **ORGANIZATIONAL CAPACITY: 4.0**

*Status* Among local, grass roots NGOs, there continues to be a need for basic support to strengthen their institutional capabilities. Indigenous intermediary NGOs are providing only a fraction of the overall need. The Macedonia Center for International Cooperation (MCIC) is one of the few indigenous intermediary NGOs serving the local NGO community. It channels grants to local NGOs, provides training and other support aimed at improving the capacity of local NGOs. It also houses a small service center, located in its Skopje office, to attend to the basic informational needs of its NGOs. ODI, a past National Democratic Institute-supported NGO located in Gostivar, is providing services to the local NGO community by offering office space and other services to up to five NGOs as well as computer training on a fee basis. The local branch of the Regional Environmental Center, located in Skopje, also offers some support services to the environmental community. Few other intermediary NGOs of note exist, leading to the conclusion that the existing core of local practitioners and trainers available to the NGO sector is limited. As noted above, few local NGOs have professional management, most work on a volunteer basis. As a result, weaknesses were observed in their strategic planning, fundraising and advocacy skills. NGOs typically go from one small project to another without a long term vision or direction.

**FINANCIAL VIABILITY: 5.0**

*Status* Given the incipient nature of the NGO movement in Macedonia, it appears that it will take many years before the stronger NGOs can become self sustainable. Over the next 5-7 years, outside donor assistance will continue to be required. The reasons for this conclusion are several. The Macedonian economy is in poor condition, with GNP per capita estimated by the World Bank at \$850 and an unemployment rate estimated at between 30 and 35%. These conditions do not support philanthropy among Macedonian businesses and individuals. Some giving is taking place, but it appears to be sporadic and provides for only a small portion of the actual needs of some NGOs. While the environment for fundraising is poor, a few NGOs are successfully seeking funds from their local communities, other donors and fee-for-service and membership dues. The poor economy limits the ability of both municipal and central governments, if they should choose, to channel funding to the NGO sector to enable it to deliver social services that governments traditionally deliver but, because of incapacity, they cannot provide. A bright spot in this otherwise bleak picture is the high level of volunteerism evident in the NGO sector. Nearly all management and operational work of local, grass roots NGOs is done by volunteers from the respective communities.

**ADVOCACY: 5.0**

*Status* Because of the incipient nature of development and low level of confidence in much of the NGO sector, advocacy is not a principal area of activity by most NGOs in Macedonia. However, there are instances of advocacy at both the local and national level by indigenous NGOs. Environmental NGOs have had some success at the policy level. Based on a proposal presented to the central government on the protection of a region on Prespa Lake, the central government requested that the organization assume responsibility for the undertaking. Another NGO has been asked to draft the law on the protection of lime stone caves in the country. Others are working on the National Environmental Action Plan (NEAP) and the Local Environmental Action Plans which should lead to public policy changes as well. MCIC has been instrumental in putting the views of the NGO sector before government and the public. It has worked with government and Skopje law faculty on the new NGO registration law, facilitating roundtables to discuss the draft law, helping to forge a consensus on the final version. An NGO in Tetovo, focused on youth and inter-ethnic tolerance, has been successful in advocating the need for a community based program to improve inter-ethnic tolerance and gaining the support of the local education and municipal officials and the private sector. Cooperation among NGOs, however, appears to be limited, constrained by ethnic issues and the lack of a sense of community within the sector. While the NGO sector does receive coverage in the media (both in the press and on TV), it does not appear to be using the media to advocate on issues, reflecting the sector's limited role in advocacy in general. As noted above, there is no evidence of overt official against NGOs although there is social pressure brought to bare on some NGOs.

## **PUBLIC IMAGE: 5 0**

*Status* Overall sector identity is weak, which is an obstacle to the promotion of a positive image for NGOs in general. There are few intermediary NGOs or intermediate support organizations (ISOs), which advance the image of the sector and interface with the public or government. This has resulted in a low level of public awareness regarding NGOs' work. At the local level, an increasing number of NGOs has developed. This growth may create an enhanced public image for NGOs, particularly those which are able to deliver the necessary basic services that government is unable to provide. NGOs report few barriers to access to media coverage, although the media is also divided along ethnic lines. This creates obstacles in placing stories about the work, for example, of Albanian NGOs in a Macedonian newspaper and vice versa. Television is the most powerful medium, with TVs reported to be in 85% of all homes. There is little anecdotal evidence to suggest NGOs receive coverage at this level.

There appears to be a willingness of government officials to engage the NGO sector, but not necessarily to provide it with resources. Benign indifference may be the most apt characterization. There are reports that government does not work closely with NGOs because it fears that they are thinly-veiled political parties at worst, and sources of opposition at best. In spite of any lingering tensions, there have been cases where government sought the expertise of specific NGOs in the environment sector. Mutual self-interest provided common ground for collaboration. On the whole, government at the local level lacks authority or capacity for outreach and constituent links, and as a result, NGOs' work may be undervalued.

*Ed* This overview was drafted based on an assessment of the NGO sector that was conducted by USAID in the spring of 1998.

**POLAND**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING. 2.0**

Since 1989, the Third Sector in Poland has enjoyed a renaissance with the registration of over 20,000 new independent organizations. NGOs are becoming professionalized, as evidenced by the establishment of a network of NGO support organizations with standardized services and attention to performance quality, their acquisition of organizational development and management skills, existence of a cadre of skilled and knowledgeable indigenous trainers, increased efforts to develop indigenous funding sources through business and local government support, and greater role in social and economic policy formulation and development.

Additional assistance is needed in developing local sources of funding for NGOs, especially promoting business involvement in the process. More work is required in the areas of inter- and intra-organizational cooperation such as coalition building, legal and administrative capacity to establish endowed foundations and community foundations, and lobbying. There is also need to further develop cooperation with local government to establish a country-wide, consistent and transparent mechanism for local government funding of NGO activities and to devolve responsibility for service delivery from local government to NGOs through contracting.

**LEGAL ENVIRONMENT: 2.0**

*Progress* Registering associations is relatively easy. There is no unfair regulation of the registration process by central government. Objections or complaints brought by central or local governments concerning NGOs must be settled by the judicial system, which is independent of the executive and legislative branches of government. Donations by individuals and businesses are tax exempt up to 10% of income.

*Constraints* Registering foundations takes a lot of time, largely due to the fact that the process is centralized, with one court handling registrations for the whole country. It is hoped that the current public administration reform will result in decentralization of registration decisions. For the last three years, the court has been reluctant to register foundations if their statutes contain clauses enabling them to conduct business activities, thereby closing a source of revenue for NGOs. NGOs are required to submit annual reports and financial statements to the Ministry most closely related to the organization's area of activity, resulting in a great degree of discrepancy.

in assessment and evaluation. Consistent and transparent requirements for reporting format and level of control are needed for the Third Sector as a whole. Polish law does not contain necessary provisions that regulate voluntary work. This creates some administrative problems for NGOs in using volunteer labor. A new law on "public benefit" activities is being considered and is a subject of public debate within the NGO sector.

#### **ORGANIZATIONAL CAPACITY: 2.0**

*Progress* Increased knowledge of and cooperation among NGOs has been facilitated by several organizations: a regularly updated national information bank on NGOs (KLON/JAWOR), NGO-support centers provide training and technical assistance, and a professional association of trainers has been formed to represent members' interest and improve the quality of services. Skill acquisition has increased tremendously since 1992, thanks to U.S. and European public and private aid promoting the development of indigenous training and NGO support organizations.

*Constraints* Resources that support training are directed to training institutions and not to NGOs, hampering the development of a consumer market for training. Assistance programs and sponsors are also contributing to the problem. While it is unrealistic to expect that all training for NGOs can be regulated by the market, it is also necessary to develop strategies for increased competition, quality control and customer orientation among service providers. There is an overall lack of awareness about the important role played by NGO support organizations in developing civil society. Indigenous resources are most often directed to NGOs meeting basic human needs. Organizations are only beginning to cooperate or form coalitions, especially as regards lobbying. The NGO-support organizations are not yet sustainable.

