

The 1999 NGO Sustainability Index



Developed by:



United States Agency for International Development
Bureau for Europe & Eurasia
Office of Democracy and Governance

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**In Memoriam
John P. Grant**

This edition of the NGO Sustainability Index is dedicated to the memory of John P. Grant, friend and colleague, who passed away this year while on assignment as USAID Mission Director in Sofia, Bulgaria. John had a vision of a vibrant civil society as the basis for lasting peace and prosperity throughout the region, and he worked indefatigably in pursuit of it. He supported and strengthened the NGO sector in innovative and far-reaching ways that have left an indelible mark not just on USAID programs, but on everyday people around the world. We hope that this Index, which John Grant helped develop and refine, will help further his ideal of "doing the right thing for civil society development, and getting it done right."

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THE 1999 NGO SUSTAINABILITY INDEX:

FORWARD

INTRODUCTION

With the publication of the 1999 NGO Sustainability Index, the Bureau for Europe and Eurasia has taken another step forward in the continued development and improvement of this important instrument that gauges the strength and viability of the region's NGO sectors. Based on feedback from USAID Missions and implementing partners, and formulated with the assistance of the Advisory Committee on Voluntary Foreign Assistance (ACVFA), changes and improvements in this edition of the Index have been made to make scoring both more rigorous and more comprehensive. Readers will note two major changes:

- Two new dimensions of NGO sustainability-- service provision and sectoral infrastructure -- which in prior years were included as part of organizational capacity
- A refined, more objective scoring process.

While these changes make this year's scores harder to compare to those of prior years, we believe that the increased objectivity of the scoring and the additional information that the new dimensions provide will more than make up for the difficulty.

The 1999 Index also provides additional graphs and charts in a new Statistical Annex, that will enable the reader to compare scores in each dimension, both across the regions and over time. We hope the insights these graphs provide will prove valuable to donors and implementers alike.

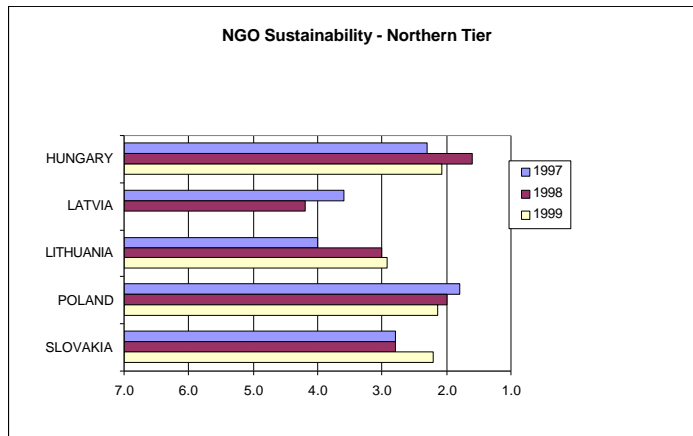
Now that the Index is in its third edition, the data are beginning to provide a picture of progress, constraints, and sectoral self-perceptions within each sector and across the region. We can therefore make a number of general observations and identify a few trends.

FINDINGS AND TRENDS

Northern Tier:

In the past ten years, the countries of the Northern Tier of Central and Eastern Europe¹ have made great progress in democratic transition and civil society development. The scores in each of the seven dimensions of sustainability that the Index now measures indicate that civil society in these countries has come far since the fall of their communist governments. These scores demonstrate that there is a growing community of capable and professional NGOs that have demonstrated an ability to participate in public policy debates, advocate effectively on behalf of their constituencies, and provide services that their communities need and value.

Unfortunately, rebuilding the traditions of philanthropy, charity and social responsibility that existed in the region prior to the Second World War have proven more difficult than establishing the forms, structures, and institutions of democracy and civil society.



Throughout the Northern Tier, legal structures and regulatory mechanisms are consistently being refined and improved. Legal reforms that meet international standards and support NGO development are continuing to be made to existing legal structures, largely with substantial local NGO input and involvement. However, there is still need for further reform and development of NGO legal and regulatory environments, as well as further development of local legal capacity to serve the not-for-profit sector.

Intermediary support organizations (ISOs) have emerged to provide technical services and assistance to NGOs. In Poland, for example, a network of seven NGO support centers has been established in the larger cities. These centers provide information, training, advisory services to NGOs on fund-raising, NGO management, preparing applications for funding, cooperation with local government, and promotion and cooperation with the media. The Academy for the Development of Philanthropy in Poland, with funds from the Stefan Batory, Mott and Ford Foundations is also facilitating the development of 14 community foundations.

¹ For the purposes of this paper the Northern Tier of Central and Eastern Europe consists only of Hungary, Latvia, Lithuania, Poland and Slovakia.

In Slovakia, the NGO sector has created its own infrastructure, including regional associations and national umbrella organizations. The Slovak Academic Information Agency-Service Center for the Third Sector (SAIA-SCTS) has eight branch offices in different regions throughout the country that provide information, advice, and training for NGOs. It also acts as a clearinghouse for information on Slovakia's NGO sector. Slovak NGOs hold an annual nationwide meeting called the Stupava Conference to discuss trends and issues, establish priorities and contacts, and increase cooperation. The Conference also elects a volunteer body, the "Gremium for the Third Sector", to advocate for and promote the interests of NGOs. The Gremium helps develop partnerships with government, business, and trade unions; explains and promotes the work of NGOs nationally level and abroad; and co-ordinates information and service activities for NGOs.

In Hungary, a strong cadre of well-trained professionals services the non-profit sector, although most NGOs find it difficult to pay for such services without foreign donor support. The Government of Hungary has begun constructing a network of Civic Houses, based in larger towns across the country; however, the exact scope of their mission remains unclear.

The Index's measurements show organizational capacity, advocacy skills, and the public image of NGOs remain strong and stable in the Northern Tier, generally showing steady progress. The scores in NGO financial viability, however, particularly in those countries in which USAID has discontinued bilateral aid, are beginning to reflect NGOs' concerns about sustaining themselves financially in an environment where foreign donors are reducing support and shifting priorities.

For these countries, all of which have either graduated from direct bilateral assistance or are scheduled to do so by September 30, 2000, political, social, and economic integration into Western Europe seems inevitable, though in most cases it remains years away. Despite this perception of inevitability and evidence of substantial progress in civil society sustainability, in countries like Hungary and Poland much of the original energy and enthusiasm of civil society development has given way to guarded optimism. In Slovakia, NGOs are still benefiting from the enthusiasm for civil society institutions generated by the highly successful civic education program *OK 98*. In the rest of the Northern Tier, however, economic recession, a substantial reduction of foreign donor support, and the lack of indigenous philanthropic development are beginning to hit home. Much of this disillusionment may also be due to the fact that NGOs in the Northern Tier are beginning to compare themselves more to their Western neighbors than to their counterparts in the former Warsaw Pact.

Southern Tier:

In the Southern Tier of Central and Eastern Europe², economic and political transformation is taking longer than originally hoped, and despite substantial progress,

² For the purposes of this paper, the Southern Tier of Central and Eastern Europe consists of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Macedonia, Montenegro, Romania and Serbia.

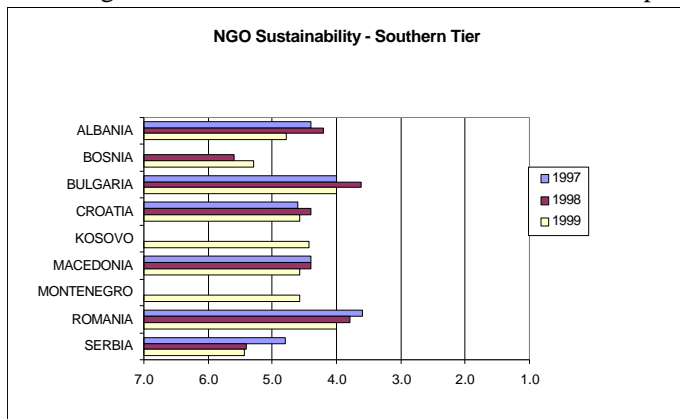
particularly in Bulgaria and Romania, civil society development clearly lags behind the Northern Tier.

Difficult economic and political circumstances greatly affected NGO sustainability. Two highly divisive and destructive wars in the Southern Tier sent shock waves throughout the economic, social, and political fabric of the entire region. Nationalist or populist movements have enabled a number of authoritarian or semi-authoritarian leaders to profit from continuing corruption, rising crime, and in the absence of civil society traditions of social and community responsibility, to maintain or to bring themselves back into power.

In places like Croatia and Serbia, political leaders have branded NGOs and civil society organizations as either instruments of the West or party to the political opposition. Still, the public image of NGOs in places like Croatia, for example, remain strong.

There is steady progress in improving the legal environment for NGOs throughout the Southern Tier. Local NGOs are actively participating in working groups that are drafting new legislation in Bulgaria and Romania. New laws have been passed in Macedonia and Montenegro that reflect a number of international best practices. In Albania, a new draft

NGO law that has been recognized as among the best in the Balkan region is awaiting passage.



Progress has also been made in the area of organizational capacity. Still, many NGOs throughout the Southern Tier still do not have well developed Boards of Directors. Many of the more sophisticated

NGOs are too dependent on donor support, which often results in organizations adapting themselves to be eligible for grants, rather than using their missions as a tool to develop constituencies and deepen roots in their communities.

Because of continued economic stagnation and widespread disillusionment with social and economic progress since the fall of communism, NGOs in Albania, Bulgaria, Macedonia and Romania are struggling to maintain the progress in developing positive public images that the Index had noted in prior years. In each of these countries, the government, public and NGOs themselves must better understand the role NGOs can play in an active civil society.

The largest NGOs in the Southern Tier are highly dependent upon international donor funding and pessimistic about their chances of developing alternative sources of local funding. Scores in the area of NGO financial viability continue to be mired in the "Early-

Transition³ phase. Although some organizations are able to charge for their services or collect membership fees, income from these sources is limited because of the poverty of the community. In some countries the legal structure works against NGOs earning income or individual and business philanthropy, by fully taxing all income and failing to provide for deductions for charitable contributions.

One positive trend is the progress made in improving NGO effectiveness in issue and constituency advocacy. This is particularly evident in Albania, Bulgaria, and Croatia. NGOs are beginning to form coalitions and partnerships with local authorities. In Croatia, for example, 148 unions, human rights, women's and ecology NGOs formed *Glas 99*, a loose coalition of groups that promote civic education and mobilize voters to support democratic change.

Nevertheless, Croatia still does not have a developed infrastructure of intermediary support organizations (ISOs). In fact there is only one NGO resource center, located in Zagreb. Additional ISOs could provide NGOs in other regions of the country with support in meeting registration and tax requirements, and provide training and assistance in financial management and fund raising. Still, some NGOs are able to support the development of smaller grassroots NGOs through sectoral coalitions of environmental NGOs, peace and human rights groups, and women's NGOs.

In Bulgaria, there are a number of resource and information centers throughout the country, although most provide only limited services. They have, however, been somewhat successful in attracting income from local sources. Romania also has a few NGO ISOs, but these organizations are still in the formative stage -- trying to define their role, struggling with a lack of resources, and developing and maintaining relationships with clients.

The public's frustration with government institutions, coupled with the developing organizational, advocacy, and service capacity of NGOs, can still represent an opportunity for the NGO sector. By understanding and effectively meeting the needs of their constituencies, NGOs can forge lasting and valuable relationships that support their long-term sustainability.

Eurasia (NIS):

The picture for NGOs in Eurasia⁴ is mixed. There are identifiable successes within each dimension of sustainability, and broad measures of capacity are increasing for a core group of NGOs throughout the region. Despite the impact of the Russian financial crisis, the NGO sectors in Georgia, Kazakstan, Kyrgyzstan, Russia and Ukraine, for example,

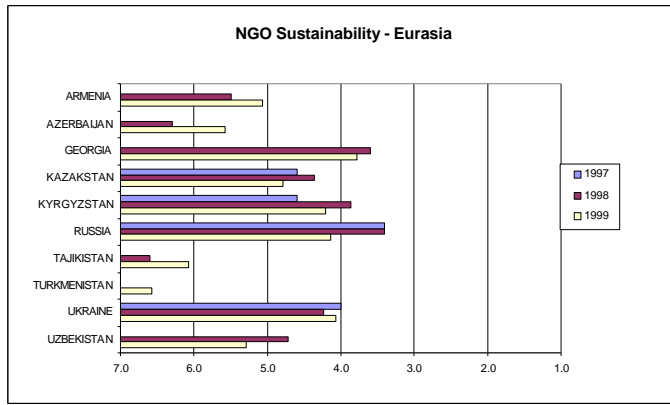
³ The NGO Sustainability Index clusters the characteristics of sustainability into three basic stages: Early Transition, Mid-Transition and Consolidation. The Early Transition stage corresponds to a score of 5 to 7 points on the scale; the Mid-Transition stage corresponds to a score between 3 and 5 points; and the most advanced stage, Consolidation, corresponds to a score between 1 and 3 points. For further discussion and description of these phases, please see "Ratings: A Closer Look", page 15.

⁴ For the purposes of this paper, the countries included in the Eurasia region are Armenia, Azerbaijan, Georgia, Kazakstan, Kyrgystan, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan.

continue to score solidly in the Mid-Transition phase. Even in Tajikistan and Turkmenistan, the first real signs of civil society are beginning to emerge. Despite a decline in the overall measure of sustainability for the NGO sector in Eurasia, and despite a deteriorating financial and political environment with increasing pessimism and disappointment with reform, NGOs are making gradual progress or holding their own in the areas of organizational capacity, advocacy and public image.

In Kyrgyzstan, for example, new legislation was approved in 1999 that greatly improves the legal environment for NGOs by establishing a legal basis for the creation of non-profits and determining their clear distinction from commercial organizations.

In Georgia, the most highly developed NGOs have strategic plans and mission statements, paid professional staff, and access to modern office equipment. Most have a well supplied office with at least one computer, fax/modems and Internet access. Many NGOs are capable of augmenting their staff with volunteer labor, though the Labor Code of Georgia lacks any norms for volunteers and prohibits organizations from having such volunteers.



In Armenia, NGOs have been able to get favorable coverage in both print and broadcast media by inviting

media to events and explaining how their activities benefit the community. Broadcast media, both state and private, have demonstrated a willingness to allow public service announcements to be broadcast free or for a minimal charge.

In Azerbaijan, the range of services provided by NGOs is growing, and the types of programs offered are continually becoming more diverse; these include services and programs in education, for children and youth, health, environmental protection, economic development, and humanitarian relief. While a majority of the population is still unfamiliar with NGOs, public awareness is steadily growing as these organizations increase in number and programming reaches out beyond the capital city of Baku.

Building the traditions and institutions of civil society in Eurasia is proving to be a much longer-term endeavor than originally thought. The Russian financial crisis has had serious repercussions in Russia and throughout the region. The devaluation of the ruble has had a major and sustained negative impact on local economies, and in turn on NGO resources. Trade and employment are down. Inflation continues to erode the value of NGO resources and increase operational costs. Those NGOs fortunate enough to have access to international donor support are finding themselves drawn more and more to international donor objectives that may not necessarily correspond to local priorities, just at the time

when community needs are increasing the most. As a result, many of the larger and more organizationally sophisticated NGOs are sometimes perceived as more concerned with getting donor funds than with providing necessary programs and services.

Coupled with limited traditions of civil society, high levels of distrust for public institutions, and general disappointment with the results of reform, NGOs are having a difficult time engendering positive attitudes about the importance and capacity of the Third Sector.

Still, NGOs are beginning to diversify their financial bases by introducing cost-recovery, fees-for-service, and other revenue-raising schemes, although these may in many cases carry serious tax liabilities. There is also evidence of substantial progress in NGO relations with local government. In Russia, for example, regional and local government agencies are beginning to be seen as the most likely sources of future financial support, rather than international donors. Local advocacy initiatives have gained strength in over thirty Russian regions, as demonstrated by local citizen councils that meet regularly to advise legislative and executive branch officials on policy. Local government officials are beginning to recognize the value that NGOs can add in the provision of basic social services.

The concept of associational life is beginning to take hold, and NGO sectors throughout Eurasia are continuing to grow. In Russia for example, since the 1995 mandatory re-registration of civic organizations, almost 240,000 organizations have been registered with the Ministry of Justice. Local experts estimate that only one quarter of these are active and engaged in civic issues, but the number and variety of organizations that have registered indicates that there is a growing variety of associational life in Russia. Grassroots organizations are forming for a variety of community purposes: trade unions, religious groups, consumer cooperatives, business associations, sports clubs, social and cultural organizations, etc. It is also clear, by their sheer number, that the majority of these organizations form and sustain themselves on local and volunteer resource, and receive no international donor support.

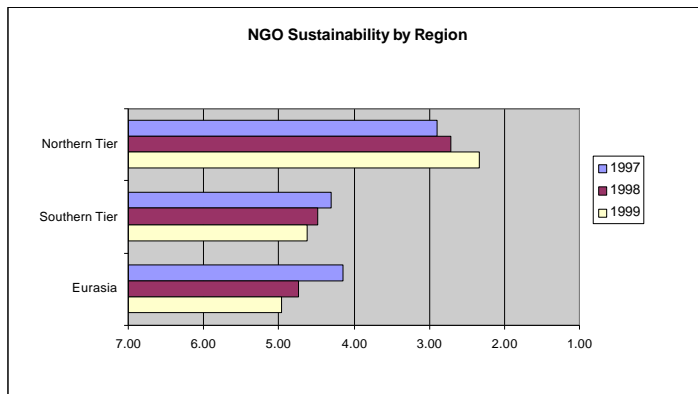
Throughout the region, there are encouraging signs of NGO cooperation, coalition building, and the capacity to become involved in civic issues. In Ukraine, for example, during the 1999 presidential campaign, nearly three hundred NGOs worked together in the *Freedom of Choice Coalition*, implementing 82 projects to educate and mobilize voters and to provide oversight of the electoral process. The wide range of projects included student mock elections, educational programs for handicapped and hospitalized voters, and the production of economic education brochures for voters. Coalition groups also monitored the media, fielded nearly 18,000 poll watchers on Election Day, conducted two independent parallel vote counts, and an exit poll.

In Russia, intermediary support organizations (ISOs) are sharing lessons learned, providing technical services and assistance at the local level, and facilitating partnerships with local government. For example, the Siberian Civic Initiatives Support Center (SCISC) in Novosibirsk coordinates a network of twelve support centers throughout

Siberia. SCISC is currently exploring fee for service models that Siberian NGOs can use under a grant from the British Know-How Fund. In partnership with the Points of Light Foundation, it is pioneering the development of voluntarism in Siberia. It is managing an annual NGO fair with a small grant pool, raised largely from local governments, for award to adjudicated winning projects. SCISC also operates as a "Social Chamber of Commerce" facilitating NGO/local government communication and partnership. All 12 cities that have local NGO resource centers also have local government agencies for NGO relations, and volunteer agencies have been established in eight of the twelve communities. SCISC has also been able to match local government funds with money from the Soros Foundation to establish community based mini-grant funds that provide grants to local NGOs.

CONCLUSION:

The 1999 NGO Sustainability Index documents the profound changes that continue to take place throughout Central and Eastern Europe and Eurasia. Despite the progress in civil society development, it is clear that continued international donor support and capacity-building programs are necessary for indigenous NGO sectors to achieve sustainability, particularly in the Southern Tier and Eurasia. Continued international support will be necessary for the civil society traditions of charity, a diverse associational life, social responsibility, and civic involvement to take firm root.



The data compiled in the Index shows that the majority of countries in the region have made real and positive progress in establishing a basic legal environment in which NGOs can operate. Although much progress is still needed in many countries, essential principles such as ease of registration and

freedom from state harassment have been established by the NGO legislation in all but a handful of countries.

With donor support, a core group of professional NGOs has developed in each country, that has the capacity to govern and manage themselves, participate in public discourse, and is capable of providing mentoring, assistance, and models for new and developing NGOs to follow. NGOs are providing a wide variety of valuable social and community services across the region, and there is a growing capacity among NGOs to form coalitions and participate actively in the political process by undertaking non-partisan civic education projects and activities that support free and fair elections.

Still, a number of the key elements of robust civil society remain weak. The most important of these are financial viability and NGO public image. The most sophisticated and professional NGOs remain, for the most part, no more than loosely rooted in their communities and will continue to require international donor support to sustain themselves. For the most part, tax legislation has not yet evolved to the point where it is broadly supportive of NGOs and charitable giving. In most countries, NGOs are either not allowed to have earned income, and like businesses, they are subjected to taxes on any income that they earn.

In general, the new middle class is still too small and unfamiliar with the role and capacity of civil society to involve itself widely in charitable activities, community associations or NGOs. Local economies are neither deep nor sophisticated enough to support thriving civil society sectors entirely with indigenous resources. For example, the EU estimates that even with the robust five to six percent annual growth rates that Poland has been experiencing over the past four years, it will take another thirty years for even the most successful post-communist countries to match average EU living standards and purchasing power. This has major implications for the ability of local economies to sustain diverse and vibrant NGO sectors without substantial outside financial support.

To reach sustainability, NGO sectors in Central and Eastern Europe and Eurasia will need to become more organic, supporting the community's capacity to form and re-form a variety of NGOs, civic groups, and associations that represent the community and respond to its needs. NGOs will need to build greater understanding within the community that the Third Sector is an effective means of providing services, sharing and distributing information and solving problems. NGOs will need to become more entrepreneurial, broadening their base of resources to include domestic public sources, domestic private philanthropic sources and earned income from economic activities.

In future years, USAID and international donor NGO capacity development programs will need to focus greater attention on sustainability issues: the ability of NGOs to earn and raise substantial financial support in their local communities, the ability of NGOs to deepen their roots in their local communities by meeting community needs, and the capacity of indigenous sectors to support organic sectoral growth and development through the services of local intermediary support organizations.

The 1999 NGO Sustainability Index

How is it measured?

Seven different dimensions of the NGO sector are analyzed in the Index: legal environment, organizational capacity, financial viability, advocacy, public image, service provision, and NGO infrastructure. Taken together, these dimensions provide a basic description of what a sustainable NGO sector should look like. Individually, these dimensions can provide Missions with a reasonable measure of impact over time, and a basis for identifying both needs and opportunities in a strategic planning process.

In the Index, each of these seven dimensions is examined, with a focus on the following questions:

- 1) What has been accomplished?
- 2) What remains a problem?
- 3) Do local actors recognize the nature of outstanding challenges?
- 4) Do the local actors have a strategy and the capacity to address these challenges?

A brief explanation of the criteria used to evaluate each aspect of sustainability follows:

Legal environment. For an NGO sector to be sustainable, the legal and regulatory environment should support the needs of NGOs. It should facilitate new entrants, help prevent governmental interference, and give NGOs the necessary legal basis to engage in appropriate fund-raising activities and legitimate income-producing ventures. The legal environment dimension of the Index analyzes the legal status of non-governmental organizations. Factors shaping the legal environment include the ease of registration; legal rights and conditions regulating NGOs; and the degree to which laws and regulations regarding taxation, procurement, access to information and other issues benefit or deter NGOs' effectiveness and viability. The extent to which government officials, NGO representatives, and private lawyers have the legal knowledge and experience to work within and improve the legal and regulatory environment for NGOs is also examined.

Questions asked include: Are NGOs and their representatives allowed to operate freely within the law? Are they free from harassment by the central government, local governments, and tax police? Can they freely address matters of public debate and express criticism? Do NGOs receive any sort of tax exemption? Do individual or corporate donors receive tax deductions? Do NGOs have to pay taxes on grants? Are NGOs allowed legally to compete for government contracts/procurements at the local and central levels?

Organizational capacity. A sustainable NGO sector will contain a critical mass of NGOs that are transparently governed and publicly accountable, capably managed, and that exhibit essential organizational skills. The organizational capacity dimension of the Index addresses the operation of NGOs.

Questions evaluated include: Does the sector have a core of professionals who are experienced practitioners and trainers of NGO management? Does a core group of mature NGOs exist in a variety of sectors and geographic areas with well-developed missions, structures and capacity,

including a recognized division between the Board of Directors and staff members? Do NGOs actively seek to build constituencies for their initiatives?

Financial viability. A critical mass of NGOs must be financially viable, and the economy must be robust enough to support NGO self-financing efforts and generate philanthropic donations from local sources. For many NGOs, financial viability may be equally dependent upon the availability of and their ability to compete for international donor support funds.

Factors influencing the financial viability of NGOs include the state of the economy, the extent to which philanthropy and volunteerism are being nurtured in the local culture, as well as the extent to which government procurement and commercial revenue raising opportunities are being developed. The sophistication and prevalence of fundraising and strong financial management skills are also considered, although this overlaps with organizational capacity, described above.

Advocacy. The political and advocacy environment must support the formation of coalitions and networks, and offer NGOs the means to communicate their message through the media to the broader public, articulate their demands to government officials, and monitor government actions to ensure accountability. The advocacy dimension looks at NGOs' record in influencing public policy. The prevalence of advocacy in different sectors, at different levels of government, as well as with the private sector is analyzed. The extent to which coalitions of NGOs have been formed around issues is considered, as well as whether NGOs monitor party platforms and government performance. This dimension does not measure the level of NGOs engagement with political parties.

Public image. For the sector to be sustainable, government and communities should have a positive public image of NGOs, including a broad understanding and appreciation of the role that NGOs play in society. Public awareness and credibility directly affect NGOs' ability to recruit members and volunteers, and encourage indigenous donors. The Index looks at the extent and nature of the media's coverage of NGOs, the awareness and willingness of government officials to engage NGOs, as well as the general public's knowledge and perception of the sector as a whole.

Service Provision. Sectoral sustainability will require a critical mass of NGOs that can efficiently provide services that consistently meet the needs, priorities and expectations of their constituents. The index reviews questions such as: Do the goods and services that NGOs produce reflect the needs and priorities of local donors and the community, as well as foreign donor grants and the government? Do NGOs have knowledge of the market demand? Do they have knowledge of the ability of the consumers of their services to pay for their products and services? Does the government, at the national and/or local level, recognize the value that NGOs can add in the provision of basic social services? Do they provide grants or contracts to NGOs to enable them to provide such services?

Sectoral Infrastructure. A strong sectoral infrastructure is necessary that can provide NGOs with broad access to Intermediary Support Organizations (ISOs) that provide local NGO support services. ISOs providing these services must be able to inform, train, and advise other NGOs; and provide access to NGO networks and coalitions that share information and pursue issues of common interest. Questions include: Is there an indigenous infrastructure, including ISOs, which supports NGOs? Do ISOs have an available body of information and curricula on the not-for-profit sector? Do NGOs share information with each other? Is there a network in place that facilitates such information sharing? Is there an organization or committee through which the sector promotes its interests?

Ratings: What they mean in general terms

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.

The 1999 NGO SUSTAINABILITY INDEX

COUNTRY	LEGAL	ORGANIZATIONAL	FINANCIAL	ADVOCACY	PUBLIC	ORIGINAL	SERVICE	SECTORAL	FINAL	1998*
	ENVIRON.	CAPACITY	VIABILITY		IMAGE	DIMENSION	PROVISION	INFR.	AVERAGE	NIT
						AVERAGE			RATING	CS SCORE
ALBANIA	4.0	5.0	5.0	4.0	5.0	4.6	5.0	5.5	4.8	4.3
ARMENIA	4.0	5.0	6.0	5.0	5.0	5.0	5.0	5.5	5.1	3.5
AZERBAIJAN	6.0	5.8	6.0	5.8	5.5	5.8	4.5	5.5	5.6	5.0
BOSNIA	5.0	4.5	6.5	5.5	5.0	5.3	5.0	5.5	5.3	6.0
BULGARIA	4.5	3.5	5.5	3.0	4.5	4.2	4.0	3.0	4.0	3.8
CROATIA	5.5	3.5	6.0	4.0	4.0	4.6	5.0	4.0	4.6	3.5
GEORGIA	3.5	3.5	4.5	3.5	4.0	3.8	4.0	3.5	3.8	4.3
HUNGARY	1.0	2.0	2.5	1.5	2.5	1.9	2.5	2.5	2.1	1.3
KAZAKSTAN	5.0	4.5	5.5	4.5	4.5	4.8	4.5	5.0	4.8	5.0
KOSOVO	3.0	4.5	6.0	5.0	3.5	4.4	4.0	5.0	4.4	--
KYRGYZSTAN	3.5	4.5	5.5	3.5	4.0	4.2	4.0	4.5	4.2	4.5
LATVIA										2.3
LITHUANIA	4.0	2.5	3.5	1.5	2.5	2.8	3.5	3.0	2.9	2.0
MACEDONIA	3.0	4.0	5.0	4.5	5.0	4.3	5.5	5.0	4.6	3.8
MONTENEGRO	3.5	5.0	5.5	3.5	5.0		4.5	5.0	4.6	
POLAND	2.0	2.0	2.5	2.5	2.0	2.2	2.0	2.0	2.1	1.3
ROMANIA	3.5	3.5	5.0	4.0	4.0	4.0	4.0	4.0	4.0	3.8
RUSSIA	4.0	3.5	5.0	3.5	5.0	4.2	4.5	3.5	4.1	4.0
SERBIA	6.0	5.0	6.0	6.0	5.5	5.7	4.0	5.5	5.4	5.0
SLOVAKIA	3.5	2.0	3.0	1.5	1.5	2.3	2.5	1.5	2.2	3.0
TAJIKISTAN	6.0	6.0	7.0	6.0	6.0	6.2	5.5	6.0	6.1	5.3
TURKMENISTAN	7.0	6.0	7.0	6.5	7.0	6.7	6.0	6.5	6.6	7.0
UKRAINE	5.0	3.5	4.0	5.0	5.0	4.5	2.5	3.5	4.1	4.3
UZBEKISTAN	6.0	5.5	5.5	5.5	5.0	5.5	4.5	5.0	5.3	6.5

INSERT SCORE GRAPH

Ratings: A Closer Look

The following sections go into further depth about the characteristics in each of the seven dimensions of the sector's development. These characteristics and stages are drawn from empirical observations of the sector's development in the region, rather than a causal theory of development.

Given the decentralized nature of NGO sectors, many contradictory developments may be taking place simultaneously. Therefore we do not attempt to break out the characteristics of the seven dimensions into seven distinct steps of development. Instead, these characteristics are clustered into three basic stages: Early Transition, Mid-Transition and Consolidation. The Early Transition stage corresponds to a score of 5 to 7 points on the scale, the Mid-Transition stage corresponds to a score between 3 and 5 points, and the most advanced stage, Consolidation, corresponds to a score between 1 and 3 points.

Legal Environment

Early Transition (5-7)

The absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation) on non-governmental organizations (NGOs) make it difficult to register and/or operate (i.e., regulation to the point of harassment). Assistance programs address status laws pertaining to registration, internal management/governance, scope of permissible activities, reporting, dissolution, and other topics; as well as the degree of bureaucratic and administrative impediments to NGO formation and operation; degree of state regulation, harassment of or violence toward NGOs.

Mid-Transition (3-5)

NGOs have little trouble registering and do not suffer from state harassment. They are permitted to engage in a broad range of activities, although taxation provisions, procurement procedures, etc. may inhibit NGOs' operation and development. Programs seek to reform or clarify existing NGO legislation, to allow NGOs to engage in revenue-raising and commercial activities, to allow national or local governments to privatize the provision of selected government services, to address basic tax and fiscal issues for CSOs, etc. The local NGO community understands the need to coalesce and advocate for legal reforms benefiting the NGO sector as a whole. A core of local lawyers begins to specialize in NGO law by providing legal services to local NGOs, advising the NGO community on needed legal reforms, crafting draft legislation, etc.

Consolidation (1-3)

The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives not-for-profit NGOs special advantages such as: significant tax deductions for business or individual contributions, significant tax exemptions on CSOs, open competition among NGOs to provide government-funded service, etc. Legal reform efforts at this point are primarily a local NGO advocacy effort to reform or fine tune taxation laws, procurement

processes, etc. Local and comparative expertise, as well as availability of legal services and materials, on the NGO legal framework exists.

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

Organizational Capacity

Early Transition (5-7):

NGOs are "one-man shows," completely dependent upon the personality of one or two major figures. They often split apart due to personality clashes. NGOs lack a clearly defined sense of mission. At this stage, NGOs reflect little or no understanding of strategic planning or program formulation. They lack organizational skills and procedures for 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.

Mid-Transition (3-5):

Individual NGOs, or a number of NGOs in individual sectors (women, environment, social services, etc.), demonstrate enhanced capacity to govern themselves and organize their work. Individual NGOs in at least the major sectors -- environment, business, social sector, human rights/democracy -- maintain full-time staff members and boast an orderly division of labor between board members and staff. Local NGO support centers are founded to inform, train, and advise other NGOs. Activities include newsletters, libraries, consultations or other services. NGO activists may demand that training be at a more advanced level. Programs train local trainers and develop local language materials and locally sponsored courses to teach organizational skills. Local trainers learn how to facilitate: strategic planning exercises and program development, financial management structures, appropriate communication channels both within and outside an organization, and team building.

Consolidation (1-3):

A few transparently governed and capably managed NGOs exist across a variety of sectors. Essential organizational skills are demonstrated, and include how to recruit, train, and manage a volunteer network. A professional cadre of local experts, consultants and trainers in non-profit management exists. An 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.

Financial Viability

Early Transition (5-7):

New NGOs survive from grant to grant and/or depend financially on one (foreign) sponsor. NGOs at this stage lack basic fundraising skills, such as how to write a proposal. Programs seek to teach fundraising skills in order to diversify funding sources. Even with a diversified funding base, donors remain overwhelmingly international. A depressed local economy may contribute to this dependency.

Mid-Transition (3-5):

NGOs pioneer different approaches to financial independence and viability. Some might survive and continue to grow modestly, by reducing foreign funding and sticking to a minimal, volunteer-based operation. Individual NGOs experiment with raising revenues through providing services, winning contracts and grants from municipalities and ministries to provide services, or attempting to attract dues-paying members or domestic donors. NGOs begin to pool resources by sharing overhead costs, such as hiring one accountant for several NGOs. Efforts are made to 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.

Consolidation (1-3):

A critical mass of NGOs adopt rules on conflict of interest, prohibitions on self-dealing and private procurement, appropriate distribution of assets upon dissolution, etc., to win potential donors' confidence. In a conscious effort, the local NGO sector may lay the groundwork for financial viability by cultivating future sources of revenue for the sector. This might include lobbying for government procurement reform for NGO-delivered services, tax reform to encourage revenue-generating activities, providing exposure through NGO trainers and NGO support center to successful domestic precedents, cultivating a domestic tradition of corporate philanthropy, or cultivating international donors. There is also a growing economy, which makes growth in domestic giving possible.

Advocacy

Early Transition (5-7):

Broad umbrella movements, composed of activists concerned with a variety of sectors, and united in their opposition to the old regime fall apart or disappear. Some countries at this stage have not even experienced any initial burst of activism. Economic concerns become predominant for most citizens. There may be an increase in passivity, cynicism, or fear within the general public. NGO

activists are afraid to engage in dialogue with the government, feel inadequate to offer their views and/or do not believe the government will listen to their recommendations. NGOs do not understand the role that they can play in "public policy" or do not understand concept of "public policy". Programmatic activities begin to introduce the importance of collecting empirical data and first-hand information in order to share facts rather than opinions with officials or concerned citizens.

Mid-Transition (3-5):

Narrowly defined advocacy organizations emerge and become politically active in response to specific issues, including issues that emerge during the transition: human rights, abortion, opportunities for the disabled, environment, etc. Organizations at Mid-Transition development may often present their concerns to inappropriate levels of government (local instead of national and vice versa). Weakness of the legislative branch might be revealed or incorrectly assumed, as activists choose to meet with executive branch officials instead ("where the power truly lies."). Beginnings of alternative policy analysis are found at universities. The beginnings of information sharing and networking between NGOs, and the existence of an NGO support center to inform and advocate its needs within the government may develop. Programmatic initiatives include training in advocacy techniques, coalition building, communication techniques, and policy analysis.

Consolidation (1-3):

The NGO sector demonstrates the ability and capacity to respond to changing needs, issues and interests of the community and country. As NGOs secure their institutional and political base, they begin to 1) form coalitions to pursue issues of common interest, such as children's rights or handicapped care; 2) monitor and lobby political parties; 3) monitor and lobby legislatures and executive bodies. NGOs demonstrate the ability to mobilize citizens and other organizations to respond to changing needs, issues, and interests. NGOs at stage three will review their strategies, and possess an ability to adapt and respond to challenges by sector. A prime motivator for cooperation is self-interest: NGOs may form alliances around shared issues confronting them as non-profit, non-governmental organizations.

Service Provision

Early Transition (5-7):

A limited number of NGOs are capable of providing basic social services--such as health, education, relief, housing, water or energy. Those who do provide such services receive few if any government subsidies or contracts. NGOs that produce publications, technical services or research do so only for their own members. Attempts to charge fees for goods and services are limited, and often fail. The volume of services to the poor is limited since there is little local private sector financial support and no cross-subsidization from services to better off constituencies.

Mid-Transition (3-5):

The contribution of NGOs to covering the gap in social services is recognized by government, which may on occasion subsidize or contract for these "public goods." NGOs recognize the need to charge fees for services and other products—such as publications and workshops—but even

where legally allowed, such fees seldom recover their costs. The constituency for NGO expertise, reports and documents expands beyond their own members and the poor to include other NGOs, academia, churches, and government.

Consolidation (1-3):

Many NGOs provide goods and services, which reflect community and/or local donor priorities. Many NGOs produce products beyond basic social services to such sectors as economic development, environmental protection or democratic governance. NGOs in several sectors have developed a sufficiently strong knowledge of the market demand for their services, the ability of government to contract for the delivery of such services or other sources of funding including private donations, grants and fees, where allowed by law. A number of NGOs find it possible to cross-subsidize those goods and services for which full cost recovery is not viable with income earned from more lucrative goods and services, or with funds raised from other sources.

Infrastructure

Early Transition (5-7):

There are few, if any, active NGO Intermediary Support Organizations (ISOs), networks and umbrella organizations. Those that do operate, work primarily in the capital city and provide limited services such as access to computer equipment, faxes, email and meeting space. Local training and NGO development capacity is extremely limited and undeveloped. Primarily programs of international donors provide training and technical assistance. There is no coordinated effort to develop philanthropic traditions, improve fundraising or establish community foundations. NGO efforts to work together are limited by a perception of competition for foreign donor support and mistrust of other organizations.

Mid-Transition (3-5):

ISOs are active in most major population centers, and provide services such as distributing grants, publishing newsletters, maintaining a membership database, running a library of NGO literature, and providing basic training and consulting services. Other umbrella organizations are formed to facilitate networking and coordinate activities of groups of NGOs. Local trainers have the capacity to provide basic organizational training. Donors' fora are formed to coordinate the financial support of international donors, and to develop local corporate philanthropic activities.

Consolidation (1-3):

ISOs are active in all areas of the country and provide advanced training, legal support and advice, and philanthropic development activities. Efforts are underway to found and endow community foundations, indigenous grant-making institutions, and organizations to coordinate local fundraising. Local trainers are capable of providing high level training to NGOs throughout the country.

Public Image

Early Transition (5-7):

The general public and/or government are uninformed or suspicious of NGOs as institutions. Most the population does not understand the concept of "non-governmental" or "not-for-profit", including government officials, business leaders and journalists. Media coverage may be hostile, due to suspicion of a free but uninformed media, or due to the hostility of an authoritarian government. Charges of treason may be issued against NGOs. Due to a hostile atmosphere caused by an authoritarian government, if individuals or businesses donate to NGOs at all, they do so anonymously.

Mid-Transition (3-5):

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

Consolidation (1-3):

This stage is characterized by growing public knowledge of and trust in NGOs, and increased rates of voluntarism. NGOs coalesce to mount a campaign to win public trust. Widespread examples of good working relationships between NGOs and national and local governments exist, and can result in public-private initiatives or NGO advisory committees for city councils and ministries. Increased accountability, transparency, and self-regulation exist within the NGO sector to win public trust, including existence of a generally accepted code of ethics or a code of conduct.

Methodology

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

1. Collect relevant information for each of the seven aspects included in the index and update your country overview statement.
2. Convene a group of 6-10 observers of the sector--drawing on donors, your NGO assistance implementers, representatives of NGO support centers, and representatives of the chief sub-sectors, such as women's, environmental, or human rights groups.
3. Share a draft of your updated overview statement with this "NGO Expert" group for its comments and additions. You may want to have a longer description for your own in-country

usage and a more concise overview statement for our regional document. Two to four pages (2-4 pp.) per country are more than enough for the regional piece.

4. With the NGO expert group discuss each indicator within each dimension, on the score sheet provided, separately and rate it on the following scale:
 1. **The indicator in question is lacking or not implemented/utilized, posing a serious constraint on NGO sectoral sustainability.**
 2. The indicator in question is lacking or not implemented/utilized, constraining the NGO sector's sustainability to some degree.
 3. The indicator in question is present and implemented/utilized to the degree that it has a somewhat positive impact on the NGO sector
 4. The indicator in question is present and well enough implemented/utilized to nurture the NGO sector.
5. For each dimension, add up all of the indicator scores – yielding your raw sum.
6. Average the indicator scores for that dimension by dividing your working sum by the number of indicators you scored. Round if necessary to the nearest one tenth. (This step is necessary, you may notice, because the various dimensions have different numbers of indicators.)
7. For each dimension, convert your average score into the final seven-point Index rating scale by looking it up on the following table:

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

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

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

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

1. After USAID field officers of each country submitted a draft report, a member of the reviewing committee checked each country report for comprehensiveness. A first round of additions and clarifications were requested.

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2. The USAID/Washington committee reviewed the overview statements, and discussed both the overall and individual sector rankings.
3. Any discrepancy between the field report and committee opinion was forwarded to the field. Field officers were asked to justify their original rankings.
4. After considering explanations from the field, the committee agreed upon final scores, which are the basis of this Index.

ALBANIA
NGO Sustainability Index
1999

OVERALL RATING: 4.8

Albania gained substantial international attention during the conflict in Kosovo. The presence of almost 500,000 refugees as well as both foreign military and international donor organizations has made an impact on all of Albania, but especially on many rural areas and on local NGOs over the last year. The crisis also forced Albanians at local and central government levels to redefine development priorities. Albania remains a polarized society, but it has made some steps toward reducing the level of tension between a number of the country's contending groups. It now has a legitimate Constitution, and is in the process of planning for local elections in 2000 and national elections in 2001.

While the international community and the Albanians themselves still perceive lawlessness and corruption as the major roadblock to economic development, there is also the awareness that the police and customs officials are beginning to make more arrests. Positive changes in the NGO sector include: the phenomena of more Tirana-based organizations reaching out to the areas of Albania beyond Durrës and Elbasan that had been neglected since the upheavals of 1997; and more local NGOs offering necessary services for both refugees and their own communities. There was a dramatic increase in the number of Albanians who worked as volunteers during the crisis, and there was increasing recognition by the government that these organizations were useful.