#### **FINANCIAL VIABILITY: 2.0**

*Progress* Procurement of services from NGOs by national and local governments is increasing. Models of consistent and transparent funding of NGOs by local government have been developed and are being replicated. Awareness of the need for diversity of funding sources is growing in the Third Sector. During the last year, several initiatives took place to develop local sources of funding for NGOs: a competition for "Benefactor of the Year" was announced for the first time to promote philanthropy, a study was initiated for the feasibility of establishing community foundations in selected cities, new fund-raising methodologies (such as payroll deductions) have been successfully introduced, and a pilot program of contracting services to NGOs by local government has been initiated in selected municipalities. Poland has good training and consultation services available in fund raising.

*Constraints* There are few indigenous endowed foundations, and it is very difficult to find sponsors willing to establish endowments. Other efforts to establish local sources of funding for NGOs, such as community foundations or the Polish branch of the United Way operation, are only starting. There is a danger that before reliable and consistent local sources are developed, foreign institutions will cease supporting the Polish Third Sector, thereby depriving NGOs of a significant source of support. Further effort is needed to promote business involvement in supporting NGOs. Additional work is needed to develop a consistent, country-wide mechanism for local government funding of NGOs and to devolve responsibilities for service delivery from the local government to NGOs through contracting.

## **ADVOCACY: 2.0**

*Progress* There has been an increase in the number of public advocacy activities initiated by NGOs, as evidenced by coalitions and umbrella groups working on children's rights, rights of disabled persons, reproductive rights, human rights, environmental protection, cooperation between NGOs and other sectors (government and private), and the legal framework for NGO activities. Successful advocacy campaigns were conducted by numerous NGOs, representing most areas (sectors) of NGO activity. DemNet grantees have successfully influenced national and local government legislation and regulations, including one article in the new Constitution, three amendments to national legislation, and 59 local government ordinances. During the last parliamentary elections, a questionnaire was distributed to all election headquarters to determine their position on the Third Sector. The Association for the Forum of Non-Governmental Initiatives, a former DemNet grantee, continues to provide the Parliament with information on the Third Sector and with input concerning the proposed law on public benefit activities. Discussions on self-regulatory measures have been initiated by the NGO sector and a code of ethics has been drafted covering such issues as transparency, commitment to stated mission and public benefit, separation of executive and supervisory/advisory functions, and willingness to cooperate with other NGOs.

*Constraints* The practice of lobbying is in its beginning stage with both NGOs and elected representatives, therefore the role, ethics and techniques of this skill are not fully developed. More work is needed to improve responsiveness to constituents in identifying issues of importance, to strengthen coalition-building skills and effectiveness in influencing decision-makers.

**PUBLIC IMAGE: 2 0**

*Progress* During the last two years, NGOs have begun to work more effectively with the media, as evidenced by an increase in positive local and national newspaper articles, radio interviews and television programs. This includes a national educational television series that featured NGOs, and local newspaper coverage of DemNet and other donor/grantee activities. The assistance provided by NGOs to victims of the 1997 flood was widely recognized by the media and contributed significantly to the improved image. The Association for the Forum of Non-Governmental Initiatives continues to develop a code of ethics with the Third Sector. Volunteer centers are expanding to additional locations and are becoming independent organizations that promote volunteerism among individuals and prepare NGOs to include volunteers into their organizations.

*Constraints* The public image of NGOs is still affected by the widely publicized results of the 1993 audit of foundations (established by the central government) that found a number of irregularities. There is still an insufficient understanding among the populace as a whole of the role of the non-profit sector in a democracy. The third sector tends to be perceived narrowly as involving charitable activities -- less frequently as conducting lobbying or representing particular interests.

**ROMANIA**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 3.8**

The development of associational life in Romania registered an increase in the number of NGOs, while the number of active organizations remains rather small. Of 18,500 registered NGOs (as of November 1997), only 25% are active. Most of these organizations remain small, lacking the basic organizational structure and financing. There are, however, a number of NGOs with established boards of directors, permanent staff and defined implementation programs. More significantly, during the past year, a growing number of Romanian NGOs have successfully demonstrated their capacity to be effective service deliverers, to identify and advocate citizens' interests in the public arena, and to influence decision makers and public opinion.

While basic cultural constraints will continue to inhibit full citizen participation in democratic practices for years to come, opportunities exist for NGOs to instill democratic practices at the grassroots level to empower heretofore disenfranchised segments of the population. This is being accomplished through community based activities and through focused advocacy approaches.

**LEGAL ENVIRONMENT: 3.5**

The existing legal framework, based on the Law 21 of 1924, provides for the relatively quick and easy registration and operation of foundations and associations. Nevertheless, the NGO community is actively pursuing the adoption of a new legal and regulatory framework that incorporates accepted international precepts and practices for the operation of NGOs. To this end, a national coalition of NGOs has successfully advocated for the enactment of the "Sponsorship Law", a landmark legislation designed to provide tax deductions for individual and corporate contributions to NGOs. This law also provides for favorable treatment by print and broadcast media for programs or announcements by NGOs. A comprehensive draft legislation is being discussed with the GOR, with the goal of having it introduced in Parliament during the first quarter of CY 99.

### **ORGANIZATIONAL CAPACITY: 3.5**

While there is a small group of NGOs with formal boards of directors, professional and clerical staff, and well defined mission statements, the majority of NGOs lack organizational and financial structures. Only 1 out of every 20 NGOs has paid staff. On average, this represents 1 or 2 full time employees. Most NGOs operate with staff hired for a limited period of time, or with volunteers. The number of jobs in the not-for-profit sector represents 0.28% of the number of the non-agricultural work force. However, there is a growing number of NGOs that are adopting basic core practices, and are developing clear mission statements. This emphasis on formalizing institutional arrangements is being fueled in part by the decline of foreign funding available and the increased competition among NGOs.

Institutional development has become the priority for Romanian organizations. Proposal writing, fundraising, accounting and financial management are the three areas of assistance constantly sought by emerging organizations. Training and technical assistance in these areas is being provided by World Learning and several local organizations, including Civil Society Development Foundation (FDSC) and Foundation for Local Development and Public Services (FDLSP).

### **FINANCIAL VIABILITY: 4.5**

Foreign donor funding remains a necessity for the sector. Approximately 56% of the NGO's revenues come from foreign sources. The lack of incentives for corporate and individual contributions, and a lack of philanthropic tradition have limited the sources of funding from the private sector. About 7% of NGO revenues come from corporate sources and 6% from personal contributions. Although the Sponsorship Law provides incentives for private contributions, the condition of the economy presents a significant challenge for NGOs to increase revenues from private sources. To this effect, considerable efforts are being put into developing the fundraising and financial management capacities of the emerging NGO community. World Learning and FDSC are the leading entities providing training and technical assistance in these areas.

### **ADVOCACY: 3.5**

The role of NGOs in developing and promoting a policy agenda has been limited until recently. The elections of 1996 and the political and structural reforms have opened significant opportunities for NGOs to play a greater role as intermediaries between state and society. At the national level, NGOs are being called on to help develop public policy reform. At the local level, ministries and local governments are being asked to forge partnerships with grassroots groups and local NGOs to address community problems. Broadening the scope of participation by NGOs is an innovative measure that complements other significant elements of GOR's

political and economic agenda NGOs have the opportunity to increase their influence over public policy through such partnerships Both the quality of local government and the capacities of NGOs can be enhanced through this synergy Cognizant of these opportunities, NGOs are availing themselves of the technical assistance and training available to enhance their capacities

#### **PUBLIC IMAGE: 4.0**

The public image of NGOs continues to be of concern to advocates for the sector While it may be said that the citizen's perception of NGOs is neutral (i e , most ordinary Romanians are oblivious to the existence of civil society), that neutral position is often discolored by a negative image carried in the press

Following the 1996 elections, NGOs became more visible in the media, the public perception being more positive During 1997, 3500 articles about NGOs were published in newspapers However, since September 1997, the number of articles with a negative connotation increased, tarnishing the emerging popular image of NGOs This is due in part to the questionable "non-governmental organizations" created for the sole purpose of importing vehicles, equipment and commodities free of tax

Active and effective marketing of NGOs that highlights their activities is vital for the sector Organizations are improving their capacity to deal with the media and to develop awareness and media campaigns for their organizations and programs Technical assistance and training is readily available at the local level to assist the NGOs

**RUSSIA:**  
Development of the Not-for-Profit Sector  
1998

**OVERALL RANKING: 3.4**

In the midst of economic and political uncertainty, Russia's NGO sector continues to grow and develop at a brisk pace. Russian NGOs continue to press for the rights and concerns of their constituents at all levels of government, while becoming more sophisticated in organizational management, fundraising, and networking. During 1997, NGO sector activists reported a marked improvement in their relations with government. These activists have in many cases taken over leadership of their organizations and have become innovators in NGO sector development. Regional discrepancies in NGO sector development have become more pronounced as Russia's NGO sector matures. NGO resource centers and sector support organizations, led by Russian professionals, have taken a leadership role in NGO sector development.