Though there have been noticeable changes in Albania over the last year and there are about 500 to 600 local NGOs registered, about half of these are fully engaged in on-going activities. Unfortunately, the draft NGO law is still awaiting passage and will probably not be passed until other civil codes have been put into place. Albanian organizations are still largely donor driven and at an early stage of development due in large part to mistaken donor policy, that emphasized advocacy over service provision/community development. Once the new NGO law is in place, Albanian organizations will be better able to define their role as non-profit organizations and engage in income generating activities. This will facilitate their independence from foreign donors as the country's economic situation improves.

LEGAL ENVIRONMENT: 4

While a draft NGO law that awaits passage is among the best in the Balkans, the Civil Code still provides the basis for associations and foundations in Albania. Thus, current law does not appropriately address such issues as internal management or reporting on economic activities.

At the same time, NGOs are fairly well insulated from state control and arbitrary or politically motivated dissolution. NGOs generally enjoy the freedom to operate and express opinions openly. Though they are rarely harassed by the government, they are occasionally under scrutiny from the tax police. Tax benefits are limited and the tax framework is so ambiguous that it does not provide adequate support for Albanian NGOs.

For procedural reasons, the Ministry of Justice would like to see the Civil Code revised before passing the new NGO law. Nonetheless, it is expected that the draft NGO law will pass in the

coming year and advocacy efforts will be increasing to that end. Though most the NGOs in Tirana understand the need for the new law, much work is left to be done throughout the rest of Albania to gain a broad based support for and understanding of the legislation. Once legislation is passed, efforts to train judges, lawyers, and NGOs themselves in its implications for the sector will be the next challenge.

ORGANIZATIONAL CAPACITY: 5

On the whole, there has been only a little change in this area since last year. More concrete improvements to fill the gaps in training and organizational development are currently in the planning stages for the sector.

With a few exceptions, Albanian NGOs remain donor driven, which results in organizations changing their mission to be eligible for grants rather than as a tool to develop constituencies and advanced capability in a given sector.

While Albanian NGOs are rarely characterized as community organizations, the Kosovo crisis marked a turning point in the role of volunteers. Most citizen efforts to support the increasing flow of refugees into the country during the spring and summer of 1999, were channeled through NGOs. The Albanian Youth Council recruited about 800 volunteers from around the country. However, there is little to offer in country, in the way of training for the volunteers or for those who must recruit and manage them.

Albanian NGOs are still weak in management structure and tend to have boards that have little awareness of their role. Many board members are there simply because they are paid. Most board members have little understanding of their relationship with the executive staff, which still tends to be focused on a single strong leader. A few of the heads of leading NGOs in Tirana have begun to delegate some management, but these are still much in the minority. Currently, only organizations located in Tirana are able to enjoy use of the Internet, though there are plans for the network to be spread to other municipalities in the near future.

FINANCIAL VIABILITY: 5

In Albania, local business is still at an early stage of development and the government continues to face major financial, infrastructural and social problems with few resources. Thus, the NGO sector remains dependent on the donor community, either through grants or through the sale of their services to international organizations. Until the legal framework allows the NGOs to engage in income generating activities, their financial viability will remain a very distant goal.

The creation of sound financial management systems, reporting formats and the training of finance personnel is still widely lacking in the sector. In turn, financial mismanagement is fairly widespread. Currently, most donors do not provide much oversight of their grants. An increase in donor involvement might result in a "demonstration effect," elevating the importance of financial management among the NGOs themselves.

ADVOCACY: 4

The USAID-funded Democracy Network Program (DemNet) has been the only project in Albania that offers comprehensive policy advocacy training. The work in the area may be picked up by OSCE in the future and by a few umbrella groups of women and youth.

There are good working relations between various ministries and some Tirana-based NGOs. During the process of drafting the new constitution, there was an increase in NGO participation on both the drafting and lobbying process for the new legislation. About one-quarter of the new constitution's provisions were modified as a result of NGO recommendations. The creation of an ombudsman and a law on mediation are examples. NGOs are also poised to become engaged in efforts to combat corruption in the near future.

Although there is considerable work ongoing to strengthen local governments, finances are still managed centrally. NGOs, in cooperation with local authorities, have taken part in drafting regional economic strategies, prioritizing local development needs, worked to raise environmental consciousness, and helped to provide health services and leisure facilities. Another promising local effort is the formation of parent NGOs to improve schools. The trend is likely to grow as the decentralization process continues.

SERVICE PROVISION: 5

In Albania's transitional economy, the government is unable to provide basic services to its citizens. The role NGOs can play in this area is still little understood by central government though there has been some progress made at local levels with administrations being more open to NGO participation. The new NGO law would enable NGOs to engage in providing services.

In turn, a major deficiency in the current Civil Code that provides the basis for associations and foundations in Albania, is that it does not define a non-profit organization -- creating uncertainty for NGOs wishing to provide services or other income generating techniques.

Given that most Albanian NGOs are donor driven, the lack of service provision also reflects donor policy. Few international donors offer grants or technical assistance to support Albanian NGOs that could or want to provide services to their membership or to the general public.

INFRASTRUCTURE: 5.5

Few resource centers exist in Albania and those few are mostly located in Tirana. The services that they offer tend to be limited to computers, photocopying and in some cases, language training. There are a few trainers available, but there is only one organization specializing in training, and it is still in the early stages of development.

At present, resource centers still compete for grants and information. They are not linked in any way though a coordination center for NGOs is in the early stages of planning.

The majority of training still takes place outside Albania, but over the last year there has been an increase in the use of training centers in Central and Eastern Europe to build Albanian capacity. As a result of the presence of international donors in Albania during the Kosovo crisis there are an increased number of personnel that have worked for international organizations, which made a positive impact on the quality of local NGO staff.

PUBLIC IMAGE: 5

While the government and public remains largely unaware of the role of NGOs in a civil society, the Kosovo crisis has increased exposure of local NGOs in the press. Though there was some negative publicity, the NGO sector itself has gained a slightly increased understanding of the need to work with the press. Publicity campaigns and public service announcements are new

phenomena. The media still charge NGOs for coverage much as they do commercial enterprises, so training is needed both for the NGOs and for the media itself to overcome these barriers.

ARMENIA
NGO Sustainability Index
1999

OVERALL RATING: 5

There are 1,800 registered NGOs in Armenia. Approximately 50% of this group can be considered active. About 50 NGOs can be considered strong in their programmatic areas. Indeed, NGOs continue to struggle in Armenia, facing both internal and external problems that hamper the effectiveness of the sector as a whole. These problems include a weak economy that cannot adequately support NGO activity, a legal framework that does not encourage individual/corporate financial support to NGOs, cultural impediments to NGOs actively engaging in fundraising and revenue raising activities, and a population that is not well-educated on the importance of NGOs. However, there are some significant examples where NGOs have overcome these obstacles and created extremely successful programs. Financially they may still rely on the international community, but their ability to respond effectively to community needs, their clear vision, and their organizational capacity give hope to the sector.

LEGAL ENVIRONMENT: 4

Armenia's civil code was enacted on January 1, 1999 and therefore the establishment of different types of non-profit organizations (such as foundations, not conceptualized under previous legislation) is now permitted. NGOs can register relatively easily, and once registered they are generally free from government harassment. Some NGOs may complain about overbearing tax police, but most cases are primarily the tax police enforcing the law rather than exceeding their authority. The Young Lawyers Association provides assistance to NGOs on registration for a fee. There are other lawyers, while not specialists on NGO law, who are familiar with NGO law and can provide assistance to NGOs on legal issues.

Although NGOs do not encounter political problems during registration, they often face bureaucratic delays in getting approval. The Ministry of Justice is responsible for registration. All NGOs must submit paperwork in Yerevan, as the Ministry does not have branch offices, causing logistical difficulties for NGOs in the regions. While NGOs do not have to pay taxes on grants (except for standard VAT and income taxes), there are only limited incentives for local businesses or individuals to provide donations to NGOs. In addition, legislation surrounding revenue-raising activities remains unclear.

ORGANIZATIONAL CAPACITY: 5

Between forty to fifty leading NGOs have clearly-defined visions. Staff who work on projects tend to be retained for long periods of time, although they cannot be considered permanent staff, since their contracts last only as long as the international donor grants that support them. Many NGOs have been able to secure basic office equipment such as computers, faxes, etc., because of available donor funding.

Many NGOs rely primarily on grants from international donors for funding, because fundraising and revenue raising are still difficult in the Armenian environment. As donors shift their focus, many NGOs will shift their programming as well, in order to obtain donor funding, losing sight

of their strategic vision. Legally NGOs are required to have a Board of Directors, but quite often their Boards are composed of leading staff in the NGO. Very few NGOs have permanent paid staff in either management or support positions (such as secretary or accountant).

FINANCIAL VIABILITY: 6

Little progress has been made in the area of financial viability. If NGOs have funding from multiple sources, it tends to be from multiple international donors. Income is rarely diversified among international donors and other forms of local support. Training has been provided to the most advanced NGOs in both fundraising and revenue raising. In the long-term it is hopeful that this training will improve this sector of NGO sustainability.

The poor economy and the lack of incentives for local businesses and individuals to donate to NGOs have greatly hindered the financial viability of NGOs. Some NGOs keep double books in order to hide donations from the tax police, as local businesses and individuals do not want to be identified. Grants from donors often come with restrictions, such as no funding for overhead, which limits how NGOs can cover these costs. Despite fundraising and revenue raising training, economic problems and cultural impediments remain, that limit implementing these techniques successfully.

ADVOCACY: 5

Some NGOs have improved their capacity to advocate. There is a wider understanding (although still quite limited) of the importance of advocacy, both to advance the interests of particular NGOs and to advance the interests of the sector as a whole. Although many NGOs are not comfortable or able to lobby, several have started moving in this direction over the past year, at the national and local level.

Many NGOs have direct communication with national and local governments but continue to have very limited influence. Although there have been cases in which NGOs have formed informal coalitions on a particular issue, these are rare, and the coalitions tend not to last for very long. There have been few, if any, attempts by the NGO sector, either by individual NGOs or by coalitions, to advocate for improved legislation that would strengthen the sector as a whole.

SERVICE PROVISION: 5

There is substantial diversity in the areas in which NGOs provide assistance, and there are strong NGOs leading each of the major sectors. The goods and services that NGOs provide generally meet the needs of local communities, and the interests of the international community coincide with this. If NGOs are conducting a seminar, they quite often invite other NGOs, government representatives, and the media to participate. There is a similar dissemination of information through printed materials.

Although the donor community is often familiar with the needs of local communities, the interests of donors primarily drive NGOs. If international donors are not addressing a community need, NGOs do not actively pursue ways to meet these needs. NGOs include other NGOs (as well as government and the media) when holding seminars or disseminating material. However, this tends to be a select group of people. These seminars are not publicized to, or attended by the larger community in general. Very few NGOs can recover their costs for goods or services provided. Most do not charge fees.

INFRASTRUCTURE: 5.5

There are two NGO resource centers in Armenia. Both rely almost exclusively on donor funding. These centers provide training on basic NGO development, and on more advanced topics such as fundraising and volunteer management. The centers rely primarily on local trainers, with only the occasional international trainer conducting seminars on advanced topics. NGOs are attempting to develop better working relationships with the government and the media, and have achieved a few successes.

This capacity would be lost almost immediately if donor assistance were to end, because the resource centers are far from being financially viable. NGOs do not have the ability to pay for resource center services, including training and access to computer centers. NGOs share information on particular issues, but in most sectors formal coalitions do not exist and much greater coordination is needed to strengthen the sector.

PUBLIC IMAGE: 5

NGOs have been much more active in getting media attention focused on their activities. They have been able to get favorable coverage in both print and broadcast media, by inviting media to events and explaining how their activities benefit the community. Broadcast media, both state and private, have demonstrated a willingness to allow Public Service Announcements (PSAs) to be broadcast free or for a minimal charge.

Although NGOs have been more proactive in working with the media, in many cases the public still does not understand the significant role that NGOs can play in society. Most NGOs do not approach public relations in a professional manner, and often their message is not disseminated widely enough or else is misinterpreted. NGOs have not attempted to adopt a code of ethics.

AZERBAIJAN
NGO Sustainability Index
1999

OVERALL RATING: 5.6

The local NGO sector in Azerbaijan is growing in both size and strength. In the past year, a number of mid-level NGOs have emerged with the capacity to handle larger grants and with an interest in more advanced level training. At the same time, increasing numbers of initiative groups have been organized and are working at a grassroots level acquiring basic skills for survival. There are currently approximately 200 active NGOs in Azerbaijan.

The range of services provided by these organizations is growing and the types of programs offered are continually becoming more diverse -- to include education, children/youth, health, environmental protection, economic development, civil society, media, and relief. A majority of the population is still unfamiliar with NGOs, but as these organizations increase in number and programming reaches out beyond the capital city of Baku, public awareness of NGOs is steadily growing. In addition, the independent media is slowly becoming more receptive to reporting on the activities of local organizations.

The legal environment remains somewhat hostile and registration is still difficult in most cases, but there are signs of improvement in this area as well. While there is still much progress that needs to be made in order for this sector to be seen as a viable force within society, over the past year many positive steps have been made.

LEGAL ENVIRONMENT: 6

On the surface, there has not been much change in the legal environment in Azerbaijan regarding local NGOs in the past year and registration remains difficult for those without personal contacts or unwilling to pay bribes. NGOs are allowed to operate with some degree of freedom. Organizations with political interests are under more pressure than groups focusing on social sector issues. In general, there are no reports of physical harassment, although forms of intimidation are used in some cases, such as frequent monitoring of offices, financial checks, and repeated visits from tax authorities.

A number of positive steps have been taken which indicate that change will most likely occur during the next year. A Parliamentary Commission was formed in January 1999 to draft NGO legislation. This Commission is being advised by the Council of Europe and UNHCR and the international and local NGO communities are currently working to determine a mechanism in order for them to be able to comment on draft legislation. There is hope that this legislation will be passed in winter 2000, increasing the abilities of local NGOs to register and function effectively. The formation of this Commission indicates the government's growing recognition that it needs to begin accepting the existence of local NGOs and develop mechanisms through which to work with these organizations.

In April 1998, a Grants Law was passed that addresses taxation issues for organizations receiving grants. The wording of this law remains somewhat vague and while it is generally accepted that the law provides tax exemptions to grant recipients in all areas except income tax, the social

funds (pension, etc.) are claiming that as non-state entities, the law does not refer to them. As a result, these entities are still attempting to receive taxes from some local NGOs. Members of the international and local NGO community are currently working to clarify this law. In addition, some social groups such as disability organizations sporadically receive tax exemptions. As such, clarification is still required from the government in order for the law to be adhered to by tax authorities and be truly effective.

In general, NGOs are not involved in competitions for government contracts/procurements. There is only one example to date of a government contract that has included NGO involvement. This contract involved the cooperation of the World Bank Finance Project and the Cabinet of Ministers and was open for NGO competition. The approximately \$400,000 contract was given to a local NGO to conduct a needs assessment and provide training.

A number of local lawyers groups, including the Lawyers Association, the Legal Advice Center and the Fund for Democracy and Development, are now offering services to local Baku-based NGOs on a variety of legal topics. Some of these groups are offering legal advice in the regions of Azerbaijan as well. In addition, there is a Human Rights Resource Center in Hachmaz that offers legal advice to organizations in the Guba region of Azerbaijan.

ORGANIZATIONAL CAPACITY: 5.75

Organizational capacity is improving among some NGOs. In the past year, a core group of mid-level NGOs representing a variety of sectors has emerged. Management training for NGOs is in high demand. Most NGOs in Azerbaijan do not have a clearly defined mission statement by which they run their activities. Many of the stronger NGOs do have a sense of mission and remain focused in the activity they carry out. Some Azeri NGOs are establishing more clearly defined management structures with departments and division of responsibilities. In general, organizations are now paying increased attention to organizational issues than in past years. With training, individuals are now usually able to define their role in their organization and are able to describe their responsibilities. Many organizations, however, are still not working with Boards of Directors. A majority of the Boards that do exist consist largely of staff members, relatives, or appear just on paper as part of the organizational charter, but never become a reality.

While the leading Azeri NGOs have permanent staff, a majority of organizations work project to project. Even those organizations that do have permanent staff are not always able to pay those staff and a distinction exists between unpaid organizational staff and volunteers. A number of the stronger organizations have been able to effectively use volunteers in their organization. Very few organizations have the resources to allow for modernized basic office equipment. In a recent needs assessment, equipment was ranked as the number one need by local NGOs. As a result, in Baku, many organizations use computers at resource centers. In the regions of Azerbaijan, limited access to equipment exists. In general, Azeri NGOs are not focused on constituency building. A few stronger organizations have recently begun to build constituencies.

FINANCIAL VIABILITY: 6

A few of the strongest local NGOs in Azerbaijan have improved their fundraising skills, cultivated a loyal core of supporters and diversified their funding portfolio from international sources, including international foundations, international NGOs, international businesses and foreign Embassies. The majority of organizations do not have the resources available to remain viable for even the short-term future. There are limited local sources of funding available from either businesses or government entities and the legal environment does not encourage corporate

giving. Of the limited government funding that has been available to date, a majority has been given to government supported NGOs. One form of fundraising that has potential in Azerbaijan is the organization of large-scale events, for example in spring 1999 the Thalassemia Association organized a concert that raised more than \$15,000.

NGOs in Azerbaijan do not yet typically engage in membership outreach programs. One of the few organizations that has taken part in this type of activity, the Free Consumer's Union, has a membership base of over 2000 people from around the country. Almost no membership-based organization collects dues and few or no organizations have revenues from services, products or rent. Since a majority of local NGOs work project to project, they change their financial reporting to meet the different requirements of the donor organizations during the length of project implementation. As a result, most local NGOs have not had the resources or the incentive to develop sound financial management systems.

ADVOCACY: 6

Due to the political environment, advocacy and lobbying of the government for reform is still not carried out by the majority of local NGOs in Azerbaijan. These efforts are slowly increasing and a number of media groups, democracy-oriented and human rights organizations are becoming more open and involved in some lobbying efforts, are communicating with policy makers and have an influence, albeit sometimes limited, on public policy at the central/federal/local levels.

Other organizations, while not engaging in direct lobbying efforts, are using newspapers and other media tools to raise awareness to their cause. In addition, NGO representatives have begun to be invited as experts in a field when a law is being drafted or decisions are being made at a federal level. In general, many of the links that do exist between NGOs and government departments still tend to be based to some degree on personal contacts. While few, if any, issue-based coalitions have been formed by local NGOs themselves, that are able to impact policy, some local NGOs have been involved in effective issue based coalitions.

There is a good understanding among the NGO community about how a favorable legal and regulatory framework can enhance NGO effectiveness. Local organizations regularly discuss the impact that effective legislation could have on their ability to register, receive tax-exemptions and operate on a daily basis. As a result, local NGO representatives have engaged in some local advocacy efforts for legal reform. Little of this advocacy has been well organized.

SERVICE PROVISION: 4.5

NGOs are providing a growing range of goods and services through their programming to meet the needs of a larger percentage of the population -- including basic services such as health, education, relief, housing, and water. NGOs also provide goods and services in areas such as economic development, environmental protection, governance and empowerment. Part of the diversification that exists has been generated by the mandates of the international NGOs who regularly look to work with local partner organizations, resulting in the creation of organizations working in a variety of fields. A number of local organizations are also started by committed, enthusiastic individuals who see a need in society and are interested in trying to bring about change.

While the types of services provided is growing, the quality of services offered varies as many organizations are still developing capacity. Taking into consideration the fact that many organizations are in their early stages of development, there is not yet a significant focus on

building constituencies and clientele beyond the groups that the organizations are working with directly. Goods and services offered by local NGOs, reflect to some degree, the needs and priorities of local and foreign donors, the government and the community. Because foreign donors are currently the main source of support for local NGOs, these organization's activities tend to cater more to foreign donor priorities than others. A few of the stronger local NGOs are more consistently conducting needs assessments of some type to track the needs in the communities in which they work or plan to work. While many types of organizations exist, there are not necessarily a significant number of competent organizations in some sectors. As a result foreign donors have noted that the pool of organizations in some fields is small and the possibility for funding new organizations with creative ideas is sometimes limited.

Goods and services offered by NGOs are, to some degree, provided to a constituency broader than the NGOs' own membership. Recently, local NGOs have begun to distribute their publications and studies to the larger international community as well as other interested local NGOs and in some cases, government officials. Workshops and seminars organized by local NGOs regularly look to include members of other NGOs, government and academia.

While the government generally does not fully recognize the value of NGOs in their provision of basic social services, this is slowly beginning to change. The Vice Prime Minister of the State Committee for Refugees and IDPs has a general understanding of local NGOs and recognizes the need to involve them more actively in society. In addition, a few local government officials seem to understand what NGOs can offer their communities and provide free space and other forms of basic support for local NGO operations. The government does not provide many grants or contracts to local NGOs yet as a result of limited understanding of NGOs as well as limited funding availability. In the case of NGOs working with the most vulnerable categories of society, such as IDPs/refugees, orphans, street children, etc, local authorities tend to provide logistical support, office space and other services to support NGOs activities. The only government body that does provide sporadic grants to local NGOs is the Ministry of Youth and Sports.

INFRASTRUCTURE: 5.5

Support infrastructure for local NGOs is slowly improving. While only three NGO resource centers currently exist in Azerbaijan, there are plans for new centers to be opened in the regions during the next year. Currently, NGO Resource Centers do not earn income to cover any of their operating expenses. International NGO development organizations provide training, technical assistance, grants and other support to the local NGO community. A few local organizations have begun to provide training seminars and workshops on specific areas of interest but this remains rare. These organizations are not, however, supported financially by the local NGOs to whom they provide services

A number of NGO coalitions have been formed during the past few years including migration NGOs, human rights NGOs, women's NGOs, and children's NGOs. In addition, in June 1999, a NGO forum was created to represent the interests of the NGO sector. As a number of organizations believed that elections for this forum were not democratic and that government interests control the forum, an NGO Congress has been created by a number of local organizations as an alternative to the NGO forum. These two groups need to work through their differences before it can be claimed that there is an organization in place that is able to promote the interests of the NGO sector.