The most pronounced negative factors are Russia's poor economic performance, coupled with present and proposed tax structures. These factors offer bleak prospects for NGO sector financial viability, and represent the most serious constraint on medium-term NGO sector growth in areas where other resources are present.

**LEGAL ENVIRONMENT: 3 0**

*Progress* Russian legislation, enacted at the Federal level, provides a legal basis for NGOs to operate, but much work remains to be done at the regional and local levels. The key Federal laws that are in place include the Civil Code (1994), the law "On Public Associations" (1995), the law "On Charitable Organizations and Charitable Activity" (1995), and the law "On Non-Profit Organizations" (1995). At present, pro-NGO legislation is being advanced on the regional and local levels by NGO sector activists. Recently, in Kemerovo, for example, city and oblast officials received extensive information on transparent procedures for social contracting from the Siberian Center for the Support of Social Initiative's (SCSSI) local representative. The officials subsequently relied upon the representative's expertise to mount the region's first competitive procurement for social services. This initiative is one of at least twenty in the regions and in Moscow.

*Constraints* Despite passage of a Federal legislative framework, most regional authorities are reluctant to implement Federal laws without regional or local laws, or mechanisms in place. There is a shortage of attorneys qualified to draft legislation in the regions. The majority of attorneys who are skilled in drafting not-for-profit law reside in the major cities. Legal consultations or advice are much in demand among NGOs, due in part to the expense involved in seeking private legal assistance.

Legislation promoting significant usable tax incentives will likely not be a part of the new tax code. This defeat may represent the single most serious long-term setback in the legal environment for NGOs. NGO sector activists, together with the Association of Russian Banks, have lobbied heavily for a package of amendments to the new tax code that would increase tax deductions for charitable contributions to a level of 10 percent of profit (rather than the current 3 to 5 percent level). It is uncertain whether they will prevail, however, partly due to intense international and domestic pressure on the Russian federal government to raise critically-needed revenues. Future prospects for NGO sector growth may be seriously hampered by a lack of experience with not-for-profit tax regulations on the part of both the tax authorities and NGO sector activists.

In practice, cases of double taxation and inappropriate taxation (especially taxation on grant funds), continue to abound. Taxes are often collected on cost recovery measures or fee-for-service arrangements, without distinguishing between nonprofit and profit-making enterprises. At present, many NGO sector activists are paying these taxes and are not seeking significant tax exemptions in order to discourage commercial enterprises from registering as NGOs (a common practice throughout Russia) and to avoid leaving the decision on which organizations qualify for exemptions in the hands of local, often unqualified, tax inspectors.

## **ORGANIZATIONAL CAPACITY 30**

Although the growing capacity of local expertise to provide training in a range of organizational topics is the dominant element in this rating, regional discrepancies in access to this 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."

*Progress* Investments by USAID and other donors in training and technical assistance in organizational management are beginning to produce significant results in Russia's NGO sector, although there is still far to go. For example, the Krasnodar branch of Chernobyl Union, a national organization that provides support to victims of the disaster and those who assisted with the subsequent evacuation and clean-up, recently completed a successful campaign to educate its members on their rights. With training in organizational

management and a subgrant from the CIP Southern Russia Resource Center (SRRC), Krasnodar Chernobyl Union is now equipped and organized to inform its members of the rights and benefits due them and has become significantly more effective in advocating local government on their behalf

*Constraints* Much growth is still needed in the areas of conflict resolution, strategic and financial planning, membership outreach, volunteer management, and formation of boards of directors. While some organizations are advanced in these areas, most are just beginning. Basic and more advanced training are still critically needed by NGOs throughout Russia.

Although several indigenous consulting agencies can offer specialized training in one or more areas of organizational management, such as strategic planning, USAID does not know of any Russian consultants who can support training in establishing and working with a board of directors. Over 120 "trained trainers" are currently listed in *A Handbook for Training Consultants from Non-Commercial Organizations in Russia*. Trainers at a June 1997 USAID-sponsored conference concluded, however, that they are not yet prepared to organize as a formal network or association. It is uncertain whether indigenous resources can support these trainers as foreign funding diminishes.

#### **FINANCIAL VIABILITY. 40**

*Progress* Past studies of Russia's NGO sector have criticized its overdependence on foreign grants. While this remains an issue of concern, activists are turning to government and business with increasing success for support for their work, as well as relying on volunteers. Although a recent internal evaluation of a sub-grant program found that "NGOs rely almost entirely on foreign grant funding," it also noted that the NGOs surveyed cited the work of volunteers as their second most important resource. Other NGO sector experts assert that Russian regional and local government agencies are currently the most likely sources of financial support for most NGOs, and far exceed foreign donors in the number of NGOs they assist, although not in total spending.

Russian NGOs are slowly overcoming their aversion to private sector solicitation. A culture of indigenous philanthropy is slowly being revived in Russia, but very few NGOs have had success in raising money from private individuals. Classical "fundraising" from commercial organizations (in the specific sense of asking for contributions) is becoming more widely practiced in Russia's NGO sector, but NGO activists are more successful at fundraising for specific events than for ongoing institutional support. Basic fundraising training is increasingly available, but most NGO sector activists still lack the sophistication to make credible, well-targeted solicitations.

*Constraints* In a significant shift from June 1996, when limitations in the organizational capacity of NGOs were identified as the most serious constraints on NGO growth, financial constraints now represent the single greatest impediment to the long-term growth of Russia's NGO sector. Russia's poor economic performance, coupled with present impediments to making charitable contributions, make financial sustainability for NGOs unlikely in the near term.

Although the federal law on social contracting remains stalled in the Duma, at least twenty cities have legal mechanisms in place (decrees, executive orders, etc.) that allow them to pay NGOs for contract services. These mechanisms are in use, but are limited by the availability of government funds and the initiative of local officials. Unfortunately, the process of awarding these contracts is competitive and transparent only for a portion of contracts let in a handful of cities. In others, contracts are awarded by regional and local officials to NGOs on a first-come, first-served or arbitrary basis, often based on personal acquaintance. Some Russian and American experts doubt whether NGOs will be able to count on the Federal or local government to fulfill their financial obligations and follow through on paying for these contracted services. Others fear NGOs will lose their independence (and their ability to advocate effectively) by becoming dependent on government for donations of office space and contract or grant funding.

### **ADVOCACY: 3.0**

*Progress* Although suspicion continues to exist on both sides, in 1997 local government officials and activists made great strides in exploring ways to collaborate with each other. Much depends on the personalities of both the NGO activists and the government officials involved. In some regions, such as in Chita and Arkhangelsk, officials eagerly solicit help from activists in collaborating on programming and on drafting legislation. In other areas, government officials (or even the activists themselves) envision the role of NGOs as temporary providers of social services until the state can stand on its feet again.

While there are a few Russian "think tanks" on the Western model that advocate public policy recommendations at the very highest levels of the Federal government and legislature, policy formulation by Russian NGOs is most likely to be born of practical experience. Very few Russian organizations deal exclusively with policy issues. In Russia, advocacy is most likely to take the form of a "partnership" between government bodies and NGOs. The overwhelming majority of NGOs influence local government agencies by working with them to solve practical problems. Advocacy is perceived by most Russian NGO activists as part of the process of working to improve the lives of their constituents, rather than as a separate function performed by specialized organizations.