There have been only limited examples of NGOs working in partnership with local business, government and media to achieve common objectives. During the past year the media has begun

to more actively cover the NGO sector, although no true examples of partnership seem to exist yet between the media and local NGOs to achieve common objectives. While the NGO sector is beginning to see the value of relations between themselves and the business sector and to a lesser degree the government, the other two sectors are not yet as aware of the significance of these relationships.

PUBLIC IMAGE: 6

Overall, public awareness of NGOs remains a significant problem for NGO development in Azerbaijan. A majority of the population is still unfamiliar with NGOs, what their role is or how they function in society. While there has been increased coverage of NGO activity during the past year and journalists are becoming more familiar with the activity of NGOs, more active steps need to be taken in order to raise the populations' awareness to these organizations.

The independent media is slowly beginning to cover NGOs more actively, while state controlled media only rarely reports on NGOs. An increasing number of articles about NGO activity are appearing in newspapers, NGO events are shown more regularly on television and at least two radio stations in Baku work with NGOs on a relatively regular basis. Because of the current state of the media in Azerbaijan, one problem encountered by NGOs is the informal request for payment for media coverage of their events.

NGO representatives are still learning about the importance of media coverage for their activities and the best methods to use in order to guarantee coverage of their events. Representatives of the media are still acquiring knowledge about NGOs, the role they play in society and how they are part of democratic development. Local media NGO Yeni Nesil and others are planning to continue work during the next year toward improving understanding of and cooperation between NGOs and media representatives.

While the perception of this sector is improving, it remains varied, and it is still frequently equated with the political opposition or as a front for business activities. In general, the local and central government oppose NGOs with some regions going so far as to define the local government as hostile to their purposes. The business sector has only a peripheral knowledge of the NGO sector and limited tax incentives or lack of available monies cause them not to provide funding opportunities for NGOs. In general, NGOs need to continue to professionalize and present themselves effectively in order to gain the respect of the population, government and business communities.

NGOs are beginning to have an understanding of the value of a positive public image and have started to more actively disseminate information to the broader public. Many NGOs have brochures and booklets outlining their goals and activities and some have begun to hold community-based events such as clean-up days, concerts, and sport days for children. NGOs are also beginning to more actively publicize their activities through press conferences and increased interaction with media representatives.

BOSNIA AND HERZEGOVINA
NGO Sustainability Index
1999

OVERALL RANKING: 5.3

Modern NGOs evolved in Bosnia and Herzegovina (BiH) 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 BiH'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 BiH, 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.

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.

LEGAL ENVIRONMENT: 5.0

Little substantive change has occurred over the past year in terms of improving the legal framework, although a lot of behind-the-scenes work took place and a breakthrough in this area will likely happen early in the next year. NGOs continue to 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 and tend to create large scope for government involvement in the affairs of associations and foundations.

There is currently no law allowing NGOs to register and operate statewide; rather, Entities are conferred legal authority in this case. The strongest NGOs, however, have found creative ways to operate throughout the entire country by registering effectively as two separate organizations, but with the same founding documents such as the statute, act of incorporation and list of founding members. Bosnian civic leaders, the international community and many key government officials recognize the urgency of establishing a more enabling legal environment in BiH to allow the NGO sector to flourish.

A process involving Bosnian NGOs in drafting a new general legal framework resulted in a progressive draft law that, according to international legal experts, may be one of the best in the region. Comments from the Council of Europe have been incorporated in the text and relevant ministry officials, as well as the international community, are currently reviewing the draft before entering the legislative process. For the time being, however, Bosnian civil society is saddled with an outdated and confusing array of laws that de facto impede NGOs from registering and operating throughout the entire territory. Due to the restrictive and confusing legal framework, one Bosnian foundation decided to register in Switzerland and relocate as in international NGO rather than undergo the local registration process.

Critical questions still remain among the NGO community regarding allowable economic activities and the tax implications of current and new NGO legislation. NGO representatives note the inability under current law for corporations to provide tax-free contributions and rightly complain that such restrictions serve as impediments to the sustainability and strengthening of the NGO sector. Uncertainty and confusion about the current law governing associations and foundations in both Entities leave many civic leaders fearful of undue government intrusion in financial matters; NGOs often comment on frequent and intimidating visits by the “financial police.”

ORGANIZATIONAL CAPACITY: 4.5

Building the institutional capacity of local NGOs is one area in which international donors are beginning to focus more of their attention. Many organizations have become adept at implementing programs, largely defined by international community priorities, but remain institutionally weak and thus unsustainable in the absence of consistently high levels of donor support.

Institutional capacity in areas such as strategic planning, internal management structure, staffing, technical resource availability, and constituency building and outreach continue to vary greatly from organization to organization and region to region. Regionally, the strongest NGOs are located in Tuzla, Zenica, Sarajevo and Banja Luka, and Federation-based groups are significantly more viable than their counterparts in the Republika Srpska (RS). Sectorally, micro-credit and women’s organizations appear to be organizationally and financially strongest.

The stronger NGOs have boards of directors and executive staff, although few truly understand their respective roles. Some board members receive salaries, and once they understand the importance of a volunteer board, convert to full-time staff. NGOs therefore have difficulty maintaining a volunteer board or, in cases when board members remain volunteers, encouraging them to be active in the organization. Another problem is that the public perception of civil

society is generally unfavorable, so it is difficult for NGOs to recruit volunteer board members of high stature. In BiH, being a member of a local NGO board of directors is not an honor as in other countries where civil society is more advanced and widely respected.

FINANCIAL VIABILITY: 6.5

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

Many NGOs, particularly in more rural and under-served areas, lack skills in financial planning, accounting and financial management. Other NGOs that have received significant donor funds in the past, as well as financial training, are less in need of such basic skills. 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 and uncertain international donor priorities, 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 the sale of goods and services or limiting net revenue distribution, this tends to blur the distinction between not-for-profit and commercial business activity and exacerbate confusion about the concept of “civil society.”

ADVOCACY: 5.5

In the past, government agencies, while generally not openly hostile to NGOs, demonstrated little understanding of the merits of third sector activities. In addition, many NGOs were originally conceived as social service providers in the immediate post-war period and thus resist getting involved in more “political” matters such as the public policy process. The governmental and non-governmental sectors, therefore, tend to 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 or legal systems enforce the accountability of elective or appointive representative structures. Civic leaders are sometimes alienated from elected officials and, due to overwhelming outside influence in BiH, often target lobbying efforts toward the international community in order to affect policy change.

Despite the barriers to active involvement in the public policy process, there is increasing evidence of NGOs forming issue-based coalitions, conducting advocacy campaigns and communicating with policy makers. One recent example is a coalition of local NGOs that formed and pressured the Entity and Cantonal governments to pay women previously unpaid maternity leave benefits. Moreover, in a recent meeting facilitated by one international organization, committee chairs in the Federation House of Representatives made plans to gather contact

information for all NGOs working in fields relevant to their committee's work. Increasingly, government officials see NGOs not as a threat but as a resource, and civic leaders understand their role and potential to influence local and national policy. There is, however, still a long way to go in this regard.

SERVICE PROVISION: 5.0

Because most Bosnian NGOs were originally formed to provide for the immediate post-war needs of the local population, they are perhaps strongest in their ability to deliver critical services. Local NGOs provide a broad range of services, including education, health and micro-credit, but with a strong emphasis on the return and rehabilitation of refugees and internally displaced persons. Even during the past year, in an environment of greatly reduced international funding, smaller service NGOs have sprung up in remote and previously neglected areas.

While Bosnian NGOs seem strong in their capacity to deliver services, this only highlights the government's inability to provide such services itself. As government officials at all levels are divided, prone to infighting and inaction, NGOs have helped to step in where the government has largely abdicated responsibility. At the same time, there is a continued lack of trust and understanding on the part of the government in civil society, although this seems to be improving the more contact ministry officials have with civic actors.

INFRASTRUCTURE: 5.0

Numerous international organizations provide training to NGOs via group seminars or workshops. Indigenous training – considered both more relevant and efficient – is widely perceived as preferable to ongoing expatriate-led training. In the past there has been a dearth of capable Bosnian NGO management trainers. However, internationally sponsored programs (such as USAID's Democracy Network) have recently trained teams of NGO management consultants. This has filled a huge void in the country and responds to a need, noted by the fact that numerous international donors have offered to hire on a fee-for-service basis BiH's new cadre of management trainers.

Bosnian civil society is still in great need for centers to provide access to information and technology. The OSCE maintains numerous democracy support centers around the country, which may be used as resources for NGOs. Recent efforts to turn these support centers entirely over to Bosnians and register them as a single NGO have in large part succeeded. It remains to be seen whether these centers will receive adequate training and capacity-building to serve the vital needs of the sector in the future.

NGOs are still fairly isolated from one another and generally rely on the few opportunities sponsored by international donors to establish and strengthen ties, particularly across the two Entities. Over the past year, several cross-Entity coalitions have formed to encourage two-way refugee return. A smaller number of NGOs have an established office in both Entities, working on issues including human rights, women's issues and democracy-building, but the legal framework continues to make this difficult.

PUBLIC IMAGE: 5.0

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 unpublicized 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. While there has been some improvement over the past year in the interactions between the media and NGOs, local organizations still do not know how to sell their vision or program activities to a wider audience. Many NGOs draft press releases or invite the press to events without sufficiently drawing the media’s attention.

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. An ongoing constraint is a lack of codes of conduct for the sector as a whole.

BULGARIA
NGO Sustainability Index
1999

OVERALL RANKING: 4.0

The Bulgarian civil society sector is comprised of approximately 8,000 organizations including political parties and religious organizations. About half of these are “Chitalishta”, traditional Bulgarian educational and cultural organizations. Most currently provide a very limited scope of activities. Further analysis indicates that there are less than 1,000 active civil society organizations, excluding “Chitalishta”.

Most Bulgarian NGOs are experiencing financial difficulties, and are extremely dependent upon foreign funding. The ability to raise funds domestically remains constrained. Most organizations are project-driven, and links to constituents are often missing. The public image of NGOs is often low, although more positive at local levels. There is often a lack of coordination and a limited capacity to form networks. Still, NGOs are quite active in advocacy on particular issues, and are constantly improving their relations with central and local government. Support organizations are beginning to emerge that provide services to the sector. It is expected that a basic NGO law will be adopted by the end of the year, which will clarify the ambiguities in NGO status. This will be the first step in changing the entire NGO legal environment, and will open the way for changes in tax legislation to improve prospects for NGO sustainability.

LEGAL ENVIRONMENT: 4.5

The past year witnessed the introduction of three NGO law drafts into parliament. The introduction of these three drafts, particularly the provisions for government control, stimulated the NGO sector to organize initiatives against some of these provisions. A total of 391 NGOs supported this coordinated action. Currently a Parliamentary working group on NGO law is preparing a unified draft to be introduced for a first reading by the end of the year.

Current NGO legislation dates back to 1949. The law contains a number of gaps, ambiguities and restrictive provisions including: involvement of the public prosecutor in the registration process, absence of minimum requirements for internal governance of foundations, and confusion over the extent to which NGOs may engage in economic activities. Registration may be quite complicated, depending upon the legal form. Current legislation contains provisions for state control, and there are no mechanisms for defense. Fortunately, these mechanisms have not been applied, so far. There are tax exemptions for some types of NGOs, but as a whole tax legislation is not favorable for NGO sustainability. Legislation was passed recently to allow NGOs to be subjects of government contracts.

ORGANIZATIONAL CAPACITY: 3.5

A small core of strong and influential NGOs exists in Sofia, with some strong NGOs emerging around the country. Still, most NGOs are comprised of small groups of people, surviving on a project-by-project basis, and with missing or fragile links to constituencies. The law defines the internal management structure of NGOs, with a clear division between staff and members. NGOs

employ permanent staff, and have some success attracting volunteers. Although NGOs declare their missions at registration, the mission statements are often too broad and quickly become outdated.

NGOs do not often undertake a detailed planning process, because they are dependent on international donor funding and are responding to the goals as stated by the donors. Most NGOs do not have a regular mechanism for analysis of constituents needs. NGOs are generally only able to obtain modern office equipment on a project-by-project basis, because their resources are limited. They are heavily dependent on donors' willingness to fund such equipment. There remains a great need for tailored training programs that meet individual NGOs organizational capacity needs and to encourage constituency building.

FINANCIAL VIABILITY: 5.5

The financial viability of the NGO sector as a whole remains extremely low, with the exception of some strong NGOs mainly in the capital. Many of the smaller NGOs are entirely dependent on international donor funding. There is a great deal of pessimism about alternative funding sources. There are very few examples of attracting local business support. Although some organizations collect membership fees and charge for their services, the income generated by such activities is extremely small due to the overall poverty of the community.

ADVOCACY: 3.0

NGOs are becoming increasingly aware of the need to engage in advocacy activities. They are gradually gaining seats on important policy-making committees, although there is no formal mechanism for NGO input into law-making activities. Often receptivity to NGO input is dependent upon the good will of particular lawmakers. Coalitions are not stable, and tend to form only around certain pending issues. Still, NGOs are quite successful in forming issue-based coalitions and are active in promoting legal reform. One example is the campaign "PRO" for new NGO legislation, which was supported by 400 NGOs throughout the country.

SERVICE PROVISION: 4.0

Some of the sectors are not well covered with regard to services provided, such as the social sector. In other sectors, however, NGOs offer a great variety of service, though they generally reflect the strategies of international donors. There are diversified publications, workshops and expert analysis offered to the NGO community. Opportunities are emerging for NGOs to take up services previously provided by the state, as the state withdraws from some sectors. Although some NGOs charge for their services, the cost recovery is extremely limited due to the overall poverty of client organizations

INFRASTRUCTURE: 3.0

A number of resource and information centers are located throughout the country. Most provide a limited scope of services. These centers are generally successful in attracting some income from locally generated sources. Intermediary Support Organizations are a special focus of the USAID Democracy Network Program, and are beginning to emerge. NGO networks are functioning in a number of individual sectors. Training services still concentrate primarily on developing the knowledge of individuals rather than of organizations, but diverse training opportunities are available. Inter-sectoral partnerships are generally issue based.

PUBLIC IMAGE: 4.5

As a whole, NGOs are underrepresented in the media. They enjoy some positive media coverage at the local levels, as Bulgarian national media are largely focused on political issues. Although some NGOs try to operate transparently and try to attract public attention, most NGOs do not understand the necessity of appropriate media presentation. In general, the public is not well informed about NGO activities, and more often than not has a negative perception of NGOs. NGOs are, however, recognized by government institutions and are increasingly consulted on a number of issues. Relations with the media are constantly developing, and special features targeted at the role of NGOs and their activities are already emerging on Bulgarian radio and television.

CROATIA
NGO Sustainability Index
1999

TOTAL OVERALL RATING: 5

According to the Government Office for NGOs there are 16,305 registered NGOs in Croatia, of which 15,000 are registered locally (municipality and county level) and 1,305 are registered and are working at the national level. The number of those that are active is significantly lower (approximately 1000). Moreover, there are also 38 registered foundations.

Croatian NGOs have been greatly affected by the difficult economic and political circumstances in their country. The weakened economy is having a significant impact on their financial sustainability. The overall legislative environment does not support most NGOs, especially with regard to association development and tax and fiscal laws. Despite this unfavorable environment, Croatian NGOs are becoming more successful in their advocacy activities, organizing campaigns within and across sectors. Some NGOs have banded together for a "get out the vote" campaign under the GLAS 99 campaign (Glas meaning "vote" or "voice" in Croatian). Other NGOs are making progress in their relationship with the media as a means of improving their image and publicizing issues that are important to them.

The Croatian Government is becoming more open to considering the importance of NGOs and their contribution to the social services sectors, and local governments in larger cities are more willing to cooperate with service oriented NGOs. Additionally, in November 1998 the Government of Croatia established the Government Office for NGOs, whose role is to establish trust and cooperation between the Government of the Republic of Croatia and non-governmental organizations, as one of the key precondition for development and modernization of civil society in Croatia. This has contributed to a better understanding of the added value of NGOs to the community. In 1999 the government approved approximately \$ 4 million to support NGO development through competitive grants. Nonetheless, many NGOs still feel that the GOC's attitude towards NGOs remains rather negative, especially towards human rights, peace and women's groups. During the last year, the corporate sector has started to express more support for NGOs; for example, the Zagrebacka Banka, Croatia's largest commercial bank, recently organized an open competition for NGO grants.

LEGAL ENVIRONMENT: 6

The overall legislative environment in Croatia remains unsupportive of the sector, particularly concerning association development and tax and fiscal laws. As described in last year's Index, the new Law on Associations that came into effect in July 1997 is quite restrictive, and allows for undue government involvement in NGO activities. This law, along with current accounting regulations permits possible interference of the government into NGOs internal management. The government's practice of auditing NGOs is not uniform, and financial measures (audit) can be used to intimidate NGOs. In practice, however, the financial police (the local IRS) audited only a few NGOs over the past year.

The government and political elite have been critical of human rights and peace NGOs, media NGOs, women's NGOs, and labor union organizations. In the media, the GOC has tried to portray NGOs as organizations that act against the national interest. Restrictions still exist related to public gatherings and especially affect labor unions that gather and assemble for peaceful protest.

Mandatory re-registration was initially a very problematic process for NGOs, under new law, but over the past year has improved considerably with regard to length of time needed for application reviews. Few NGOs now have problems with registration procedures, although there remains heightened government sensitivity about NGOs that are involved in educational activities and counseling. Problems arise regarding the legal definition of NGOs and how they present themselves and describe their programs and their objectives when submitting registration papers. Therefore, more often NGOs have problems registering due to administrative and bureaucratic reasons.

A few NGOs are specialized in understanding legislation affecting not-for-profit organizations and are able to provide limited legal assistance (i.e., CERANEO, Croatian Law Center, B.a.B.e.). All are based in the capital; thus NGOs operating outside of the capital have limited access. There is a general lack of professionals in the field of not-for-profit legislation. It is not highly regarded and a legal specialization.

Croatian tax legislation does not generally encourage philanthropy and not-for-profit activities for a broader number of NGOs. Croatian NGOs do not pay income taxes on grants or gifts used to finance their nonprofit activities. They are fully taxed on economic activities, except they may have a limited exemption from VAT for non-regular activities generating less than \$ 11,500 for donations. They receive import tax exemptions on donations of humanitarian supplies as well. Individual and corporate donors may only deduct gifts to sport organizations and free-lance artists. There is still limited awareness about the need to support philanthropy.

Although local authorities are becoming more aware of possible opening towards NGOs providing services, they still do not have a mechanism that would enable NGOs to compete for government contracts/procurements. The only exception is related to organizations that operate in the area of social services, although this is still an uncommon practice.

ORGANIZATIONAL CAPACITY: 4

While NGOs that have received funding from foreign donors continue to improve their organizational operations, the experiences of NGOs varies by location, nature, and their relationship to foreign donors -- that often require NGOs receiving assistance to implement expected organizational structures and operational plans. Most well developed NGOs are well equipped with up to date computer equipment, fax machines and Internet e-mail systems. Many of these regularly use local electronic network called "ZaMir" (ForPeace).

The strongest NGOs have clearly defined mission statements, especially within the sub-sectors of peace and human rights, women's issues, social services and environmental protection. Many of them have exercised strategic planning sessions and have built solid organizational structures. This is not common for grassroots NGOs that often rely on one NGO leader.

Most NGOs now have established management structures that distinguish between staff, volunteers, and others who are members of a supervisory or a managing board. Occasionally, such structures exist on paper and are not sufficiently utilized. There is a need for improvement of

management “systems,” empowerment of team members, and defining their roles and responsibilities. Most NGOs have an average of one to three permanent employees. Generally, payroll taxes are an impediment for NGOs. Thus many are understaffed. In order to reduce such expenditures, NGOs have a practice of hiring part-time employees. Volunteerism is not broadly practiced in Croatia. Because part-time help is sought, people often hold more than one job to supplement their income.

One of the weakest areas of Croatian NGO development remains in the area of constituency building, which is little understood by many Croatian NGOs. Over the past year, some are becoming aware of a need to build and improve on communications with their constituency as for example environmental NGOs.

FINANCIAL VIABILITY: 6

NGOs in Croatia remain in a very precarious financial situation, compounded by a recent downturn in the local economy. As such, many NGOs do not have diversified funding sources, and NGOs have instead been trying to cultivate a loyal core of international donors. The GOC has mostly supported GONGOs (Government NGOs), until 1998 when it run its first ever open competition for NGOs. In 1999, the GOC earmarked \$ 7 million for NGOs operating at the national level. Local authorities are also becoming more open to supporting NGOs' activities, through in-kind contributions or small grants. Such efforts illustrate that new funding opportunities are emerging for some NGOs. Philanthropy is still an uncommon practice and the current tax law does not promote charitable donations. Local businesses rarely support NGOs, although there is some opening in this regard. For example, the Zagrebacka Banka, Croatia's largest commercial bank, recently organized an open competition for NGO grants.

Revenue raising by NGOs remains limited. Some NGOs that collect dues, although the revenue generated is still quite small. Few NGOs generate income through provision of services.

ADVOCACY: 4

While donors have encouraged advocacy for several years, only recently have NGOs begun to approach advocacy actions in a strategic manner. Croatian NGOs have been effective in organizing several coalitions and campaigns focusing on the following: Law on Associations, Stop Violence Against Women, Election Monitoring, Get-out-the-Vote, and environmental campaigns. There is evident progress in public advocacy initiatives.

NGOs are becoming more active and effective in their political lobbying, particularly in the areas of women's rights, environmental protection and election monitoring. A team of advocacy trainers has been successful in organizing several training programs for NGO and municipal leaders. However, communication between NGOs and policy makers is at a very incipient stage. An important attempt has been made with the 1998 establishment of the Government's Office for NGOs, which has started to open communications at the national and local levels. For the first time, NGO activists were included in the new Law on Associations drafting committee.

SERVICE PROVISION: 5

Overall, The concept of NGOs playing the role of a service provider is limited to the areas of human rights, psychosocial issues, women, health, anti-drugs, youth and environmental organizations. The number of NGOs that provide services in the area of economic development, governance or even water and energy is small. Generally, NGOs rarely produce goods, and are

generally not able to cover costs of services. The difficult economic situation in Croatia limits NGOs' ability to better market their services.

Another reason for NGOs limited role in service provision is that there tends to be a contradiction between the priorities of the donors and community needs. Often NGOs are pushed to address the requirements of donors and consequently ignore community needs. The concept of developing community services is still unknown to many NGOs. Although there is more interest and awareness, there are cases when NGOs are involved in activities that are not favored by their community such as refugee return projects (human rights).

NGOs that do provide services often provide them to a broad constituency, i.e., women, minority population, youth, children. Also, they have started to be more proactive in marketing their services to other NGOs, local governments, and their communities. Their cooperation with academia, churches and central government is in the early stages.

Indeed, both the national and local governments are becoming more aware of the non-profit sector and services offered. Slowly they have started to provide grants or in-kind contributions (office space), critical for NGOs to become less reliant on foreign donors. The role of the recently established Government Office for NGOs is very promising since they have started to build linkages between the non-profit sector and national/local government. There is some opening in the area of social welfare and education services.

INFRASTRUCTURE: 4

An infrastructure to support NGOs is slowly developing in Croatia. However, there is only one formal NGO Resource Center, Ceraneo, in the capital city, that provides support regarding registration, legislation, taxation, financial management, data base research, fund raising and research. However, some more developed NGOs are supporting the development of smaller grassroots NGOs especially through their sectoral networks, (i.e. environmental, peace and human rights, and women's NGOs). The number of local intermediary support organizations is very limited and none of them provide grants to local NGOs. Their support is limited to provision of technical assistance and in some cases, research resource libraries (i.e., the Women's Resource Center, the Center for Women's Studies).

The most notable strength in Croatia's NGO infrastructure is the significant sharing of information among NGOs, especially environmental, women's, peace groups and unions. Recently, NGOs have organized themselves into several coalitions focused on elections, most notably, the Women's Ad-Hoc Coalition, an environmental coalition, Glass 99 (Vote/Voice), Uno 99 (focused on youth) and Mediteraneo. Many other networks, i.e. Green Forum, Women's Network, Coordination of Human Rights and Peace Groups, are very loose, since their members have not been interested in formalizing them.

Another positive development is that the number of qualified local NGO trainers in the area of NGO management and organizational development has increased over the past year. Trainers are now available in both the capital and secondary cities. With donors' support, a few training organizations have even been established. However, often training is basic and there is a need for more advanced programs which are not always available in the country. There is a lack of literature on NGO management in the Croatian language. Unfortunately, most training materials are in English or other foreign languages.

Finally, there is an evident opening towards government partnerships with NGOs. Local

governments in bigger cities (Split, Rijeka, Pula) have become interested in working with NGOs. The media is also becoming more interested in the activities of the non-profit sector. The recent opening of the GOC's NGO Liaison Office and NGO sector's willingness to cooperate in partnership is key.

PUBLIC IMAGE: 4

The Croatian public has a limited understanding of the non-profit sector, and has therefore not been very supportive of NGO activities. Many perceive NGOs as anti-government organizations because of how the media has portrayed human rights, peace or women's groups. Some Members of Parliament have supported this view. The public has been more open towards environmental and other NGOs, which are not involved in politically sensitive issues.

Although media outlets are inconsistent in reporting on NGO developments, there is some progress in this area. Local media is more open and interested in the non-profit sector's activities than national media is. In Croatia, television has a tendency to provide negative coverage on NGOs, especially in political programs. Radio stations often are supportive of civic initiatives. NGO leaders are partly responsible for the portrayal of NGOs since many of them still do not use media sufficiently to promote their activities.

Nonetheless, in general, NGOs are becoming more open and effective in their communication with media. Regular contacts with some journalists have been established, although some media outlets are still closed to the NGO scene. In order to promote NGOs in the media, it will be critical that NGOs develop their media strategy and improve media skills of their activists.

GEORGIA
NGO Sustainability Index
1999

OVERALL RANKING: 4

In general, Georgian NGOs have begun the second stage of their development. Following a recent re-registration process, there are approximately 1,500 active non-governmental organizations in Georgia. Many new organizations are continually being founded. Further assistance in management and development issues and one-on-one consultation remains a major need, particularly in the regions outside of Tbilisi, the capital. The current law, while generally good, does not provide a comprehensive description of the process of registration and improvements to the current tax treatment of NGOs and charitable contributions is necessary.

LEGAL ENVIRONMENT: 3.5

Over the past two years, Georgian NGOs, foundations and unions have had to re-register under the Civil Code of Georgia. This process of re-registration, which ended on September 1, 1999, has decreased the total number of NGOs in comparison to the number of organizations existing before the initiation of process on November 25, 1997. A small number of highly developed organizations are able to provide highly qualified legal consulting services on NGO issues in the capital of the country. Such services are also available in a number of the regions and in the large towns of western Georgia. Existing legislation exempts certain types of income from taxation: i.e. grants, member fees, private donations. Though the law does not limit donations, it does not provide mechanisms for the deduction of charitable contributions.

The law does not provide a comprehensive description of the process of registration. This allows the court to give different interpretations of the law, and can create additional artificial barriers during the submission of registration documents. While there are no mechanisms that allow the direct intrusion of the State into the activities of NGOs, the ambiguity of several articles of the Law allows the government to limit or cancel the activities of an NGO. NGOs that carry out commercial activities are treated as commercial structures and are taxed as such.

ORGANIZATIONAL CAPACITY: 3.5

The most highly developed NGOs, both in the capital and in the regions, have strategic plans and mission statements, paid professional staff, and access to modern office equipment. Most have or own a well supplied office with at least one computer, fax/modem and Internet access. Many NGOs are capable of augmenting their staff with volunteer labor, though the Labor Code of Georgia lacks any norms for volunteers and prohibits legal actors to have such volunteers. As a result of international donor-sponsored training, even emerging NGOs, though primarily in the capital, are capable of establishing strategic plans and mission statements.

With the exception of the most advanced organizations, the majority of Georgian NGOs do not have active operating governing boards. Staff generally exercises the functions normally performed by a Board of Directors. Some of the most highly developed organizations, however,

are capable of maintaining an active governing board, but their further development remains a necessity. Most NGOs have lost (or never had) contacts with their local populations.

FINANCIAL VIABILITY: 4.5

Only the most highly developed NGOs have access to alternative sources of funding. The financial sustainability of the majority of NGOs is yet to be secured. Only 10% of Georgian NGOs have managed to raise funds from local resources, generally equally divided among government, business and private donations.

Most NGOs lack sophisticated financial management systems and financial strategies. The basic principles of financial management are generally limited to the governing of funded projects and developing reports for donors. Charitable activities are not supported by current legislation, and therefore only a small number of business organizations and individuals are interested in such activities. Another serious constraint to local fundraising is the virtual absence of a middle class in Georgia.

ADVOCACY: 3.5

There are few instances of direct contact between NGOs and active political organizations, but as a result of donor supported training, advocacy skills are developing. NGOs are beginning to form interest-based coalitions. For example, approximately 20 NGOs for the disabled have united to lobby for certain legal privileges for the disabled. They have organized protest actions, including hunger strikes, and have achieved many of the changes in legislation that they sought. Similar coalitions of youth NGOs and others have been formed.

Relations between NGOs and the government and political elite are in the beginning stages and require further development. Although a law regulating lobbying activities already exists in Georgia, there appear to be no NGOs registered as lobbying or interest groups. This can be attributed, in part, to the absence of lobbying traditions in Georgia.

SERVICE PROVISION: 4

Progress: Georgian NGOs provide service in such fields as: health care, education, economy and business, social employment, environment protection and others. NGOs offer different types of consulting to citizens as well as to governmental, commercial and non-governmental organizations. At the same time a number of NGOs create their own products and offer them to the consumer, for example: different publications (directories, magazines, books, etc.) and audio-video production (TV and radio broadcasting NGOs). The amount of money raised from providing different kinds of services and products, however, covers only 10-20% of a typical NGOs' annual budget. The stronger and more developed NGOs in Georgia are well aware of the needs of the population they serve. As a rule, state government officials understand the value of the work of NGOs and have funded their initiatives (e.g. the Ministry of Health Care, Ministry of Environment and Natural Resources, etc). Several governmental structures have signed contracts with local NGOs and have financed their activities.

Constraints: Generally, local governments are not highly supportive or aware of NGOs and their role in the development of the civic society in Georgia. Local governments trend to be financially very weak. Georgian legislation does not differentiate between mutual benefit and self-benefit organizations, though both types of organizations exist.

INFRASTRUCTURE: 3.5

Progress: Georgian NGOs do not generally have strong networks, with the exception of the Third Sector Foundation Horizonti, ICP, CIPDD, ICRDGE, and the Association of Young Lawyers. There are number of NGO resource centers and Intermediary Support Organizations (ISOs) operating in Georgia that can provide NGOs with training-seminars, consultations, and distributing special literature and information among NGOs. NGOs have participated jointly with the media in activities such as protecting human rights and the environment. Training is available from both Georgian and foreign NGOs on subjects including: NGO philosophy and its importance (an introductory course for beginning NGOs), strategic planning, financial management and accounting, NGO structure, fund raising, and board development. There is very little management literature available in the Georgian language.

PUBLIC IMAGE: 4

The large proportion of the general public is moderately knowledgeable about the Third Sector. The intellectual portion of society tends to be better informed about the activities of NGOs than the general population. That part of population that is aware of the concrete projects of NGOs and the practical achievements of their activities has a positive attitude about the Third Sector. Progressive thinking businessmen and reform-minded officials in government tend to appreciate the activities of NGOs in the establishment of free-market economic principles and liberal-democratic values in Georgia.

There is a little participation on the part of the majority of the population in activities of the Georgian Third Sector.

HUNGARY
NGO Sustainability Index
1999

OVERALL RATING: 2.1

Hungarian NGOs have proven themselves very capable of creating and implementing innovative programs in a number of fields. There is no shortage of NGOs in Hungary: there are almost 50,000 by some counts, although estimates of “functioning” organizations put this number closer to about 20,000. There will likely be some degree of consolidation in the future as the sector matures and stabilizes.

Some of the most important challenges to the sector are the strengthening of organizations’ socio-economic legitimacy, the discovery and fulfilling of social service functional roles, and improvement of both intra- and inter-sectoral cooperation. Cooperation with other sectors must become better organized and the number of informal factors decreased. This cooperation is important in the quest for local sources to build sustainability in the long run. Simultaneously, professional attitudes and self-sustainability must be promoted. Toward this end, improvements in inter-organizational and nationwide communication are necessary, and organizations need assistance in participating more actively in civil advocacy and in local and national decision-making processes.

Regarding the future of the sector, it is likely that the “civil” organizations (the traditional civil society, grassroots membership NGOs, hobby circles and associations) will separate themselves even further from so-called “non-profit” organizations, which as professional organizations perform a service role. The latter must be woven into the societal and economic fabric through continued development of quality services.

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 very much 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 is those problems facing the Roma community. It is in these two areas where international donors will need to play an important role in the development of the Hungarian NGO sector.

LEGAL ENVIRONMENT: 1

The legal environment in which non-profit organizations operate in Hungary has improved substantially in recent 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 will improve transparency, and offers several benefits to non-profits, including the opportunity to compete for public procurement at the local and regional levels, especially in the areas of social services.

Long-term benefits of the legislation will likely include a gradual improvement in the credibility of the sector by citizens. 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 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 to realize the benefits of reaching out to their local communities, and increases the exposure of the sector in general.

Areas of concern revolve largely around the methods the GOH uses to distribute resources to NGOs. Issues of transparency are often noted in regards to the NGO funding programs run by the various ministries, although it must be noted, this is a problem hardly unique to Hungary or even this region. In regards 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

Organizational capacity, as measured purely in number and variety of NGOs, is strong. Currently, there are between 40,000 - 50,000 legally registered NGOs. Until now, however, there has been no way or incentive to unregister a 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 years, due in no small part to the many training programs offered by foreign donors. The quality and innovativeness of proposals, in particular, have showed marked improvement.

Weaknesses are present in areas such as reporting, strategic management, and public relations. The degree of these weaknesses are very much dependent on sector and region. Environmental NGOs, for example, have become among the most professional, as they have been in existence the longest in Hungary. Very often, NGO personnel do not speak the same language as business and government leaders. This may be in part a consequence of providing segregated training solely for NGO people. NGOs outside of Budapest, especially those in the economically depressed eastern region of Hungary, have far greater needs in organizational capacity. This is also largely a function of financial viability.

FINANCIAL VIABILITY: 2.5

Approximately 60% of NGO resources in Hungary come from revenues from basic or related activities, which suggests that NGOs have developed the beginnings of a core base of support. Hungarian NGOs are still in the beginning stages of approaching commercial and corporate sponsors. For some NGOs, this is seen not 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 to 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.

Financial viability is very much a function of regional distribution. Although Budapest is the seat of only one-third of Hungarian NGOs, 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 this will have on institutional stability. It would be 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. Corporate citizenship is

not well developed, especially among indigenous companies, although it is hoped this will improve with the economy.

ADVOCACY: 1.5

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 passage of the comprehensive NGO legislation, culminating with the ultimate passage of the 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 non-profit organizations have arguably run the best organized and most professional advocacy efforts nationwide.

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 non-profit legislation will create opportunities for NGOs to become more active in decision-making processes at the local level.

SERVICE PROVISION: 2.5

Direct provision of services provides perhaps the best opportunity for NGOs to connect with their communities. Currently NGOs are able to generate about 60% of their resources from services provided, and this proportion is likely to grow as foreign donors reduce funding levels. Local governments and the national government do provide a number of opportunities for normative support, normally of niche social services to those with special needs.

Local governments are still very wary of giving funding to NGOs to provide services municipalities are legally mandated to provide. This is not likely to change in the near future. A complicating issue is the fact that contracts signed by a municipal government and NGOs on services are usually thrown out following each election cycle.

INFRASTRUCTURE: 2.5

The Hungarian non-profit sector has reached the point of maturity where a strong cadre of well-trained professionals exists to service the sector, although it is rare that an NGO can actually afford to pay for such services. The GOH recently began building up its network of Civic Houses, based in larger towns across Hungary, although it remains questionable what services these will actually provide to the local NGO community.

A certain degree of currently existing institutional infrastructure designed to support the non-profit sector is supply driven, and will not be sustainable without foreign funding.

PUBLIC IMAGE: 2.0

The impacts of the One-Percent Law and the new NGO law will primarily be felt only over the long-term, but one change 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 rather 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 non-profit sector will improve.

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
NGO Sustainability Index
1999

OVERALL RATING: 4.8

Over the last year, the desire of NGOs to become a political force in Kazakhstan has increased significantly. Most NGOs continue to lack the capacity to become such a force. With the exception of a few organizations, most NGOs have neither large constituencies nor large membership bases. In addition, most lack a rigorous and democratic governance structure.

More than 3,500 NGOs are officially registered in Kazakhstan, but according to the database kept by USAID grantee Counterpart Consortium, only about 671 NGOs can be considered active. Many of the other officially registered NGOs undertake very little activity, or they are quasi NGOs created by government agencies (GONGOs).

The NGO community is diverse, but there are certain types of NGOs that are more developed and more effective. Ecological groups tend to be strong since they were some of the first groups developed in the country. Recently, some of them have begun work in supporting other NGOs by opening resource centers, etc. The consumer rights groups are also quite strong and financially sustainable. While there are a handful of strong human rights groups, they do not have large memberships, though strong leaders represent them. There are also a number of strong professional associations as well as a strong housing association movement. Other groups of note include the network of Business Women's Associations and the many associations of the disabled as well as the pensioners' organization "Pokolenie" which is likely the most effective advocacy group in the country.

While the NGO sector is growing, the geographical map of NGOs gives a very unbalanced picture: most (60-70%) strong NGOs are located in the former capital city, Almaty, while in some areas of the country, such as the west, the NGO sector is virtually non-existent. There has been improvement in this regard over the last year, however, through the outreach activities of NGO resource centers outside Almaty. The legal environment does not encourage either NGO commercial non-profit activity or corporate giving, but a working group drafting new legislation was formed this year and includes both parliamentarians and NGOs.

LEGAL ENVIRONMENT: 5

Presently, NGOs can easily register in Kazakhstan and operate without undue difficulties, but the cost of registration is often prohibitive for young, less developed organizations. Last year administrative penalties were given to people who attended a non-sanctioned meeting, but this was done not to prevent the forming of an NGO, but rather to prevent a certain opposition personality from running for president. With increased involvement of NGOs in the parliamentary elections this year, some NGOs have been harassed in regions outside Almaty and Astana where international organizations have less presence.

The present law does not offer tax benefits, with the exception of grants from international organizations not being taxed, and does not clearly delineate legal forms of NGOs. Outside Almaty and Astana, many NGOs are also subject to harassment by the tax authorities concerning grants from international organization. NGOs are not allowed legally to compete for government contracts/procurements at either the local or the central levels. A working group of parliamentarians and NGOs is working on drafting a new law, and several legal NGOs broadly familiar with the rights of NGOs exist.

ORGANIZATIONAL CAPACITY: 4.5

While the older Kazakhstani NGOs are becoming more mature in their organizational capacity, almost all of the NGOs in the country lack a well-defined governmental structure and membership base. The majority of stronger NGOs have a small core staff, but they lack significant volunteer bases and any kind of democratic structure for members to take part in decision making. Most NGOs lack a strong and developed constituency, but a few NGOs, such as the pensioners' group "Pokolenie," have developed very active constituencies that strengthen their ability to advocate. While many resources exist for NGOs in a handful of cities in Kazakhstan, much of the country lacks accessible technology.

FINANCIAL VIABILITY: 5.5

Most NGOs have yet to tap local philanthropic resources, and no legislation promotes philanthropic activities. A few of the stronger Kazakhstani NGOs have found ways to fundraise, particularly in getting "in-kind" support from local government. The majority of NGOs in Kazakhstan, with the exception of GONGOs, remain almost entirely dependent upon grants from foreign donors. Few NGOs have good financial management systems that would allow them to implement significant projects for foreign donors or the host government. Nonetheless, there have been successful corporate challenge grants between NGOs and businesses. For example, local NGO Shiber Aul (A Village of Artisans), with assistance from Aid-to-Artisans, a member of the USAID-funded Counterpart Consortium, raised approximately \$100,000 from Texaco to build artisans' craftshops and a teashop. The Counterpart Consortium then leveraged this funding with a grant of approximately \$10,000 grant.

ADVOCACY: 4.5

Kazakhstani NGOs are becoming increasingly active in advocacy activities. Some have forged good relations with government locally and nationally. For example, the Taraz Association of Diabetics (TAD) was initially founded by a group of service-providers, but began to take on an advocacy role over time. By educating people on the regulations on free delivery of medicine for diabetics, they enabled people to legally obtain the medicine free, though it had not been the case before. The TAD now participates in local council (Maslikhat) meetings. On the national level, a working group of NGOs, has been able to attract parliamentarians to their side in developing a new law on NGOs, and other NGOs have lobbied on legislation relating to women's rights, environmental issues, and consumers' rights.

The upcoming parliamentary elections offer particular opportunities for NGOs to support candidates and parties. Unfortunately, several NGOs have forsaken this role in the election process in favor of fielding their own candidates, retarding the process of political party building. Despite these steps forward, most NGOs remain immature in their development of advocacy skills and remain more confrontational in their relations with government than persuasive.

SERVICE PROVISION: 4.5

Many Kazakhstani NGOs are active in the provision of services, particularly in the health sector. While their “product-line” is diversified, most of the service provision NGOs lack the capacity to implement projects for government or international organizations. In particular, they lack the skills to monitor the effectiveness of their service provision and the community relations and constituency to recognize the needs of their “customers.” In this sense, the activities of service provision NGOs are mostly donor driven. Furthermore, few NGOs have established viable means of cost recovery for services.

INFRASTRUCTURE: 5

Several NGO resource centers exist in Kazakhstan, but they are still few in number considering the expanse of the country. Very few of these centers have been able to generate income locally. Most of these resource centers offer training and information as well as access to computers, etc., which has increased the availability of information on NGO and policy related issues.

In the last year, a few issue-based coalitions have formed in Kazakhstan around advocacy issues indicating a realization among the NGO leaders of their greater strength in numbers. In addition, while still rare, there are growing examples of social partnerships between service provision NGOs and local governments. (The Association of Diabetics, described above, stands as one example). There remain serious deficiencies in Kazakh language resources for NGOs.

PUBLIC IMAGE: 4.5

Media coverage of NGO activity has increased in Kazakhstan over the last year. Despite these developments, the coverage remains limited and the public perception of NGO activity is still only nominally improving. Many people still suspect that NGOs are means for opportunists to make money and actually serve little purpose to society. This is especially true in Almaty. The problem of public perception, appears to be less related to media coverage than it is to the NGOs ability to work in communities with a broad constituency base. In short, most people are not experiencing the positive contribution of NGOs in their daily lives.

As for the government's perception of NGOs, officials are generally neutral or positive if an NGO does not raise human rights and/or other advocacy oriented activities. Perceptions tend to be negative towards NGOs advocating for some groups' rights also being involved in some political activities like elections, if the NGO profile does not correspond to that of the government.