In 1997, both Russian and American NGO sector experts noted significant improvements in Russian NGOs' ability to work together and to form coalitions. As individual NGOs become stronger, they have become increasingly willing to enter coalitions. Although activists are often critical of one another, organizations do pool resources and work together when there is a perceived need or a pressing issue. One Russian expert remarked, "When someone has a good idea, people unite." Coalitions or networks of NGOs form both as local or regional NGO councils, with broad-based membership, and among NGOs working on specific issues across the Russian Federation. Russia-wide associations or networks of organizations already exist and are advocating effectively at all levels of government on behalf of their constituents in the areas of human rights, the environment, gender issues, housing and community development, consumer rights, health, disability, mothers, children, and family issues, and business development. For example, the Committee of Soldiers' Mothers has over 100 chapters across the Russian Federation. Issue-oriented NGOs form nationwide networks to advocate on specific policy issues and share information of all kinds, including information on the activities and successes of other organizations engaged in similar activities.

*Constraints* The issue of relations with local government continues to be among the most complex facing NGOs. As NGOs establish themselves in a positive and cooperative role as public advocates and providers of services, a number of moral, economic, and political issues come into play. Some activists are unwilling to ally their organizations with government officials who are perceived as corrupt. On the other hand, NGOs are often dependent on local government officials for office space and operating funds. In all cases, activists understand that local authorities can seriously hinder their work, should a confrontation arise. In areas where satisfactory relations between NGOs and government exist, local government officials may be quick to understand the benefit of working with NGOs at election time, but local activists see little value in linking their organizations' identities to the fate of political parties, preferring to remain neutral during elections and advocate for their constituents with officials after elections take place.

#### **PUBLIC IMAGE: 4.0**

*Progress* In 1997 the perception of NGOs' effectiveness as providers of services and as advocates for their constituents has improved considerably among government officials in the areas in which foreign donors are active. According to Russian NGO sector experts from the regions, Moscow's widely-publicized social contracts competition, Yeltsin administration initiatives encouraging regional officials to work with NGOs, and much hard work by NGO activists themselves, have had significant impact. Recently NGOs (and especially NGO resource centers) have begun to work actively with local media representatives to increase coverage of the active, positive role that NGOs are playing in their communities. At the regional/local level, NGOs join together to advocate on behalf

of the NGO sector as a whole, to share resources, information, and experience, and to undertake common activities. NGO fairs, which promote the public image of NGOs among business, government, and the general population, are an example of such an activity. In June 1997, the CIP-funded Siberian Civic Initiatives Support Center held its second annual fair, for which it has garnered substantial government and some private-sector support.

*Constraints* 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. The public at large continues to have a poor understanding of the role and positive achievements of NGOs in society. Popular opinion often associates NGOs with illegal businesses or tax evasion. This negative image is largely due to a series of widely-publicized scandals such as those that involved national sports clubs that used tax privileges to make enormous profits on the sale of imported and sold liquor and tobacco products.

**SERBIA-MONTENEGRO**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 5.4**

The NGO sector in Serbia and Montenegro is bifurcated in a number of ways between those NGOs inherited from the old system, versus the "independent" NGOs, and between the primarily Belgrade-based NGOs established in the early nineties, and the new generation of NGOs which sprang up in the aftermath of the 1996/97 demonstrations. The demonstrations introduced a new generation of disaffected to political and social activism. These new activists have brought fresh energy and ideas into the sector. They face numerous obstacles, however, and risk burning out and dropping out. These include lack of experience and know-how in turning ideas into action, financial constraints, disapproval and harassment by authorities, especially in towns governed by the ruling coalition, and a lack of cohesion among activists themselves.

**LEGAL ENVIRONMENT: 5.0**

*Progress* Legal provisions indicate relatively liberal NGO registration procedures at the Federal level. Registration, in practice however, can be indefinitely stalled for politically active NGOs. A new NGO law has been drafted by NGO activists. Comments have been solicited from the wider NGO community. A handful of Ministry of Justice attorneys and nongovernmental lawyers are knowledgeable about NGO legal issues. The Belgrade-based Center for the Development of the Not-for-Profit Sector provides some legal assistance to NGOs, especially with regard to NGO registration. Other Belgrade NGOs provide such assistance to peers on an occasional basis. Up to 1% of the total income of for-profit companies is tax deductible if donated. Money spent on humanitarian, cultural, health, educational and sport activities is treated as "money spent." The state controls where donations are sent. If a business donates to a cause that is viewed unfavorably by the state, it can create problems for itself. Thus the new, autonomous NGOs do not benefit from this system of giving. Humanitarian assistance is tax exempt, according to the taxation law, only if distributed through the Red Cross or the Office of the Serbian Refugee Commissioner. Some NGOs charge for services and engage in other revenue-raising activities. Revenues used to support programmatic and core administrative costs are not subject to taxation.

*Constraints* Laws on citizens' associations (republican and Federal) are not adjusted to the existing republican and Federal constitutions. Registration at the republic level is the responsibility of the police. Registration procedures are not well known. The absence of a legal framework for international NGOs (INGOs), puts them in a legal limbo, affecting their ability to engage in banking, employment, and other day-to-day operations. State ambivalence towards NGOs usually takes the form of bureaucratic intransigence (stalling on permits, etc.) In some cities, NGO activists are subject to harassment by authorities. Federal law on citizens' associations, under which the largest number of NGOs are registered, does not envisage self-financing by NGOs.

#### **ORGANIZATIONAL CAPACITY: 5.0**

*Progress* Approximately a dozen NGOs -- primarily human rights, anti-war, and women's NGOs -- most Belgrade-based and founded in the early 1990s, have a well-defined mission, well-established reputation, set of activities, and loyal (international) donors. A new generation of NGO's has sprung up, many in the cities outside of Belgrade. An NGO support center provides information and some consultation services, issues a directory of NGOs and a newsletter, and plans to extend this to other types of assistance and services. A cadre of local trainers, who can teach basic NGO management skills, is active.

*Constraints* Few of the more mature NGOs distinguish rigorously between staff and the board of directors. More specialized training in NGO management, fundraising, managing as a board and the like, is needed. The new cadre of NGOs are just beginning to define their mission, develop activities, and cultivate donors. They are discovering the need to learn how to budget, plan, write proposals, track expenditures and program impact. Newer NGOs frequently lack access to information and training as well as space, phones, e-mail and basic office equipment. There is a shortage of professionals within organizations and insufficient use of volunteers.

#### **FINANCIAL VIABILITY: 6.0**

*Progress* Volunteers fuel most NGOs. A core group of Belgrade NGOs are adept at fundraising, and have a diverse set of international donors. Some NGOs enjoy in-kind support from municipalities, primarily in the form of office space. A handful of NGOs raise funding or supplement their budget through revenue generating activities. Local philanthropy is limited, however. The "new rich" of the society have not acquired a habit of philanthropy. However, they do support sport and entertainment activities. NGOs tend to bypass their assistance, partly because of the questionable nature of the origin of some of these assets.

*Constraints* Most NGOs make do with little, or struggle from grant to grant. Many activists lack basic fundraising skills. The deteriorating state of the economy indicates that NGOs will

remain primarily dependent on international sources for the foreseeable future. Over the past several years, refugee service-providing NGOs have been the recipient of technical assistance from international humanitarian organizations, but as assistance levels decline they will face the need to broaden their support base.

#### **ADVOCACY: 6.0**

*Progress* Narrowly defined advocacy organizations, especially with a human rights, women's, ethnic minority, or anti-war focus, exist. Newer advocacy-oriented NGOs include election monitoring and reform NGOs, a judges' association, and an association of reform-oriented municipal councilors. Advocacy consists primarily of documentation of abuses, demonstration and protest. There have, however, been examples of effective public awareness raising and coalition building. Communication among NGOs is improving as a result of the efforts of institutions such as the Center for the Development of the Non-Profit Sector and Civic Initiatives.

*Constraints* Republic and Federal government bodies are perceived as uninterested and unresponsive, even at the local level where there are some ostensibly reform-minded governments. Little contact takes place between NGOs and governmental entities. There is limited experience or belief in maintaining open lines of communication between governmental and nongovernmental sectors, and in pursuing collaborative approaches to problem solving. Fear of government reprisal on issues such as the treatment of minorities, leads to self-censorship (ex. Sandzak).

#### **PUBLIC IMAGE: 5.0**

*Progress* The activities of a limited number of larger NGOs are covered in the independent media. Other NGOs are generally considered insignificant. Some reform-minded local governments are open to NGOs, especially those NGOs such as the European Movement, that engage in economic development activities.

*Constraints* The overall attitude toward NGOs, whether in the state or independent media, is generally one of ignorance and underestimation. Editors and journalists can benefit from greater exposure to NGOs and their work. State media outlets are generally silent about NGO activity, or attack NGOs as anti-state and enemy organizations. The public and most government officials are generally uninformed or suspicious of NGOs. The concept of "non-governmental" is often interpreted as "anti-governmental." Suspicion of ulterior motives, such as self-enrichment or employment, is widespread. NGOs themselves do not fully understand the importance of the media, and many NGO activities remain unreported.

**THE SLOVAK REPUBLIC**  
Development of the Not-for-Profit NGO Sector  
1998

**Overall Ranking: 2.8**

Slovakia is a country of slightly more than 5,300,000 people, with approximately 75% of the population living in rural areas and small towns. The largest concentration of NGOs is in the Western part of the country, near the capital. From a handful of organizations in 1989, the Slovak non-governmental sector has grown to over 17,400. Of that number, 1,957 were registered as foundations and 15,433 as civic associations -- the only two legal options available at the time (Under the current system, trade unions are included under the heading of civic associations). Of the universe of 17,400, only 20% are considered to be active. The largest number of NGOs operate in the field of culture and recreational activities (including sports), followed by humanitarian and charity organizations, and then by environmental NGOs.

**LEGAL ENVIRONMENT: 3.5**

There is no established definition of what is a non-governmental, non-profit entity, nor is there a single law which governs the activities of NGOs. The Slovak Constitution guarantees the right of association and with the enactment of two laws in 1997, the "Law on Non-Investment Funds" and a "Law on Nonprofit Organizations Providing Beneficial Public Services", the basic legislative framework for NGOs is in place. However, this framework needs to be revisited as it does not meet international standards in all regards and is not appropriate for the optimal functioning of NGOs.

Slovak NGOs are able to register and operate under four laws, which vary in their degree of favorability. Civic associations are regulated by the "Law on the Association of Citizens," which allows for easy registration and operation, with no undue restrictions or state control. The 1996 Law on Foundations, however, introduced several new bureaucratic and administrative requirements, including minimum basic assets in the amount of 100,000 Slovak Crowns (approximately 3,000 USD), a ceiling of 15% on administrative expenses, and a prohibition on entrepreneurial or business activities (foundations are defined as purely grant-making organizations). Of the 1,957 foundations registered when the law went into effect on September 1, 1996, only 357 were able to meet the requirements and re-register under the new Law. Another 932 foundations re-registered under other legal form, such as civic association. The remaining 668 foundations simply disappeared. It should be noted that it is likely that a significant number of these foundations were already inactive at the time the new law was

introduced, so the impact of their disappearance was not as dramatic as it may sound. Both the Law on Non-Investment Funds and the Law on Nonprofit Organizations Providing Beneficial Public Services impose some restrictive requirements on the operation of NGOs registered under these legal forms, such as a cap on administrative expenses and stringent audit requirements for even small organizations. Neither of these legal forms are frequently utilized at this time.

NGOs are exempt from tax on income generated by related activities but are required to pay income tax on non-related income in excess of 100,000 Slovak Crowns per year. NGOs do pay value added tax and import duties on goods and services purchased. Exceptions to this are goods and services purchased under funding from EU Phare and goods purchased for charitable purposes. Individuals may deduct donations up to 10% from the base taxable income. Legal entities may deduct donations up to 2% of their base taxable income for single gifts exceeding 2,000 SK.

From the outset, one of the major goals of the Gremium for the Third Sector has been the development of a legislative framework which would support the development of the NGO sector in Slovakia. The Legislative Committee of the Gremium is the principle avenue through which the NGO sector seeks to advocate for an improved legislative environment. Over the past year, the Legislative Committee has been meeting with NGOs and officials from neighboring countries to examine their legislative frameworks as possible models Slovakia can draw from when the time comes to revisit their NGO legal framework, i.e. once a more NGO-friendly government comes to power. An analysis of the legal framework was carried out by the Legislative Committee, identifying weakness in the current laws, and ways to improve the operating environment for Slovak NGOs. There are also on-going discussions among the NGO sector on ways to address their financial weaknesses, primarily the weak domestic donor base and the over-dependence on foreign funders. Under the Social Policy Analysis Center, lawyers were trained and retained in four of the regional SAIA branch offices to provide legal advice to NGOs on issues of registration and other issues related to compliance and operation under the NGO legal framework.

### **ORGANIZATIONAL CAPACITY: 3.0**

The level of organization capacity varies, but the leading NGOs in the country do have a clear sense of mission which in most cases is problem-driven. However, it can be surmised that donors influence the mission of NGO in some cases. We have seen in the past year, however, some clear examples that NGOs are ready to accept a decrease in funding in cases where a donor's proposed activity is deemed outside the scope of the NGO's principle activities, or where the NGO finds the demands of the donor to be incompatible with their own goals and objectives.

The number of full- or part-time employees working in NGOs is around 5,100 as of the latest available figures from 1996. There are some 400,000 volunteers working closely with NGOs, i.e. on a regular basis, with an additional 395,000 volunteers cooperating with NGOs on a less frequent basis.

NGOs are beginning to recognize the importance of board development. However, the 1997 *Assessment of Slovakia's Third Sector* undertaken by the Foundation for a Civil Society among a representative sample of 203 NGOs found that many boards are currently comprised of founders and/or staff, with few having constituents or cross-sectoral representation. There is also little understanding of the separation between governance and program functions, with many boards taking an active role in the day-to-day management of the organizations. The *Assessment* also found that NGOs often have problems attracting board members.

#### **FINANCIAL VIABILITY: 4 0**

The state budget includes amounts for social benefit purposes which are distributed to state entities, civic associations, foundations and other organizations through contracts, subsidies, grants or targeted contributions made by individual ministries, local administrative authorities, or through special funds. The proposed budget for 1996 included 563,996,999 SK for public benefit purposes, including sports. Most social welfare, health care and education institutions are state owned or controlled and receive basic funding from the state budget. In the past four years, governmental funds have become increasingly difficult to obtain for the average NGO. This is primarily because of the Government's clear preference in its funding decisions for certain NGOs who are pro-Government in their positions. The transparency and objectivity of decisions made by government officials or grant committees has been very low in recent years.

Most of Slovakia's registered domestic private foundations are operational rather than grantmaking, and many were established to fulfill a special purpose of assist a specific institution. Those foundations that make grants are generally re-grantors of funds received from abroad and do not have significant endowment funds. The first attempts to build endowments are being made by emerging community foundations which are also fostering cross-sectoral cooperation at the local level.

In-kind and cash contributions are common in Slovakia, at both the corporate and individual levels. According to the Ministry of Finance, the total financial contributions of corporations in 1995 was approximately \$13 million, an increase from \$9 million in 1994. In 1994 and 1995, individual taxpayers deducted contributions of \$4 - \$5 million for charitable purposes.

In 1996, there were numerous discussions among the NGO and donor community on the concept of community philanthropy and how to support it. Out of these discussions emerged the Community Philanthropy Development Initiative (CPDI) and a year long study on the feasibility of the concept in Slovak conditions. That report was issued in July 1998, and a principle finding

of the study is that the NGO sector is in potential trouble due to uncertain financing in future. Though funds are not the only factor for sustainability, the relatively high influx of foreign funds after 1989 is gradually being phased out and local sources to replace them are not yet ready.

The study also found that philanthropy in Slovakia exists and has specific features characteristic of a post-communist country. Corporate giving is on the rise and has significant potential as the economy grows. Individual giving is also wide-spread. However, it still needs to be promoted as desirable behavior among the population at large. Among the NGO community, asking for funds is still a relatively rare art, as opposed to the relatively sophisticated proposal writing skills which exist. Philanthropy in Slovakia is characterized by in-kind giving, lack of cash and relatively high number of potential donors of small gifts. The authors of this study found that the experiences of the five existing community foundations in Slovakia represent a viable tool for raising the philanthropic culture in Slovakia. The challenge for these community foundations in the next 5 -7 years is to build sustainable endowments.