A growing number of NGOs have reached out to the media, and journalists are gaining an understanding of the NGO sector. Some NGOs try to include journalists in their membership, using them as their outreach tool. However, some active advocacy groups may have difficulties with media, as the latter is often not truly independent in its voice.

KOSOVO
NGO Sustainability Index
1999

OVERALL RATING: 4.4

The enthusiasm, energy and willingness to engage of Kosovar NGOs is extremely high. A number of international organizations estimate that there are approximately 50 active formal NGOs in Kosovo, primarily located in the capitol, Pristina. There are also 139 Community Improvement Councils (CICs) in 24 municipalities, established by USAID/OTI, that are functioning civil society organizations. Approximately 250 CICs are projected to be in place by spring 2000.

Despite the lack of previous democratic and civil society experience, as a result of a long history of communist and Serbian dominated rule, Kosovar society provided itself with social, cultural and basic community services over the past ten years, through a largely voluntary civil society system. Many of these NGOs developed into well-organized agencies with skilled management and international support. In many instances, nascent NGOs provided community services and evolved management structures and mechanisms to report to their communities on an instinctual basis. As a result, there is a great deal of enthusiasm and energy in the Kosovar NGO sector, but little formal structure or support, and there are serious limits to NGO capacity.

LEGAL ENVIRONMENT: 3

On November 15, 1999, the United Nations Mission in Kosovo (UNMIK) issued the Regulation on the Registration and Operation of Non-Governmental Organizations. This regulation creates the basic framework for NGOs operating in Kosovo. Prior to this regulation, NGOs operated in a legal vacuum, which posed a significant obstacle to the development of civil society in Kosovo. The regulation supersedes inconsistent provisions of Serb and Yugoslav law, which restricted NGO development in Kosovo. The Kosovar and international NGO community actively participated in the preparation of this regulation. UNMIK significantly revised the draft in response to this participatory process, and the final version reflects a number of international best practices.

Consistent with civil law traditions, the regulation permits the establishment of both associations and foundations, which may be established for either public benefit or mutual interest. Registration is simple, and UNMIK has limited authority to deny registration. The regulation also recognizes that individuals have the right to associate without forming a legal entity. Associations and foundations are allowed to engage in economic activities to support their purposes, and lays the groundwork for tax/fiscal benefits for public benefit NGOs.

ORGANIZATIONAL CAPACITY: 4.5

A small number of experienced and sophisticated NGOs remain from prior to the war, and new NGOs are continually forming, in large part to meet the needs of the large community of international relief agencies operating in Kosovo. While civil society in general provided "shadow government" services during the last ten years, NGOs primarily worked in humanitarian assistance, human rights and media. Most of the more established NGOs have broad missions and objectives, as well as a good understanding of the needs of their constituencies and many of the projects that they would like to undertake. There is a sophisticated informal network of resources and skills within the

community, remaining from having provided parallel services under the "shadow government". There is a wide gap, however, in the organizational capacity of established and experienced NGOs and those that have formed, and are forming, since the conflict.

The experience of providing public services through voluntary parallel institutions has given NGOs and NGO activists a substantial informal network of contacts throughout the sector. They are very familiar with each other's skills and capabilities and are closely rooted to the community.

Constraints: Many of the NGOs that remain from prior to the conflict returned after the war to find much of their equipment and offices destroyed. Those NGOs that have re-established themselves, and new NGOs that have begun to operate, still lack strategic planning, operational, management, and resource development skills. There is little, if any, separation between the responsibilities of staff and boards of directors. In most instances, the same people serve in both roles. Much of the voluntary resources that supported NGOs in the pre-war period are no longer readily available because of the competing post-conflict needs and because many of the most experienced NGO activists are now working for international agencies. With the evolution of local self-governance, the role of NGOs, the scope of NGO services, and the community resources available to them will change dramatically. Some of the more sophisticated NGOs may evolve into government institutions. Those that remain will face the competing challenges of working in partnership with government to meet community needs, while monitoring the development of government institutions and demanding transparency, responsiveness and citizen involvement in a society without those traditions.

FINANCIAL VIABILITY: 6

There is a substantial history of community support for civil society initiatives. Existing legislation does not place any limitation on NGO capacity to compete for government (i.e. UNMIK) contracts and procurements, but such competition is rare. NGOs largely lack the capital necessary to mount such contracts, and unfortunately there are no legal provisions that exempt NGOs from taxation on their mission related earned income.

The local post-conflict economy has extremely limited capacity to support NGO activities. While it was a social necessity to support civil society initiatives with both money and voluntary labor during the Milosevic era, it remains to be seen whether this level of community commitment can be maintained. Up until very recently, the lack of a formal legal framework and registration system made it very difficult for international organizations and donors to provide financial support and assistance.

ADVOCACY: 5

As local government structures evolve, NGOs will need to develop the capacity to successfully monitor development and participate in public policy debate and decision making with both local government structures and UNMIK. There is ample evidence that NGOs and civic activists have an interest, as well as some capacity, in advocating for change. Kosovar NGOs have an active history, particularly in human rights activism and advocacy. OSCE and local NGOs have established an Executive Council that meets on a regular basis. The NGO Executive Council was very involved in the review and comment on UNMIK's proposed NGO registration legislation.

The will and ability of the Kosovar citizenry to effect the political agenda is weak, and the tradition of questioning government, as distinct from the ability to reject an oppressive regime, is lacking. While human rights NGOs in Kosovo have a history of advocacy activity, other civil society sectors have had little contact with government over the past ten years. Local NGOs have open lines of

communication with UNMIK and OSCE, but there is no established governmental entity at the provincial or local level for NGOs to communicate with.

SERVICE PROVISION: 4

There is a decade long experience in “doing everything on our own” through parallel civil society institutions, in the absence of support and services from the Serbian government. Since 1989, largely voluntary institutions have provided health services, education, protection of human rights and other “public” services throughout Kosovo. Voluntary cultural institutions were also active and widely supported.

As local government structures evolve, some civil society organizations that provided public services may develop into government agencies. Others will begin to register as NGOs under UNMIK's recently established NGO registration process. There are a limited number of local NGOs in Kosovo that have the capacity to implement wide service provision for UNDP, international development organizations, and/or evolving local government structures. There are also no established procedures for government acquisition. That will assure NGOs of an equal opportunity to compete in a transparent process.

INFRASTRUCTURE: 5

OSCE has facilitated the development of an NGO Executive Council. The Council includes a series of sectoral focus groups designed to be a voice for NGOs in each sector, but a number of the larger and more sophisticated local NGOs do not participate, because they see little value in it for themselves. OSCE is also in the process of establishing four “Democracy Cafes” in Pec, Prizren, Pristina and Gnjiliane. The Cafes will provide information and assistance on NGO registration, space for training workshops and meetings, access to organizational resources such as computers, fax machines and photocopiers, and information on appropriate donors.

The current interim Executive Council has limited capacity, but there is reason to believe that the Council may evolve into a more sophisticated forum for coordination and advocacy on NGO issues and concerns. While there is a great deal of international agency money focused on civil society projects, very few resources have been targeted at local NGO capacity building and support.

PUBLIC IMAGE: 3.5

NGOs continue to have a positive image in communities, primarily because of the positive image heritage from before and during the war. The rates of voluntarism are still high. NGOs have a history of coalescing and campaigning, and they continued this after the war. NGOs are trying hard to find their niche in the society, establishing their relationship with UNMIK, cooperating with KFOR and parallel local authorities.

The changes in the political environment represent a challenge for NGOs to continue to preserve their positive public image. The large number of international NGOs present in Kosovo can create a misperception of nature of local NGOs.

KYRGYZSTAN
NGO Sustainability Index
1999

OVERALL RATING: 4.3

Over the last year, the NGOs of Kyrgyzstan have become more sophisticated and more aggressive in their advocacy work. A working group of NGOs and parliamentarians have drafted a greatly improved law on NGOs that was signed into law by President Akaev in October 1999. In addition, numerous NGOs have regular input on legislation through parliament, and a coalition of NGOs is working intensively on training domestic observers for upcoming elections.

According to USAID grantee Counterpart Consortium's database 1,327 NGOs have active operations in Kyrgyzstan -- an increase of approximately 300 from 1998. While most organizations are small and have little membership and constituency base, others have begun developing membership, constituency, and means to establish regional offices around the country. The NGO sector in Kyrgyzstan includes a wide-range of organizations, including civic education, consumer and human rights, and women's groups as well as a wide range of service provision groups.

There is a continual growth in the understanding of the importance of NGOs in the country among Government officials, but many people still regard NGOs as means to make money from foreign donors and do not trust them as social advocates. There is evidence of some successful collaboration between public, private and NGO sectors, but it is not widespread or supported by appropriate legislation. While NGOs presently enjoy more tax benefits in Kyrgyzstan than anywhere else in Central Asia, the benefits remain limited.

LEGAL ENVIRONMENT: 3.5

For the past two years, local NGOs, parliamentary deputies, and the international community have worked together to draft a new NGO law. This draft law was finally passed by Parliament the spring of 1999 but vetoed by the President on technical grounds in July. On October 1, deputies of Parliament addressed the President's objections and sent it back to his desk for signature. On October 15th, President Akaev affirmed his administration's commitment to NGO law reform by signing this new piece of legislation -- greatly improving the legal environment for NGOs in Kyrgyzstan.

This new law abolishes registration and geographical limitations on NGO activities -- changes that will allow significant cost reduction for creation, registration and regulation of all NGOs (both locally and regionally within Kyrgyzstan). In general, the new law establishes a solid organizational-legal basis for the creation of non-profits and determines their clear distinction from commercial organizations.

Passage of the law does not make NGO law reform complete. Much still depends on the government authorities' (ministries) implementation of the new NGO law. Narrow interpretations and potential tightening of regulations may occur in the form of follow-up instructions -- a move which may threaten the law's utility. At least for now, the initial step by the parliament to enact

contemporary NGO legislation is time-tested and has been approved by the President. It only remains to be seen whether the government can follow through with this initial progress.

It should be noted that the government rarely harasses NGOs regardless of how political their missions are. Several strong legal NGOs exist that serve the NGO community and know legislative issues related to the non-profit sector.

ORGANIZATIONAL CAPACITY: 4

Over the past year, several Kyrgyzstani NGOs have developed mature organizational structures, but most remain small organizations with small memberships and constituencies. Governance structures remain a challenge – with confusion about the roles of a Board of Directors and the implementing staff. Newly formed Boards tend to have more of an advisory function, rather than responsibility for making policy.

A large number of NGOs have gone beyond living “grant to grant” and demonstrate a capacity for strategic planning and mission development. Most active NGOs in the capital city of Bishkek are knowledgeable about Internet use and use contemporary information technology in their work. Many NGOs outside Bishkek remain inexperienced in such technology, and depend upon NGO resource centers for Internet and computer access.

The majority of NGOs do not have paid staff and work mainly on a volunteer basis. Many Kyrgyzstani NGOs have begun to develop broader volunteer bases to assist them in their work.

FINANCIAL VIABILITY: 5.5

With an average monthly wage of approximately \$25 US, and official unemployment rates ranging between 20%- 50%, Kyrgyz NGOs face many barriers to financial sustainability. While stronger NGOs have been able to establish diverse and creative means of fundraising, the economic situation in Kyrgyzstan makes any serious diversification of the sources of funds for NGOs very difficult to establish. As a result, most NGOs remain dependent upon the funding of international donors.

While financial management training is available to NGOs, most do not have strong, permanent, and transparent financial accounting systems. This is a significant 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 time, due to the current legislation for NGOs regarding business ventures.

ADVOCACY: 3.5

NGOs in Kyrgyzstan have the most developed advocacy skills in Central Asia. Several NGOs have developed strong working relationships with the parliament, and many have forged ties with local government. A number of NGOs, including private farmers' associations, directly influence policy making on both the national and local levels. A number of NGOs have used the strong constituency developed through service delivery to begin expanding their role into advocacy. For example, the Aiken consumer rights association has developed a high profile and is well known among consumers. Advocacy remains most effective at the local level, with NGOs providing input that has effected numerous initiatives, including changes in land redistribution and decisions regarding water system rehabilitation.

While some Kyrgyzstani NGOs hide information and view other groups as competitors for scarce resources, a number of fora/councils have evolved to bring NGOs together. At present, a number of Kyrgyz NGOs are establishing a broad-based effort to advocate for free and fair implementation of upcoming elections. At the same time, there are several legal advocacy NGOs in Kyrgyzstan, and many of them have taken part in the advocacy of legislation aimed at creating a better legal environment for NGOs.

SERVICE PROVISION: 4

NGOs in Kyrgyzstan provide a diverse line of services to communities. Given the economic situation in the country, however, most of the service providing NGOs remain donor-driven both in regards to funding and mission. In addition, service NGOs are somewhat new and obtain less support from international donors than those involved in advocacy activities. While some cost recovery mechanisms are in place among service oriented NGOs, these examples are few and far between.

INFRASTRUCTURE: 4.5

While there are several strong NGO resource centers in Kyrgyzstan, they are almost exclusively donor funded, and do not meet the demand for information, training and access to basic office equipment in rural areas. Nonetheless, they offer good resources including office equipment, email access, and extensive training. A cadre of skilled local trainers exists in Kyrgyzstan, but training events are still heavily weighted to the capital city and are not often available in local languages.

Some intersectoral partnerships exist, and the government in particular appears to be open to this activity. While some local businesses have modestly supported NGOs, the economic situation limits the growth of this form of partnership. Several coalitions of NGOs have formed in Kyrgyzstan, including the Coalition for Democracy and Civil Society which leads the effort to train domestic observers for the upcoming elections.

PUBLIC IMAGE: 4

The media in Kyrgyzstan has publicized NGO activity widely, aiding in the increasingly positive public perception of NGOs. Given the economic situation in Kyrgyzstan and the fact that NGOs have funding from international donors, however, there exists a perception that these organizations are established to make money more than they are for the public good. While some NGOs have established ways to publicize their work, none have well-defined and implemented codes of ethics aimed at making their activities and funding transparent before the public.

LITHUANIA
NGO Sustainability Index
1999

OVERALL RANKING: 3.2

The legal framework provides the basic elements necessary for development of the NGO sector, but improvements in a number of areas are necessary. NGOs are becoming more professional, and improving their organizational capacity and outreach activities. Public relations and the provision of services to constituents are receiving greater emphasis. Limited financial resources are a major constraint for NGOs, exacerbated by obstacles to carrying out commercial activities and insufficient philanthropy.

LEGAL ENVIRONMENT: 4

The legal environment and legislative framework for NGOs in Lithuania have not changed much during the past year. NGOs do not have significant problems registering. Lithuania's current NGO laws recognize four types of NGOs: two membership-based ("societal organizations" and "associations"), and two property-based ("charity and sponsorship funds" and "public institutions"). The laws are generally considered to be too prescriptive, ambiguous and overlapping. Over the past year, efforts to amend the Law on Charity and Sponsorship for NGOs, which covers philanthropy, have continued. There have been a number of versions, but none has reached the Parliament. Efforts are also underway to remove the restrictions on volunteer labor/activity. Officials and Members of Parliament are slightly more aware of the legal needs of NGOs, and slightly more open to the involvement of NGOs in efforts to revise the legal framework that governs their activities.

With support and assistance from the international donor community, NGOs are more successfully engaging governmental authorities on both the national and local levels. The Prime Minister is in the process of creating a Permanent NGO Commission (at the initiative of a leading group of NGOs), which is intended to serve as a consultative mechanism, but progress has been slow. The Ministry of Social Security and Labor has been actively involved in NGO legal affairs. A number of municipalities are working more closely with NGOs in this area. NGOs have the capacity to bid on contracts for social services provided by Municipal authorities, in theory, but the absence of legal mechanisms leaves grants as the preferred alternative. Mini-courses on NGO law are now being offered to law students in Lithuania's second city, Kaunas, and a legal clinic has been opened at Vilnius University, which may provide services to NGOs. However, the number of lawyers trained in and familiar with NGO law is limited and more concentrated in the cities, and few NGOs can afford their services in any event.

NGOs are exempt from taxes on charity and support that they receive, and can often get VAT reimbursed. NGOs also pay a preferential/lower rate of taxes on income. When legal persons give charity or sponsorship in an amount up to 20% of their profits, they are entitled to deduct double this amount, but there are some complications. Individuals can, in theory, receive an income tax concession of up to 100%, but because most taxes are deducted directly by the employer, there are no mechanisms to take advantage of this possibility.

Registration of NGOs remains complex and time consuming, but most of the obstacles are bureaucratic in nature. Law prohibits most NGOs from directly undertaking economic activities and the establishment of subsidiaries for this purpose is complicated. 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 actually complicating it further, and problems with this law are cited as a major concern by NGOs. According to the existing regulations, each program (term undefined) prepared by an NGO must be approved by the Government. NGOs are generally tax-exempt, except with regard to income, but frequently the laws do not clearly distinguish between NGOs and for-profit organizations.

ORGANIZATIONAL CAPACITY: 2.5

Many prominent and active NGOs are aware of their organizational and management needs, and receive/have received training to strengthen the organization and promote sustainability. NGOs acknowledge that professionally functioning organizations are likely to achieve better results. National NGOs often have all of the components of a sound institution, such as a board of directors, volunteers, and paid staff. Many NGOs have had training in strategic planning and fund raising, and have defined their mission and financial goals. Several donors have worked to increase the level of training and technical assistance available to NGOs, and there is now a small but definite cadre of Lithuanians who are able to undertake NGO training activities.

The level of professionalism and experience of people involved in NGO activities is increasing noticeably. There are more volunteers, and they are often better educated, despite the legal obstacles. Many of the major NGOs have basic modern office equipment at their disposal, such as computers, fax machines, and Internet, or have access to these through NGO support centers.

Many small NGOs still do not realize that business-like management of an organization is the key to success, and are reactive rather than proactive. Boards of directors and volunteer programs do not function as efficiently as they should. Smaller and particularly rural NGOs face management and organizational difficulties. Further, they often do not have access to modern technology. These conditions increase their level of isolation, and reduce their efficiency.

FINANCIAL VIABILITY: 3.5

The financial challenges facing Lithuanian NGOs have increased during the past year. This is a result of cutbacks from governmental and donor sources, and the uncertain economic climate. On the positive side, NGOs are working to diversify their funding sources, which include foreign donors, local and national government, and private sources. Local governments are becoming more aware of the financial needs of local NGOs, and the ways that NGOs can use public financing to provide services. More NGOs recognize the importance of sound financial management and accounting. Larger NGOs have professional financial management staff, perform monitoring/oversight, and work to enhance their financial reporting systems.

Financial resources are usually small. Much funding still comes from foreign donors, which means that activities are too often donor-driven. Many donors are reducing their support for Lithuanian NGOs, and focusing more on other countries. Due to budgetary problems, the Lithuanian government has significantly reduced or at least delayed its financial support for NGOs. The prohibition of commercial activities is still a major constraint to raising revenues; establishing for-profit subsidiaries is no simple matter. The official ban on voluntary labor limits an important source

of support, namely the time of interested individuals. Further, limited personal and corporate philanthropy remains problematic.

ADVOCACY: 1.5

Public policy advocacy has become a working concept for many NGOs. The dialogue between NGOs and governing institutions has become considerably more open and constructive during the past year. Seminars and conferences involving the NGO community and government officials have become more frequent.

On the national level, the Parliament has modified its rules to allow open hearings concerning draft legislation. NGOs are now providing their input to Parliamentary Committees on a regular basis. There are a number of concrete examples of NGOs influencing the final content of laws. The USAID supported Program on Open Legislative Process, which led to an open hearing in the Parliament on the Law on Charity and Sponsorship (December 1998), was a watershed event. On the Municipal level, NGOs and coalitions of NGOs (sometimes formal but more often informal) are having more frequent interactions with officials, and influencing policy development and regulatory/decision-making processes.

Not all governing institutions recognize that NGOs possess considerable expertise in special areas, and acknowledge them to be active partners in decision-making process. Information concerning governmental processes and draft legislation, while much more accessible, is still not widespread. Many NGOs, particularly in rural areas, are simply unaware of the possibilities that now exist, and how to take advantage of them.

PUBLIC IMAGE: 2.5

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

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

SERVICE PROVISION: 3.5

Legislative changes in recent years have in theory made it easier for Municipal governments to award funding to NGOs for providing social services. While Municipal authorities are increasingly interested in working with NGOs to provide services to their constituents, the absence of implementing mechanisms is a serious constraint. Further, while the areas in which services are provided is somewhat narrow, there are signs that it is expanding. NGOs are developing greater capacity to reach out to both the authorities and their constituents, which is enhancing their ability to provide services.

The financial resources available to Municipal authorities are extremely limited, as is their control over budgeting. This in turn limits the funding/opportunities available to NGOs. Because NGOs are rarely able to offset their costs through charges for services, cost sharing is problematic. While there has been progress, governmental processes are not as open as they could be. The interest of governmental authorities in consulting with NGOs concerning policy development and regulatory activity, while increasing overall, varies greatly from one location to another.

INFRASTRUCTURE: 3

NGOs are starting to form more coalitions, usually within their specific sectors of activity. NGO resource centers are serving as foci for information, training, fundraising, and networking activities. While there are only a handful of major resource centers, the needs of the NGO community are generally being met. Modern technology has opened new doors for NGOs to cooperate and share information. NGOs have greater access to training and expertise from local sources. Amongst the most popular subject areas are strategic planning, fundraising, financial management, constituent services, public relations, media relations, and advocacy.