## **ADVOCACY: 2.0**

The NGO sector has begun to create its own infrastructure, including regional associations and national umbrella organizations. The Slovak Academic Information Agency - Service Center for the Third Sector (SAIA-SCTS), which has branch offices throughout the country, provides information, advice and training for NGOs, in addition to acting as a clearinghouse for information on Slovakia's third sector. Other umbrella organizations include the Slovak Humanitarian Council, the Slovak Catholic Charity, the Youth Council of Slovakia, and the Union of Civic Associations and Foundations (a purely GONGO organization). SAIA-SCTS and the Slovak Humanitarian Council both publish monthly newsletters for NGOs and SAIA-SCTS maintains a directory of Slovak NGOs. In the past few years there has been a rise in the number of technical publications and special studies prepared by Slovak NGOs, or about Slovakia's NGOs. The population of professional managers and program specialists is also growing. Slovakia's Third Sector holds an annual, nationwide meeting called the Stupava Conference, at which NGOs meet to discuss trends and issues in the sector, establish priorities for the sector's development for the ensuing year, as well as to establish contacts and cooperation within the sector.

The representative body of the NGO sector in Slovakia is the Gremium for the Third Sector which has as its fundamental purpose to advocate and promote the interests of NGOs, to develop partnerships with government, business, trade unions, etc., to explain and promote the work of NGOs at national level and abroad, and to co-ordinate information and service activities for NGOs. The Gremium is an unconstituted volunteer body which is elected annually at the Stupava Conference, and is comprised of 28 members, three from each of the seven sectoral areas (i.e. humanitarian and charitable, children and youth, culture, education, environmental, human rights, and community initiatives) plus one representative from each of the seven Regional Gremia. The Gremium elects a Spokesperson and forms working groups to carry out

the program established during the Stupava Conference. In 1997, following the territorial redistricting carried out by the Slovak Government, the NGO sector responded by forming Regional Gremia to correspond to the new state administration, and to strengthen cross-sectoral partnerships and increase cooperation among NGOs operating in the region.

The Gremium has been successful in mobilizing NGO support for large initiatives. For example, in 1996, in response to the Government's Bill on Foundations, the Gremium mobilized the NGO sector in the "SOS Third Sector Campaign" to try and prevent passage of this Bill. They carried out a nationwide media campaign to educate the public and policy makers about their concerns and even drafted alternative legislation.

In February 1998, the NGO sector launched an initiative called Civic Campaign '98 (OK'98) to support free and fair parliamentary and local elections in 1998. The Campaign works on a non-partisan basis to increase voter awareness of the issues and candidates in the campaign and to increase voter turn-out for the elections. The parliamentary elections were held in September 1998, with local elections scheduled for November. Public opinion polls carried out before the parliamentary elections showed that the voter education efforts of the NGO sector had a direct impact on people's level of awareness of the issues, and involvement in the election process. NGO efforts clearly contributed to the 84% general voter turn-out for these elections (compared with the 75% in 1994), and the over 80% turn-out among first time and young voters for these elections (a dramatic increase from the estimated 20-40% among this age group in the 1994 elections).

### **PUBLIC IMAGE: 1.5**

According to repeated public opinion polls, the image of NGOs among the public is prevalently positive, despite the recent attempts of the prior HZDS government to cast the sector as oppositional and anti-Slovak. In fact, it can be said that their effort backfired among the vast majority of the population. For example, NGOs reported that the Government's efforts served to increase people's curiosity about what they were doing, and helped attract positive attention to their efforts.

While social and humanitarian NGOs are perceived as the most useful, people are becoming more aware of the usefulness and importance of NGOs operating outside these sectors. SAIA-SCTS monitors media coverage of the NGO sector on an on-going basis. From this monitoring effort it is clear that the NGO sector is richly and positively reported on by the Slovak media. While NGOs had been attacked in the pro HZDS newspaper and State TV, their coverage was offset by other media, as most Slovaks get their news from more than one source. An analysis of the media coverage from 1995-97 carried out in 1997 showed that NGOs are using the media to inform the public about their activities, the principles under which they operate, and to advocate for the interests of the sector and their constituency.

**TAJKISTAN**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 6.6**

In Tajikistan, the lack of security, minimal economic development, and unclear policies and procedures regarding financial and business operations all contribute to the incipient nature of the NGO sector. These constraints render any activity by NGOs a success in itself. Specific problematic areas include confusing and restrictive NGO registration and tax laws, a tendency for NGOs to be "one person shows," financial dependency on international donors, and a lack of communication and general misunderstanding among NGOs, the government, and the media. Despite the macro-level economic and political problems, a number of NGOs in Tajikistan are exhibiting movement to higher stages of development.

**LEGAL ENVIRONMENT: 6.5**

The state remains a dominant force in the Tajik NGO sector. Confusing and restrictive legal provisions and the lack of effective or fair enforcement/implementation of the laws make NGO registration, democratic governance and operations difficult. The high cost of registration and bureaucratic impediments also restrict registration and operations. Positive signs include that NGOs are expressing interest and taking initial action to begin to coalesce and form coalitions to address legislative reforms. In addition, a few local lawyers are beginning to express interest in providing services to address NGO issues.

**ORGANIZATIONAL CAPACITY: 6.0**

Tajik NGOs tend to be "one person shows," and often split apart because of personality conflicts over leadership/control issues. More organizations are beginning to reflect the impact of training and proposal review and feedback regarding strategic planning and constituency building. In many cases, proposals lack an understanding of program monitoring and evaluation. Some NGOs are demonstrating increasing capacity to organize their work and build their constituencies. There is apparent readiness in some NGOs for special advanced training.

## **FINANCIAL VIABILITY 7.0**

Potential local fundraising sources are rare and funding remains overwhelmingly provided by international donors. A depressed economy and a lack of business and financial infrastructure are major factors in this dependency. New NGOs lurch from grant to grant and often depend financially on one or two foreign sponsors. NGOs generally are in need of assistance in designing and administering projects responsibly and in writing funding proposals.

## **ADVOCACY: 6.5**

Tajikistan is near the brink of experiencing a collapse of political opposition, that has harbored activists of several stripes. Given this environment, NGO activists remain afraid of confronting or engaging in a dialogue with the government. Many believe that the government will neither listen nor understand their views and recommendations. The emergence of narrowly defined NGO action has focused upon influencing the review and development of new and revised legislation, based upon expert analysis and input. Many organizations that do approach government present their cases at inappropriate levels or plead their cases to the wrong branch.

## **PUBLIC IMAGE: 7.0**

The government is uninformed and suspicious of NGOs as an institution or sector. The public does not understand the concept of "non-governmental," "not-for-profit," or even "volunteerism." The media is under government control and remains either uninterested or hostile towards NGOs. While relationships with journalists have been established and they often attend NGO events, they are often frustrated by the fact that their material is not printed or presented on air. Some individual NGOs recognize the potential value of engaging even a controlled media to educate the public. However, other NGOs still actively avoid media exposure of their operations, grants and cooperative efforts, fearing that the government or criminal elements will take advantage of the information.

*Ed. These scores were based upon an in-depth review by Counterpart Consortium/Tajikistan of the NGO sector in February 1998.*

**UKRAINE:**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 4.2**

A persistent obstacle to developing a sustainable NGO sector in Ukraine is the inhospitable legal and regulatory environment. While awareness about the role of NGOs in public society is increasing, it is unlikely that the average person is much concerned about the development of the third sector when economic conditions are as difficult as they are. Despite these problems, the number of registered NGOs continues to grow, and to the extent that the benefits of participating in these organizations touches a greater number of people, this awareness is likely to improve.

On the whole, there is often public misunderstanding about the role NGOs can play in society, such as being a "watchdog" over the government and providing social services that the government can no longer provide. Similarly, some misunderstanding exists among government officials about the role of NGOs. Often, the government views NGOs as its competitor, which is understandable given that the government had complete institutional monopoly for 70 years of Communist rule.

On the financial front, some evidence exists that private and corporate donors are willing to make financial contributions to NGOs, however, the practice is not widespread. Overall, the ability of NGOs to sustain themselves is limited by the poor economic situation and lack of legal clarity on the status of NGOs.

**LEGAL ENVIRONMENT: 4.6**

*Progress* The year 1997 began as a hopeful one for the NGO sector. A draft comprehensive NGO law that had been put together with active citizen and NGO participation, and with considerable backing by international donors, was submitted for consideration to the Verhovna Rada. Unfortunately, the draft languished without a reading. The newly elected Parliament presents an opportunity to present a forceful case for passage of the law. International donors are mobilizing to support the effort including funding a "campaign manager" to help shepherd the law to passage, legal advice, and the translation and printing of an information book on not-for-profit law. The book will be distributed to all parliamentarians through the US-Ukraine Foundation's Parliamentary Development Project. The draft law will likely be re-registered and placed on the legislative agenda in the Fall of 1998.

*Constraints* Not only did the Rada not adopt the draft NGO law last year, but on one of the last days of its session, it passed a Law on Charitable Organizations that caused considerable confusion in the NGO community. For example, the law appeared to grant tax exempt status to charities (as opposed to other types of NGOs) in apparent violation of the precept that only tax laws may grant exemptions. While this charities law is likely to be overturned, the need for a broader NGO law remains urgent. Some of the issues the NGO law needs to address are 1)

granting NGOs special tax status as not-for-profit organizations to enable them to raise funds for their activities, 2) legal recourse in the event an NGO is denied registration by the Ministry of Justice or local government agencies, and, 3) explicit tax incentives for private organizations and individuals to donate funds or in-kind contributions to NGOs

## **ORGANIZATIONAL CAPACITY 3 7**

*Progress* Sound management and financial skills are clearly lacking in the NGO sector in Ukraine. These concepts are very new to these budding organizations. USAID (through various PVOs) and other donors have provided some very basic training in the areas of project design and NGO management. Topics covered include community organization and needs assessment, by-laws and mission statements, program planning, staff recruitment and training, fund-raising and grant-writing, financial management, program implementation, program evaluation, government relations, etc. The Counterpart Creative Center, an all-Ukrainian NGO, has been a strong player in the training of NGO leaders. Ten NGO resource centers are supported throughout Ukraine. These centers provide access to computers, photocopiers and fax machines as well as providing training and disseminating/sharing information among NGOs and supporting the development of NGO coalitions. To bolster organizations that depend on volunteers and citizen activism, some donors, the new USIS/ACCELS program is an example, are launching efforts to promote civic participation.

*Constraints* According to statistics from the Boston-Kiev Sister City Association and anecdotal evidence, only about half of registered NGOs survive beyond the first two years of their existence. Many factors account for this, but lack of organizational capacity is likely a major contributor. Experience shows that it is difficult to generalize about organizational capacity of NGOs in Ukraine. NGOs in cities appear to have a better chance of surviving, although 70 percent of all NGOs are in cities, which may lead to an increased failure rate for urban NGOs. Kyiv, as the capital, enjoys the largest concentration of NGOs, but also the best potential for viability. As for networking among NGOs that could promote their longevity, there are no highly visible umbrella groups to address common issues. Some groups being organized by participants in the USIS Community Connections program appear to be an emerging force. The NGO Resource Centers provide a means for NGOs to find common ground, and could develop into important players.

## **FINANCIAL VIABILITY. 4.6**

*Progress* NGOs are receiving financial support from a variety of donors active in Kyiv, such as USAID (i.e., USAID supported U.S. PVOs, Eurasia Foundation), International Renaissance (Soros) Foundation, United Nations, TACIS and the Canadian, British and Dutch Embassies. Increasingly, donors are attaching provisos for local NGOs to come up with matching funds, cost-shares, or in-kind contributions to their competitive grant-making criteria. NGOs are able

to meet these conditions, usually by counting public support such as volunteer labor, or in-kind contributions such as government provided office space Attendance at grants management seminars is a typical requirement of donors for first-time grantees USAID-supported Counterpart Alliance for Partnership has launched a "Corporate Challenge" Grants Program in which NGOs seek corporate donors and the USAID/Counterpart matches the grant dollar for dollar up to \$5,000 Of the first set of grants, all but one involve entirely Ukrainian businesses Some state enterprises and private corporations appear to be willing to engage in long-term support of NGOs

*Constraints* Sustainability of indigenous NGOs has become a major issue for the international donor community, and for NGOs alike It is difficult even for very entrepreneurial NGOs to diversify their sources of funding Ukrainian private corporations that do support NGOs shun publicity, rather than seek it out, in order not to attract the attention of large numbers of applicants or of tax authorities The ability of the third sector to become self sustaining is clearly linked to improvement in economic conditions NGOs are unable to earn revenues beyond membership dues without being treated as a for-profit business under the tax code Some NGOs have managed to earn revenues through various arrangements (by establishing separate subsidiaries for example) Current laws do not allow NGOs to sell publications, charge fees for seminars, or otherwise recoup expenses To the extent that the legal framework can be changed, there may be some cause for optimism on the financial viability front

#### **ADVOCACY: 4.4**

*Progress* Advocacy groups focusing on politics, business, health care, social welfare, and environmental concerns have sprung up in a civic response to concerns on specific issues There have been a number of cases of successful advocacy by NGOs on behalf of citizen interests Environmental NGOs have won some highly publicized court cases against enterprises and local governments, and the Ukrainian Association of Cities continues to lobby the central government for greater decentralization Trade associations and public policy NGOs will likely jockey for greater visibility as they pursue their causes with the new parliament

*Constraints* NGOs lack experience in civil society This hinders the development of public support in a society where a "What's the use?" attitude prevails Despite the success of a few NGOs recently, NGOs typically play an extremely limited role in affecting public policy or in successfully advocating citizens' interests NGOs have not yet been recognized by government as legitimate spokesmen for their respective constituencies

**PUBLIC IMAGE 39**

*Progress* Ukrainians realize the extent of the problems facing their country and are beginning to acknowledge that government alone cannot remedy this situation. There is a growing openness to the role that NGOs can play in easing the economic transition. In some cases, human rights investigations, regular public opinion polls, public policy journals, and political TV programs are products of NGOs and have helped contribute to their social and political stature. For example, there has been greater debate and media coverage throughout Ukraine of the issue of women's role in Ukrainian society, catalyzed in part by women's NGOs.

*Constraints* Although some Ukrainian governmental officials understand and appreciate the role NGOs may/should play in the society, the majority of them, having no experience working with NGOs, see NGOs as a threat to their authority and sometimes use their power to limit NGOs' participation in the social and political restructuring of the country. A significant portion of the public still view NGOs with suspicion, regarding them as a means by which businesses avoid taxes, or politically powerful individuals can profit, as happened in highly publicized cases where abuse has occurred.

**UZBEKISTAN**  
Development of the Not-for-Profit NGO Sector  
1998

**OVERALL RANKING: 4.9**

At last count only 74 NGOs were officially registered in Uzbekistan. However, it is estimated that there are 456 independent NGOs actively working in the country. There are also a number of quasi-governmental NGOs (GONGOs), which are better known to the public than are "grassroots" organizations. These GONGOs have office space provided by the government in most of the major cities of Uzbekistan. There have been attempts by the government to co-opt certain potentially powerful NGOs, such as the electronic media association, and to create GONGO umbrella organizations, as in the case of artisan NGOs. NGOs that work in local communities appear to be more effective than those that do not, even if they are often quite small in membership.

Geographically, the majority of NGOs are in Tashkent, but there also exist growing NGO communities in the Ferghana Valley, Samarkand and Bukhara, and in Karakalpakistan. While the government of Uzbekistan tends to be restrictive of NGO activity and views them with suspicion, NGOs have found interesting ways to work in an advocacy capacity through informal contacts in their communities and with local governments.

Many Uzbek NGOs show promise in being financially sustainable, if an advantageous legal climate is established which will allow Uzbek NGOs to recover costs or provide services for a fee. Aside from the mostly restrictive legal and governmental climate, NGOs tend to be small, weak in constituency building, dependent upon foreign donors for financial sustainability, and lacking in strong governance structures. They are usually not transparent in either their governance or their finances.