Traditions of cooperation and sharing between NGOs are developing slowly. Many NGOs do not appreciate the benefits of collective action, and prefer to focus on parochial interests. There are few truly national coalitions at this time. NGO resource centers are not financially self-sustaining, since they are generally not able to collect fees for their services, in part due to limited resources on the part of NGOs.

MACEDONIA
NGO Sustainability Index
1999

OVERALL RANKING: 4.6

According to a 1998 registry of NGOs compiled by the Macedonian Center for International Cooperation, there were 380 active NGOs and another 220 professional associations in Macedonia. The vast majority of Macedonian NGOs remain institutionally weak and few have professional management, relying instead on volunteers. Business and professional associations remain at an incipient level of development. Both general and in depth training in organizational management, strategic planning, and accounting remain a significant need for NGOs and associations alike.

Macedonian NGOs continue to survive on grants provided by international donors, although some obtain limited resources in their communities through local services and charitable work. Ethnicity and religion continue to divide the sector, with limited communication or coordination among different groups. Nonetheless, to the extent that they do occur, the best examples of common actions across ethnic lines in Macedonia are found in the NGO sector. Organizations for marginalized groups, such as women and Roma, remain weak and their activism at the community level is neither appreciated nor supported. These perceived and real constraints will take time and effort to overcome.

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

This year's ranking for Macedonia also reflects the impact of the Kosovo crisis upon the NGO sector. The massive influx of refugees, combined with rapid social and economic decline due to closure of key transport routes, caused many NGOs in communities with refugees to suspend their project work, with several of the groups, particularly Albanian ones, refocusing their efforts upon humanitarian relief. The subsequent deluge of emergency funding from international donors boosted the activities of NGOs in the humanitarian sector. As funding has gone to projects rather than to institutional development however, the organizational capacity of most NGOs has not improved in the past year.

LEGAL ENVIRONMENT: 3

In June 1998, a new Law on Citizen Associations and Foundations was enacted by the Parliament. While this law is not perfect, it does reflect a number of international best practices, including relatively straightforward registration requirements, moving registration responsibility from the Ministry of the Interior to the courts, 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 limitations on the ability of the government to dissolve an NGO. Implementation of this

new law has been slow in the larger towns and information about the new law has not been disseminated widely.

The most notable implementation problem relates to the mandatory re-registration of NGOs located in the capital. Many groups have faced lengthy delays in this process – with up to a nine-month wait in some cases. For the most part, the delays were due to an excessive caseload and lack of understanding of the new requirements by the presiding judges, rather than purposeful interference with the process. The training of judges and NGOs about the new law remains a priority and a several organizations are currently planning to move ahead in this area. The Macedonian Center for International Cooperation (MCIC), Macedonia's only fully-functioning intermediary support organization (ISO), has supported an effort among the drafters to prepare a commentary on the new law, and the first training seminar for judges is scheduled for early November. NGOs themselves are also in need of training to understand the complete nature of this law, as well as others that regulate the sector.

The successful passage of the Law on Citizen Associations and Foundations has spurred the NGO sector to advocate for favorable treatment under a new value-added tax (VAT) law. This law was enacted in July 1999, and has a scheduled effective date of January 1, 2000. Several NGOs, including MCIC, Mesecina, a Roma NGO in Gostivar, the Center for Citizen Initiatives in Prilep, and the Consumer's Organization of Macedonia in Skopje organized public awareness campaigns and lobbying activities in support of the new law.

As demonstrated by the VAT law, tax issues for NGOs are not contained in place, but within a variety of laws. There has been no systematic effort to improve tax status for NGOs across the board. The Ministry of Finance has expressed interest in collaborating with the NGO sector upon a variety of tax issues, 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 from local sources will be difficult to achieve.

There are currently very few lawyers in Macedonia with an understanding of the regulations regarding NGOs and the needs of the NGO sector. After a hiatus during the Kosovo crisis, efforts to integrate the NGO law into the curriculum of the Skopje Law School are continuing.

ORGANIZATIONAL CAPACITY: 4.0

While the baseline capacity of NGOs that have participated in the USAID-funded Democracy Network Program has increased slightly over the past year, there has not been systematic growth in the institutional capacity of NGOs across the sector.

The NGO sector remains weak in all areas of organizational capacity: strategic planning, management, staffing, technical resources, and constituents. Only a handful of NGOs in Macedonia think strategically and have developed systems and procedures for strategic planning. Long term planning by some NGOs has been particularly affected in recent months by the Kosovo crisis and the subsequent deluge of international support for humanitarian organizations. This flood of support has allowed some NGOs to shift their focus to relief efforts. With future funding levels for more basic organizational development uncertain, NGOs are not currently in a position to think in a long term, strategic manner.

Very few NGOs have professional, salaried staff and instead use project grant monies to support key people as opportunities arise. This means that very few Macedonians envision themselves as

professionals in the NGO sector, as the vagaries of funding render it nearly impossible to plan for the future. The strength of the Macedonian NGO sector now lies in its volunteer nature.

While there continues to be a significant need for basic support to strengthen the institutional capabilities of NGOs throughout Macedonia, a small core group is ready for advanced training in the areas of advocacy, organizational management, fundraising, and financial management. Business associations and other professional associations remain in an incipient level of development, with particular weaknesses in the areas of membership services, participatory involvement, and advocacy.

While there has been much attention paid by donors to providing Macedonian NGOs with the tools that they need for their own operation, there has been virtually no attempt to provide NGOs and the Macedonia society with an understanding of the role of NGOs in a civil society. It appears as if the international community assumed that NGOs would naturally understand their role as they gained organizational and other skills. There is general agreement among NGO leaders that Macedonian NGOs will lag in all of the critical institutional development areas, particularly strategic planning, until they more fully understand what their true role and impact can be.

Nonetheless, model NGOs do exist throughout the country, most often as small, efficient groups in smaller communities that are addressing community needs. While these groups are not perfect and tend to be personality-based, their credibility is grounded in the results that they have shown in their communities--a natural constituency. For example, MCIC has been working with community groups since 1993, working mainly with water supply issues. One of the biggest programmatic impacts was increasing people's awareness that they can improve their own community. The challenge for the sector remains how to share information about the successes of these groups through mentoring and partnerships with others. By demonstrating how an effective organization can function, NGOs will be able to chip away slowly at the prevailing attitude of apathy and distrust towards organizations in general.

FINANCIAL VIABILITY: 5.0

International funding remains the primary source of revenue for NGOs in Macedonia. The Kosovo crisis has exacerbated Macedonia's already weak economy, with the unemployment rate currently estimated at forty percent (40%). This environment renders it increasingly difficult for the NGO sector to become indigenously funded. Indeed, these conditions do not support philanthropy among Macedonian businesses and individuals (there was little tradition to begin with) nor does it facilitate contracting by government to provide social services that it can no longer provide. The sporadic support provided by these groups is mainly in-kind contributions rather than cash.

While conditions for fundraising are poor, a few NGOs, mainly in the environment sector, are successfully seeking funds from their local communities. NGOs for marginalized groups such as women and Roma have a particularly difficult time raising funds and very few NGOs have a strategic approach to fundraising. Macedonian NGOs are beginning to explore various revenue-raising techniques but they tend to look to their membership or immediate constituency as their market and do not take a strategic look at the demand for products and services that they could provide.

Introducing internationally acceptable accounting procedures remains a problem for Macedonia in general, with the NGO sector facing the same challenge. NGOs tend to meet donor requirements only regarding financial management and accounting and do not see these mechanisms as a means to make their operations more transparent. Many NGOs do not share financial information with their membership or the public, which can lead to suspicion as to how these groups are using their funds.

It should be noted that NGOs are not alone in their need to improve their accounting standards -- the business sector faces similar challenges. However, an additional problem for NGOs is that they are expected to act professionally in financial accounting, without full-time professional staff.

ADVOCACY: 4.5

Due to the incipient nature of organizational development and a lack of understanding of the transforming role that NGOs can play in society, advocacy skills remain relatively undeveloped. While NGOs need more information about the importance of advocacy and lobbying, there are instances of advocacy, particularly at the local level. One growing area of impact is the Local Environmental Action Planning (LEAP) process where environmental NGOs lead a community through a visioning and prioritization exercise that recommends local level environmental policy change. A recent success in this area was an NGO recommendation in Probistip that required a factory to shut down temporarily to install a more environmentally friendly system. In Macedonia, business and government are largely apathetic to NGOs and see them neither as resources nor as threats.

There have also been some national and local policy advocacy initiatives in the areas of domestic violence and human rights, but their effectiveness beyond raising awareness remains to be seen. One initiative of note in the domestic violence arena, was led by a small, yet vocal and politically well connected NGO, ESE, that lobbied for new applicable legislation. Recent national level advocacy efforts have also focused upon improving the status of NGOs under a proposed VAT law. Another national level initiative, led by environmental NGOs, encouraged the Macedonian Government to sign the Aarhus Convention. Several human rights groups exist in Macedonia, and their activities are occasionally covered in the media, but they remain generally low profile. For the most part, cooperation among NGOs is limited, constrained by the lack of a sense of community within the sector.

There are no official constraints on NGOs communicating directly with public officials at either the local or the national level; and many Ministries now have official NGO contact points. Often these communications are led by a powerful personality rather than by the NGO as an organization. The effectiveness of such communications varies widely based on the nature of the NGO and the particular government official. Lobbying efforts occur on an informal basis based on personal relationships rather than in a systematic fashion. There is little recognition on the part of the public that NGOs are lobbying on its behalf or that NGOs have useful connections with government.

PUBLIC IMAGE: 5.0

Over the past year, journalist associations, women's and environmental groups have brought increased attention to the role of NGOs in their respective areas, and the Kosovo crisis has raised public awareness of the role of a few NGOs in the humanitarian sector. Every major newspaper now has a reporter dedicated to covering NGOs and stories about NGOs are found in all state and independent media outlets. As the overall quality of journalism is low, stories about NGOs tend not to be written clearly and contain little analysis. Journalist associations have not yet been active in advocating for the media to have a greater role in public policy debate. Despite this increased media coverage, overall public awareness and perception of NGOs remains low in Macedonia. Reasons for this include:

1. The pressing economic situation renders understanding of NGOs low on people's priority list.
2. The fact that NGOs have not yet attempted to develop a code of ethics or demonstrate transparency in their operations in any concerted manner.

3. The overall sector identity remains weak and there are few intermediary NGOs or intermediate support organizations (ISOs) to advance the image of the sector and interface with the public or government.

Recent local level growth of NGOs may create an enhanced public image for the sector, particularly for those NGOs that are able to deliver the necessary basic services that government is unable to provide.

SERVICE PROVISION: 5.5

On the whole, the Macedonia NGO sector is very weak in the area of service provision, with the notable exceptions of humanitarian and assistance being provided during the Kosovo refugee crisis and a limited amount of community services from the rest of the sector.

This weakness can be attributed to several causes that link back to the lack of understanding of the role of NGOs in a civil society, by the public, business, government and NGOs. For example, most NGOs do not have a sense of the possible demand for services among their immediate constituency or in the country. NGOs tend to focus upon what they can offer rather than what a community or sector may need. When services are provided, there is a big gap between NGOs' ability to serve their own members versus what they can provide to a larger market.

The provision of services at cost is a new concept for Macedonian NGOs. Due to the country's weak economy, very few groups are able to recover their costs. NGOs do not have a sense of market demand and the abilities of constituencies to pay for products and services. NGOs too often focus only on obtaining grants from outside donors to support themselves.

The NGOs' lack of understanding of the role they can play in providing services is compounded by government's lack of understanding of the role of NGOs in general. While NGOs are legally allowed to bid on government procurements that fall within their organizational missions, this does not occur in any broad sense. The increase in foreign assistance funding in response to the Kosovo crisis has resulted in an increase of humanitarian support from some NGOs. The potential role of NGOs in this area is now clearer to government, but indigenous resource levels are too low, particularly at the local level, for such activities to continue without continued foreign assistance.

To move the sector ahead, much work needs to be done in two areas:

1. Providing tools such as market analysis and accounting to NGOs to enable them to more effectively provide goods and services.
2. Improving the understanding of government, business, and the NGO sector regarding the role that NGOs can play in the provision of goods and services.

INFRASTRUCTURE: 5.0

Over the past year, there has been little improvement in the infrastructure needed to support the NGO sector. Donors are just beginning to support the development of infrastructure and there is little indigenous support. A particular area of weakness is the development of intermediary support organizations (ISOs) which now meet only a fraction of the overall need for training and assistance. The Macedonia Center for International Cooperation (MCIC) provides grants and technical assistance to a portion of the sector and maintains a small service center to attend to the basic informational needs of its NGOs. ADI, a past National Democratic Institute-supported NGO in Gostivar, continues to provide services to the local NGO community by offering office space and

other services for NGOs as well as computer training on a fee basis. The local branch of the Regional Environmental Center, located in Skopje, also offers support services to the environmental community. The Open Society Institute (OSI) has plans to open several NGO resource centers around the country.

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

NGO networking remains very weak in Macedonia, sometimes because of ethnic differences. For example, it took months of facilitation to bring together Albanian, Macedonian, and Turkish women's NGOs to work on a common project in the town of Gostivar. The NGOs selected a drug awareness campaign as their common topic, but work stalled and tensions heightened among the groups during the Kosovo crisis. The Kosovo crisis also led to some jealousy between groups who received significant donor funding and groups who did not.

The NGO networks that do exist are not often issue-based, but rather are based on ethnic ties, political affiliations, or social relations. Traditional NGO umbrella organizations tend not to be democratically managed but are being supplemented by new groups such as a coalition of minority NGOs that share information and cooperate on a more equal basis. These new networks and coalitions are still donor driven but are starting to provide an attractive option for Macedonians who distrust the old-guard umbrella NGOs.

With respect to intersectoral partnerships, there appears to be willingness on the part of government officials to engage the NGO sector, but not necessarily to provide it with resources. Benign indifference may be the most apt characterization. Government has sought the expertise of specific NGOs at the local level in a few cases, usually through donor-funded community based programs such as the LEAP model where 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 NGOs skills remain weak in this area as well.

Business associations in Macedonia remain at an incipient level of development. Under the prior system, business association membership was mandatory with little benefit to the individuals. Today's associations, with the notable examples of the Association of Meat and Dairy Producers (AMDP) and the National Accounting Association, are moving towards a democratic, service-oriented and advocacy model, but still have quite a way to go.

MONTENEGRO
NGO Sustainability Index
1999

OVERALL RATING: 4.6

The situation of NGOs in Montenegro is in some ways the reverse of Serbia: there are fewer and less developed NGOs, but they function within a much more supportive legal atmosphere and political environment. The most important development in Montenegro for NGOs in the last year was the passing of a new NGO law, which in spirit and so far in practice provides full freedom for forming and operating NGOs, including for the smallest ones of less than five members. The law prohibits state interference in the functioning of NGOs aside from usual registration requirements. The government, democratically elected in 1998, views NGOs in positive terms and they are generally well covered in independent media. There are pro-government NGOs in the same institutional sense as before, but in open activity the government shows little favoritism. The main challenges facing Montenegrin NGOs relates to their late start, slow development, and poor organizational capacity. Several NGOs have become prominent think tanks and policy advocates, but most of the estimated 200 NGOs are small, often centered around a single person, and mostly inactive. There is very little domestic support and international donors have for the most part bypassed Montenegrin NGOs or taken the turn towards creating their own equivalent to GONGOs.

LEGAL ENVIRONMENT: 3.5

As noted above, a new NGO law was passed by Parliament and signed into law that provides for open and simple registration procedures, ensures swift registration, requires only minimal requirements and allows for easy registration of NGOs made up of fewer than five members. The law was passed with the support of a coalition gathering almost all Montenegrin NGOs, which provided key advice and lobbying in its drafting and legislative stages. Another sign of the progress under the current government led by President Milo Djukanovic is that after the law's passage, aides to Djukanovic indicated that they knew the law needed even more improvement (especially in the lack of tax exemptions for donations) and asked the coalition convener, CEDEM, as well as the International Center for Not-for-Profit Law for assistance in this effort. Specific areas for improvement include: a mandatory registration requirement for all associations, controversial provisions on internal governance, lack of conflict of interest provisions, and relatively large fines.

Tax legislation affecting domestic donors to NGOs is quite liberal, and covered in a separate tax law. This law provides that donations of a corporation to public benefit, sports, or religious organizations are tax deductible to the extent that they do not exceed 3% of the corporation's total income. Individual donations to these organizations are tax deductible to the extent that they do not exceed 10% of income subject to taxation.

While the overall tax environment is rather good, tax laws tend to be interpreted rather broadly with respect to economic activities of NGOs, making it very difficult for them to conduct activities for their support. Finally, as Montenegro functions within the legal framework of the FRY, its status remains precarious.

ORGANIZATIONAL CAPACITY: 5

The main progress in the last year came with the volume of NGOs that registered having very specific purposes (e.g. youth and student development, minority rights). They all have basic internal management structures required by law, but few have developed past that stage.

Across the range of areas related to organization development, Montenegrin NGOs fare rather poorly: they have basic missions but not well-defined. They have a basic internal management structure (one of the requirements of the registration law), but there is little understanding of strategies. It is estimated that only 20 NGOs have some staffing, and only a handful had more than one staff person. Few NGOs do not have their own equipment (often relying on personally owned equipment) nor do they seek to build membership or constituency. The only significant constituency organization beyond political parties is the Montenegrin independent trade union federation.

FINANCIAL VIABILITY: 5.5

There is greater international interest in Montenegro and the Soros Foundation is opening a separate office from its Belgrade branch (as in Kosovo). The government is placing no obstacles to international funding and the law allows unfettered registration by foreign NGOs and foundations. The government also held an open competition for grants of public money in which there was no observation of bias towards pro-government organizations (the judges included six representatives of NGOs).

Aside from this small competition, the NGO sector is completely dependent on foreign donors and in fact organizations will alter themselves to suit foreign donors or individuals will agree to set up new organizations that are fronts for the donors. Most NGOs are starving for even the most basic support and probably cannot survive. CEDEM estimates that at most 20 percent of the current 200 NGOs can survive.

ADVOCACY: 3.5

There is a generally positive atmosphere of cooperation between NGOs and the federal government and for the most part with local governments (exceptions are in areas still controlled by the hard-line party of Momir Bulatovic). This positive atmosphere is seen in many local NGO-local government agreements on community activities as well as the engagement of NGOs in the drafting and passage of the NGO law. CEDEM put together a national coalition of nearly all NGOs to offer a common platform of needs and to advocate passage of the law. Other areas of advocacy are seen in the economy and health care.

The practice of "lobbying" -- the direct influencing of a legislator through argument or presentation of facts and analysis -- is still unknown in Montenegro and most advocacy takes place in the forum of the media through advertisements or coverage of press conferences. Very few strong figures have emerged from the NGO community that can take on larger issues.

SERVICE PROVISION: 4.5

Several NGOs have developed a real capacity for providing services to the local community, such as for protection of women from violence (a major problem in Montenegro) or for teaching parents and children or for offering training for juvenile delinquents. Several NGOs have

developed cooperative relationships with local authorities, such as SOS Hotline with the local police to take more seriously the problem of spousal battery.

These are as yet small and few examples. In general, service provision is undeveloped due to the society's general expectation that all service provisions will be provided by the state, as well as the poor support for NGOs in these sectors. Many international institutions, especially humanitarian ones, wish to provide many human services themselves.

INFRASTRUCTURE: 5

Such things as NGO Resource Centers, advice centers, or support organizations are only starting to develop with international support (e.g. an NGO Resource Center with the support of the British Lottery, CEDEM, and USAID). At the same time, an NGO Coalition was put together around the drafting and passage of the NGO law. In most instances, intersectoral partnerships have emerged where they could exist.

Overall, there is no support system for NGOs in Montenegro and the NGO Resource Center has not proven yet that it can service the NGO community. NGOs have to take on several functions (CEDEM, for example) because of the great needs that exist. There are no indigenous *Montenegrin*-developed training materials or trainers and NGOs rely on the training team developed in Serbia by TIM TRI of Civic Initiatives. Promises of international support have been slow to materialize.

PUBLIC IMAGE: 5

When there is coverage by the media, it is generally positive and responsive to NGOs. Much of the population now views NGOs as parts of Montenegrin society and not as foreign agents.

The public's understanding of the role of NGOs is weak, often thinking of it simply as a replacement for the state to provide services. A significant part of the population that voted for Momir Bulatovic and his hard-line party view NGOs as traitors, and the pro-Bulatovic press portrays NGOs in this way. The overall public is not knowledgeable enough about NGOs to be supportive; the business sector is not developed enough to offer support. NGOs themselves have little sense of promotion.

POLAND:
NGO Sustainability Index
1999

OVERALL RATING: 2.1

Since 1989, the Third Sector in Poland has enjoyed a renaissance with nearly 30,000 independent organizations estimated to be active in a variety of areas, such as education, health care, social welfare, culture, human rights, local development, and environmental protection. Most of these organizations have been registered over the last ten years. NGO support services are becoming increasingly available and are provided by a network of seven organizations located in big cities. The network provides training, information and advisory services to help NGOs improve their fund raising skills, develop and implement fundable projects, strengthen ability to cooperate with the public and business sectors, and with the media. Similar services are also increasingly available in smaller towns, where NGO-support centers have emerged over the past years. A cadre of skilled and knowledgeable indigenous trainers works for these centers. Efforts are being undertaken to develop indigenous funding sources through business and local government support; and to strengthen NGOs influence on 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, and building legal and administrative capacity to establish endowed foundations and community foundations. More work is also required in the areas of inter-organizational cooperation, such as coalition building, and lobbying. There is also a need to further develop cooperation with the public administration, especially with local government, and to establish a countrywide, consistent and transparent mechanism for public funding of NGO activities. It is also important that more effective efforts are made to promote devolution of responsibilities for service delivery from public administration, especially local government, to NGOs through contracting.