**LEGAL ENVIRONMENT. 5 6**

The Public Associations law controls the registration and regulation of NGO activity. The law places geographical restrictions on activity and registration, and there are burdensome and time-consuming regulations complicating the application process. The law requires a 10-person founding group and requires all names, addresses and telephone numbers (which some may find intimidating). The registration cost is approximately 20 minimum salaries, and there are additional costs for a required seal, opening a bank account, etc., that make the process prohibitively expensive. The result of this environment can be seen in the relatively small number of NGOs that are officially registered with the Uzbek authorities.

The law restricts NGO activities to those specified in the organization's charter, and the tax code is largely ambiguous and allows authorities arbitrary control over NGOs. The government can, and has, put an end to the operations of certain "unwanted" NGOs. Should an NGO wish to expand its mission and activities, it must first change its charter, then go through the expensive and time-consuming process of re-registration, running the risk of arbitrary delays and/or outright refusal of registration.

The government often seems to be openly hostile toward the civil sector, or at least tries to control it as much as possible. The legal framework is often created by decree, and the government wields its powers in a self-serving manner. It has even created NGO umbrella organizations that compel smaller NGOs to join. Tax police have conducted audits of some USAID-supported NGOs, but there is no evidence to suggest that this is part of a greater strategy to harass those groups. Criticism on the part of NGOs can be interpreted as "political activity," and may constitute a pretext for closure.

There are very few local lawyers with an avid interest in NGOs. The real experts are found in the NGOs themselves, with long experience of trying to register and operate. There is a keen interest among NGOs to establish a means of getting legal advice.

While the letter of the law provides for certain tax breaks, both conflicting laws and arbitrary interpretation of the term "profit" add up to a very non-conducive tax environment. One percent of annual commercial income may legally be donated to an NGO, and even that is liable to be taxed upon receipt by the NGO. Grants are subject to tax, as would endowments if they existed. NGOs engaging in any type of commercial activity are considered commercial entities for tax purposes.

Advocacy efforts are beginning, with the support of international organizations. A joint NGO law working group including NGO representatives, leading lawyers, government officials and parliamentarians, drafted an NGO law, which would substantially change the regulation and forms of NGOs. The draft was submitted to the Council of Ministers in early 1997, but no official decision regarding the draft has come from the government.

## **ORGANIZATIONAL CAPACITY 4.2**

An NGO's sense of mission is often impacted by state-imposed limits upon activities, internal "mission creep," or by problems of internal NGO disagreement over direction. In general, the sectors in which NGOs have the clearest sense of mission are the women's rights movement, and support of the rights of the disabled. In the past, missions were problem-driven, but have become more donor-driven. Management and vision tend to be the purview of a very small group (not infrequently one person), seemingly reluctant to share power and responsibility with others. This has not only led to the dissolution or effective curtailment of some NGO activities, but continues to retard development. Functioning Boards of Directors are rare, and large memberships are non-existent. Most NGOs could not afford a paid staff without international donor grants. Staff is, therefore, almost always comprised of volunteers. NGO directors do not always share their sense of mission with volunteers, and do not engage them in both successes and failures.

There are a growing number of local trainers, but most of them have been cultivated by foreign assistance. Given the size of Uzbekistan, the number of local trainers outside of regional centers still needs to be increased. NGOs that have training capacity must develop a system where the conduct of their training is self-sustainable and not dependent upon international donor organizations. Very little NGO management training is conducted in the local language.

Almost all strong Tashkent NGOs and many in regional centers are equipped with modern computers and other equipment. Almost all of this equipment has been contributed by international donors. There are four NGO resource centers in Tashkent, Kokand, Nukus, and Bukhara. All of these centers offer email use and information for NGOs.

Some NGOs have service delivery capacity, but are hampered by an unwillingness to accept constructive criticism to improve these services. A handful of NGOs provide a basic level of "services" to the government – not through contracts, however, but through informal licensing, usually in the area of education.

#### **FINANCIAL VIABILITY: 4.4**

Most NGOs are heavily dependent upon foreign donors, but many NGOs have found ways to raise other revenue. Examples include artisan NGOs that sell their wares, a women's NGO that helps unemployed women make and sell household items, and an NGO resource center that provides tourist information and email use for a fee. All NGOs engaged in commercial activity are subject tax in the same way as any commercial enterprise. While most NGOs have sufficient resources to remain viable for the short-term, most of these resources are from grants. Nonetheless, in Uzbekistan, more than anywhere else in Central Asia, the prospect of NGOs developing viable small-scale commercial means of financial sustainability is a real possibility for the future.

Financial management systems are very informal unless the NGO is a grantee, in which case the donor usually demands a greater level of fiscal responsibility than most NGOs would normally practice. Even in these cases, most NGOs merely employ a financial accountant for the life of the project and let them go once the grant money has run out. Most NGOs do not understand the vital importance of making their financial management transparent to win the trust of potential donors, including local government and business.

There are a few NGOs who have been able to take advantage of local small businesses as a source of funding, but overall, they seem to favor the Soviet strategy of seeking assistance from the state. While the government definitely favors GONGOs, there are some progressive local governments that seem receptive to helping independent NGOs, even if that be through in-kind, rather than cash, contributions. There is an Islamic tradition of personal philanthropy in Uzbekistan which has great potential. Unfortunately, to date most Uzbek NGOs have not been

able to demonstrate to these sources of philanthropy that their work warrants the assistance of the community

Raising revenue via commercial activities is considered acceptable by the majority of the NGO community, but both active opposition by the government to this, as well as a type of “self-censorship” (fear that the tax police will confiscate profits, forbid future commercial activity and possibly shut down the NGO) prevent the actual implementation of many such plans. Given the ability to do so, many NGOs in Uzbekistan are likely to have the know-how to use commercial activity as a means of revenue raising.

#### **ADVOCACY: 4.6**

At the local level, there is some room for public policy influence on the part of NGOs, but very little at the national level. NGOs are able to be active in less overtly political and controversial issues. Given the authoritarian nature of the Uzbek government, the strategies which Uzbek NGOs employ at the local level are not always visible. They often advocate through close personal, rather than transparent public, links to government officials. Most efforts to increase awareness have dealt with issues of disability and social benefits for the disabled, although women’s issues are increasingly in the public forum where discussions are benefiting from the perspective of women’s NGOs.

Whether due to simple competition for scarce resources (both material and information,) or fear of disclosing information to the wrong person, NGOs often do not share information. Existing networks are informal and ad hoc, with most information-sharing efforts being driven by foreign donors. No coalitions or broad-based advocacy programs exist. However, there are examples of close coordination among NGOs in smaller cities, where they are forced to consolidate vis a vis local government to be recognized.

#### **PUBLIC IMAGE: 4.8**

NGOs receive a modicum of media coverage, usually associated with concrete events. Unfortunately, reporters in Uzbekistan often charge a fee for placing materials on NGO activities in the media. We have yet to see attacks on NGOs in the public media.

Public awareness of NGOs, especially “grassroots” NGOs is very limited. Partially due to the translation of the name, non-governmental organizations are sometimes met with the suspicion that they are, indeed “anti-governmental organizations.” According to an 1996 IFES public opinion poll, respondents tended toward passive support of women’s groups and groups working in the area of the environment. Another problem is the fact that some members of the public perceive NGOs merely as ways in which others receive foreign grant funds. This situation is somewhat better in smaller cities where the NGO leaders may be well known members of the

community In these instances, such NGOs have been able to attract some respect from the general populace locally

NGO leaders tend to be very proprietary, both in terms of available resources, as well as in terms of "authority" within the community There are no regular meetings, other than those organized by foreign donors Foreign donors are also largely responsible for promoting the interests of the NGO sector Still, when foreign donors take the lead, there are examples of close NGO coordination across sectors, as is the case with the present NGO law drafting effort Furthermore, there seem to be more examples of coordination between NGOs on the local level in smaller cities outside the capital

While some NGOs try to promote their activities, their attempts are too often aimed at donors, too rarely at the broader potential NGO constituency Transparency is not widespread, partially due to fear of the tax police This is a major obstacle to the improvement of NGOs' public image and in their potential to attract indigenous donors