LEGAL ENVIRONMENT: 2

Registering associations is relatively easy. There is no unfair regulation of the registration process by central government. NGOs can operate freely and they are free from harassment by the state or local government. Any objections or complaints brought forth by central or local government concerning NGOs must be settled by the judicial system, which is independent of the executive and legislative branches of government. Grants and donations received by NGOs are tax exempt. Polish law provides also for tax exemptions for individual and corporate donors, when donations support specified aims. Donations by individuals and businesses are tax exempt up to 10% or 15% of revenue (gross profit) depending on what aims the donation serves. It is almost certain that this tax exemption will soon be reduced to only 10%.

Plans are under way to modify the law on associations that will allow for more control over associations by local public administration. It is expected that the NGO sector is going to strongly oppose it. Registering foundations takes a lot of time. This is due to the fact that the process is centralized, with one court handling registrations for the whole country. The current public administration reform has not yet resulted in decentralization of registration decisions. For the last four 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. Current legal regulations, including public finance law, procurement law, the law on foundations, and the law on associations do not provide a clear framework for funding NGOs by the public sector (through grants and contracts). A new law on "cooperation between public administration and NGOs" has been under consideration for over three years is expected to address this problem, but it is not certain whether it will be debated and passed by the current Parliament. In spite of progress made in this regard, NGOs have still a long way to go to become a strong partner in policy development and implementation. Polish law does not contain necessary provisions that regulate voluntary work and this creates some administrative problems for NGOs in using volunteer labor. Legal advising is not easily available to NGOs, especially outside of big cities.

ORGANIZATIONAL CAPACITY: 2

NGOs are increasingly able to develop strategic plans and define their mission, though this is still far from common. A Charter of Principles that was adopted as a self-regulatory measure during the national forum of NGOs in 1996 includes clauses differentiating management and supervisory functions. The Charter also precludes members of the supervisory body from receiving remuneration. Leading NGOs have paid staff, usually well-trained and skilled professionals.

A great number of organizations are operating without any outside funding. These organizations can not therefore afford to have paid staff. Resources that support training are directed to training institutions and not to NGOs, hampering the development of a consumer market for training. While it is unrealistic to expect that the market can regulate all training for NGOs, it is 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 and therefore further assistance is needed to strengthen sustainability of the NGO support organizations. Organizations are only beginning to cooperate or form coalitions for more effective public policy advocacy. Management structure of NGOs is often not well defined, and division between the Board of Directors and staff is often not recognized.

FINANCIAL VIABILITY: 2.5

NGOs are increasingly raising funds from local sources, especially local government. Models of consistent and transparent funding of NGOs by local government have been developed and are being replicated. Over the last three years, several initiatives have been taking place to develop local sources of funding for NGOs. In 1998, an organization was established as a successor to the USAID-funded Democracy Network (DemNet) project to develop and promote philanthropy. This organization supports the most interesting philanthropic initiatives through the Benefactor of the Year competition and conducts a program dedicated to the creation and development of community foundations. Fourteen community foundations throughout the country have already started raising funds locally. New fund-raising methodologies and approaches, such as payroll deductions, establishing a foundation that raises funds to help modernize children's hospital, have been successfully introduced. A pilot program of contracting services to NGOs by local government has been initiated in selected municipalities. Poland has good training programs and consultation services available in fund raising. The USAID's Local Government Partnership Program promotes market

demand for training, information, and advisory services to local government, and NGOs providing such services are benefiting from it.

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 assistance is needed to promote business involvement in supporting NGOs. Current public administration reform and new public finance law have created a feeling of uncertainty among NGOs concerning public funding. Additional work is needed to develop a consistent, countrywide mechanism for local government funding of NGOs and to devolve responsibilities for service delivery from the local government to NGOs through contracting.

ADVOCACY: 2.5

There is an increase in the number of public advocacy activities being initiated by NGOs. This is evidenced by coalitions and umbrella groups of NGOs working on issues related to: 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. Numerous NGOs representing most areas (sectors) of NGO activities have conducted successful advocacy campaigns. Recently, the most spectacular and successful advocacy campaign by NGOs was to influence change in the new public finance law that created serious problems with funding NGOs by local government. In the past, DemNet grantees were able to successfully influence national and local government legislation and regulations, including one article in the new Constitution, three amendments to national legislation, and 59 local government ordinances. Politicians are beginning to view NGOs as a group that can not be ignored, though expressions of interest and good will are not often followed by expected actions. The Association for the Forum of Non-Governmental 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.

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. Coalitions among NGOs are still not common and NGOs need to further develop them as a more permanent mechanism for communicating their needs and expressing their concerns regarding NGO legislation and other issues. Direct and permanent channels of communication between policy-makers and NGOs need to be developed and possibly formalized, as is the whole process of public consultation.

SERVICE PROVISION: 2.0

NGOs are active in a variety of areas, providing basic services, such as education, health-care, and social assistance, and engage in activities to promote culture, environmental protection, rights of underprivileged groups such as women and minorities, and human rights. They are also actively participating in job creation and other activities promoting economic development. NGOs have also become the major or sole provider of care to terminally ill and shelter to the homeless. A limited number of NGOs is charging fee for services. This applies especially to NGOs that provide training or advisory services to local government. Otherwise, NGOs need donor funding to be able to continue their services.

Official recognition by the government does not translate itself into clear and unequivocal support in practice. The current public administration reform that introduced two new levels of local government created additional uncertainty about funding NGOs by the government. A transparent countrywide system of funding NGOs through grants and contracts to allow them to provide services to the communities is yet to be developed.

INFRASTRUCTURE: 2.0

A network of seven NGO support centers located in big cities, provides information, training and advisory services to NGOs in fund-raising, NGO management, preparing applications for funding, cooperation with local government, and promotion and cooperation with the media. The most important achievements of the Network include: a national information bank on NGOs that is regularly updated (KLON/JAWOR); numerous publications, including NGO directories, guidebooks and newsletters; Internet services for NGOs; and establishing centers promoting volunteer work. Additional support centers operate in smaller towns. Over the last four years, NGO support centers have substantially improved their skills and capacity to serve NGO needs. Coalition building is beginning, especially among NGOs working on children's rights, rights of the disabled, human rights, and environmental protection. Intersectoral partnerships are developing with foreign and local business, local government and the media. Polish NGOs are also increasingly involved in cooperation with and support for the Third Sector in Belarus, Ukraine, Lithuania, and former Yugoslavia. Polish NGOs are also actively trying to be included in negotiations related to EU accession.

Most of the training, advisory and information services for NGOs are provided for free and are funded by various donors. The majority of the NGOs, especially from small towns, are not able to pay for services. There are concerns that indigenous sources of funding might not be developing quickly enough to close the gap, once foreign funding is no longer available. Improvements are also needed in the areas of information sharing, cooperation among NGOs, and intersectoral cooperation.

PUBLIC IMAGE: 2

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 series on NGOs on national educational television as well as local newspaper coverage of NGO activities. The assistance that NGOs provided to victims of the 1997 flood was widely recognized by the media and contributed also to improved image. Media helped publicize serious problems faced by NGOs as a result of an article in the new 1999 public finance law and thus contributed to NGO's success in having the law amended. A special campaign was conducted to encourage NGOs to publish annual reports as a matter of standard practice.

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 public of the role of the non-profit sector in a democracy. The third sector tends to be perceived narrowly as involving charitable activities, and less frequently as conducting lobbying or representing particular interests. NGOs do still need to develop more effective ways for publicizing their activities and promoting their public image.

ROMANIA
NGO Sustainability Index
1999

OVERALL RATING: 4.0

Over the past year, while there has been a marked increase in the number of NGOs (unofficial data estimate that there are 40,000 NGOs registered, about 50% of them being active), only social sector NGOs (child welfare, women's issues, disabled people) have improved the quality of services delivered.

As a whole, the sector only registered minimal advancements, reflecting in part the economic and political problems affecting Romania. In addition, direct donor support to the sector continues to decrease. These conditions have contributed to a practical stagnation of the sector. On the positive side, these constraints and the decentralization process have helped to create a new dynamics in the sector, causing NGOs to improve their local linkages to forge partnerships at the local level.

LEGAL ENVIRONMENT: 3.5

Romania remains the only country in Central and Eastern Europe without a modern law regulating its associations and foundations. After the change in regime in 1989, Romania resurrected Law No. 21 from 1924, which gave associations a relatively easy means by which to register and relative freedom of operation, but lacked adequate safeguards and was inconsistent with more recent legislation in other areas.

The NGO community has also been actively pursuing the adoption of a new legal and regulatory framework that incorporates internationally accepted precepts and practices for the operation of NGOs. Recent NGOs advocacy initiatives to improve the legal environment for NGOs led to the passage of a "Sponsorship Law" in early 1998, landmark legislation designed to provide tax deductions for individual and corporate contributions to NGOs and favorable treatment by print and broadcast media for programs or announcements by NGOs. Then, in September 1998, key legislation was passed allowing NGOs to contract for the delivery of social services.

There are only a small number of Romanian lawyers that are familiar with legislation for the non-profit sector. Some NGOs and support organizations can provide legal advice to citizens that want to start a new organization, but this service is available mainly in the capital city.

ORGANIZATIONAL CAPACITY: 4

Although there is a growing number of NGOs with basic administrative and operational capabilities, and a small number with formal boards of directors, the majority continues to struggle with the development of their core capacities. Some improvements are noticeable in the internal management structures, especially in the capital city and major cities, and more involvement with constituency building. Unfortunately, because of the lack of resources, NGOs are not able to sustain their

organizational capacity, have very small (1-2 people) paid staff, and depend largely on volunteers. As a result, trained staff often depart to join the business sector.

FINANCIAL VIABILITY: 5

Sector-wide donor funding is decreasing, although there still remains some external targeted support. Approximately 36% of the NGO revenues come from foreign sources. Foreign donors have changed their strategy, providing less direct support for the sector and focusing more on funding programs in specific areas (child welfare, minority rights, community development, etc.). While there has been some progress regarding self-generated revenues, the lack of donor funding and the poor economic situation of the country have made financial viability the major issue for the sector. Despite these difficulties, several NGOs are starting to use new fundraising techniques, such as direct mail campaigns, membership fees, and public events to raise additional funds. About 9% of NGO revenues come from individual donations, 11% from membership fees and 13% from corporate sources.

ADVOCACY: 4

While some progress has been achieved in establishing cooperation with both the central and local governments, a lot remains to be done to effectively use these channels. As local governments are able to better define their functions and responsibilities, the opportunities for effective NGO engagement will increase.

More NGOs are aware of the use of advocacy and lobbying techniques to promote their own agenda, including the legal and regulatory framework for the sector. As the pending new NGO legislation is not one of Parliament's priorities, a vote is likely to be postponed until after the 2000 elections, unless NGOs push for quick approval.

The Coalition for Reproductive Health, including 27 NGOs and professional associations, continued to inform citizens about their rights and to advocate for the access to reproductive health (RH) services. In October 1998, the coalition launched its campaign "Women Choose Health", promoting RH in rural areas, schools and factories in three counties (Cluj, Iasi, Constanta). The coalition successfully lobbied the Executive and the Parliament to include a comprehensive set of RH services in the basic health insurance package.

SERVICE PROVISION: 4

There is a noticeable diversification of services being provided by NGOs, and an increased awareness of the need to provide services that reflect the priorities of the communities. Most of the services are provided to children, elderly, and people with disabilities. These services consist of material support, as well as counseling, and are often of higher quality and lower costs than those provided by the state. The majority of NGOs are still struggling with difficulties like cost recovery and learning to tap into the resources available.

INFRASTRUCTURE: 4

Although there are a few NGO resource centers and intermediary support organizations (ISOs) in Romania, these organizations are still at the formative stage, trying to define their role, struggling with the lack of resources, and developing and maintaining relationships with their clients.

Communication and information sharing in the sector is stimulated through local and sectoral forums, and through magazines and newsletters edited and published by NGOs. Though some attempts have been made to create a permanent representative structure, no democratic mechanisms are yet in place to ensure that the voice of the smaller NGOs is heard.

A wide range of training services is available in the capital and secondary cities, as well as training materials in Romanian. Capable NGO management specialists provide training and consultancy, but there is a concern about their future availability for the sector as external funding levels decline.

PUBLIC IMAGE: 4

During the past two years, a number of questionable NGOs that were created for the sole purpose of importing vehicles, equipment and commodities free of tax, created a lot of bad publicity for the NGO sector. Although the sector as a whole continues to suffer from that publicity, efforts have been made, such as NGO forums and fairs, to improve the public image of the sector. Over the past year, there has also been more positive media coverage. While there is growing interest among NGOs to establish internal standards of performance, no significant results have been achieved yet regarding a code of ethics. As NGOs improve their public relations capabilities and their relationship with the media, and if training and technical assistance for both NGOs and journalists continues, more significant improvements are anticipated in the coming year.

RUSSIA
NGO Sustainability Index
1999

OVERALL RATING: 4

Over the past twelve years, Russia's NGO sector has grown dramatically. In 1987, there were thirty to forty registered civic NGOs; on December 31, 1998 237,935 organizations had registered with the Ministry of Justice. Sector experts estimate that roughly one-quarter of these NGOs are active and engaged in civic issues (as opposed to trade unions, religious groups, consumer cooperatives, businesses registered as NGOs, or defunct organizations, for example).

Strong organizations exist in all sectors, but not in all regions. Russia's NGO development varies greatly across its 89 Federation subjects, and ranges from sophisticated organizations located in the capitol cities that possess excellent technological, human, training, information, and financial resources, to small volunteer groups operating in the regions, sometimes solely on the basis of in-kind contributions. The majority of active NGOs, large and small, are concentrated in urban areas and population centers. All activists cite an increase in the professionalism of NGOs in general (and their need for professional development in particular) as one of their highest priorities. They believe that increasing their professionalism will remove some of the barriers to cooperation with business and government.

The most pronounced negative factors in 1999 are Russia's continuing economic crisis, coupled with political uncertainty. These factors offer bleak prospects for NGO sector financial viability and much-needed federal-level legislative reform, and represent the most serious constraint on medium-term NGO sector growth in areas where other resources are present.

LEGAL ENVIRONMENT: 4.0

Russian legislation, enacted at the Federal level, provides a legal basis for NGOs to operate. 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). Most NGOs operate free of harassment from government authorities. At present, pro-NGO legislation is being advanced on the regional and local levels by NGO sector activists, including legislation on government contracts and procurements. No provision for such procurements is expected at the federal level in the next two years.

Access to legal consultations or advice for NGOs was expanded this year through USAID-funded NGO resource centers in Siberia, Southern Russia, Novgorod, Samara, and the Russian Far East. For example, ISAR provides Russian Far East (RFE) NGOs with legal consultations at five resource centers, and publishes texts of pertinent legislation in its journal and on the Internet.

Overall, Russia's legal environment for NGOs has worsened over the past year. Considerable setbacks in the areas of taxation of foreign assistance were coupled with an increase in government interference in the re-registration of certain politically controversial NGOs. (Re-registration of NGOs registered prior to 1995 was mandated by the framework legislation mentioned above.)

Taxes are often collected on cost recovery measures or fee-for-service arrangements, without distinguishing between nonprofit and profit-making enterprises. Legislation promoting significant

usable tax incentives will likely not be a part of Russia's tax structure in the foreseeable future, due to international and domestic pressure on the Russian federal government to raise critically needed revenues. The general provisions of a new tax code were adopted in August 1998; the specific provisions have not yet been adopted. NGO sector activists have formed a national coalition to lobby for a package of amendments to the specific provisions of the new tax code that would address serious defects in the general provisions and restore some level of protection for nonprofits, but the fate of this legislation is uncertain.

ORGANIZATIONAL CAPACITY: 3.5

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."

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 number of indigenous consulting and training agencies that can offer specialized training in one or more areas of organizational management held steady over the past year, despite the August 1998 financial crisis. Leading NGOs throughout the country articulate clear mission statements and are successful in attracting volunteers.

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, and USAID does not know of any Russian consultants who can support training in establishing and working with a board of directors.

FINANCIAL VIABILITY: 5.0

Russia's NGOs are turning to government and business with increasing success for support for their work. Leading Siberian NGOs have begun to catalyze small grant programs by mobilizing resources from local government and business; small grants from this "consolidated" pool are then awarded competitively to local groups for socially significant projects. NGO sector experts continue to find that Russian regional and local government agencies -- not foreign donors -- are the most likely sources of financial support: at least forty percent of Russia's NGOs receive some form of government assistance, and fifty percent of those surveyed have no cash income at all.

Traditions of indigenous philanthropy are slowly being revived in Russia, but few NGOs have had success in raising money from private individuals. Classical "fundraising" from commercial organizations (in the sense of direct solicitation) is becoming more widely practiced in the Russian NGO sector. NGO activists continue to be 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.

Russia's poor economic performance continues to pose the single most serious constraint to the financial development of its NGO sector. The contraction of the economy following the August 1998 financial crisis has made financial sustainability for leading NGOs with significant foreign funding unlikely within the next five years. Professional organizations in general are just beginning to learn how to provide member services, a necessary precondition for dues collection. Cost-recovery, fee-

for-service and other revenue-raising schemes are being introduced by NGOs across Russia, but may carry serious tax liabilities.

ADVOCACY: 3.5

Local advocacy initiatives have gained strength in over thirty of Russia's regions, as demonstrated by local citizen councils that meet regularly to advise legislative- and executive-branch officials on policy matters. Although suspicion continues to exist on both sides, local government officials and activists continue to find mechanisms such as these councils to promote collaboration. In some regions, officials eagerly solicit help from activists in collaborating on programming and on drafting legislation. In Siberia, for example, over 350 consultations between NGO activists and government officials have occurred during the past year. In other regions, however, 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.

Informal, issue-based coalitions are increasingly frequent and visible at the local level. Organizations do pool resources and work together when there is a perceived need or a pressing issue, such as last year's national campaign for fair taxation of NGOs. Larger issue-oriented NGOs have formed nationwide networks to advocate on specific policy issues (such as youth, ecology, voter mobilization or military reform). The National Democratic Institute trained a coalition of NGOs with national constituencies to mobilize voters during the December 1999 State Duma elections.

There are few Russian "think tanks" on the Western model that advocate public policy recommendations at the Federal level. Policy formulation by Russian NGOs is most likely to take the form of practical experience, taking the form of a "partnership" between government bodies and NGOs. The overwhelming majority of NGOs establish their credentials as advocates by working with local government agencies 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.

As NGOs establish themselves in a positive and cooperative role as public advocates and providers of services, they become extremely attractive to government officials seeking office, especially given Russia's weak level of political party development. Lack of political parties with issue-based platforms, and the lack of accountability of elected officials generally, seriously hinders the effectiveness of NGOs' lobbying efforts.

SERVICE PROVISION: 4.5

Most of Russia's NGOs provide some type of service to their members or to their communities based on needs perceived at the local level (rather than at the behest of donors). Some of Russia's elite NGOs provide high-quality services in the areas of housing, health, training, and environmental health. They have succeeded in creating a demand for their services among NGO, commercial, and government clients, and have found clients who are willing and able to pay. Their "product lines" are not, as a rule, diversified. These NGOs have found ways of registering and obtaining the necessary licenses so that they can provide these services and manage their tax obligations. In increasing numbers, local government officials are beginning to recognize the value that NGOs can add in the provision of basic social services.

Russian tax law does not favor cost-recovery schemes. For example, in many instances the tax implications of these schemes are so unfavorable as to make even charging subscription fees unprofitable. Leading Russian NGOs are exploring fee-for-service and other cost-recovery options,

and have found that many NGOs and some businesses would be willing to pay for publications, workshops, and expert analysis, as well as other services. Few of those willing to pay actually have the means to do so.

INFRASTRUCTURE: 3.5

NGO resource centers exist in many regions throughout Russia that provide local NGOs with access to information and technology. ISOs provide training, technical assistance, grants, and other support to local NGOs in many communities. There is a growing cadre of capable Russian management trainers, and NGO management training and Russian-language materials are available in many regional capitals. Advanced specialized training and consulting in strategic management, accounting for non-profits, financial management, fundraising, and volunteer management are available in major cities and regional centers. Training and consulting organizations receive considerable financial support from the NGOs they serve. NGOs work in formal and informal partnerships with local business and local government. In a few cities, an awareness among the various sectors of the possibilities for and advantages of such partnerships is growing.

Resource centers that serve NGOs (as opposed to business support institutions) have difficulty earning income and generating revenue for the reasons noted above (see “service provision”). Vast distances between population centers in certain regions (e.g., the Russian Far East) and poor infrastructure limit NGOs’ access to resource center services. For example, although several USAID-funded programs feature Internet libraries, the overwhelming majority of Russian NGOs do not have reliable Internet access. In most of the country, Internet connections are not sufficient to permit downloading of large documents.

PUBLIC IMAGE: 5

In 1999 the perception of NGOs' effectiveness as providers of services and as advocates for their constituents has continued to improve among government officials in the regions in which foreign donors are active. According to Russian NGO sector experts from the regions, much hard work by NGO activists has had significant impact. NGOs (and especially NGO resource centers) continue to work actively with local media representatives to increase coverage of the active, positive role that NGOs are playing in their communities. 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 October 1999, the USAID-funded NGO Resource Center “FIRN” located in Ulan-Ude held its second annual fair, which showcased the potential role Buryatia’s NGOs can play in solving the republic’s social problems. Over 800 citizens attended the fair, which was opened by the First Deputy Head of the Government of Buryatia, who noted the significant role NGOs are playing in the republic’s economy.

Much work remains to be done, as many organizations still lack basic public relations skills. Cultivating good relations with local media representatives may take more time and attention than small organizations are able to devote to this crucial work, although many are improving their skills. Journalists are often poorly informed about the role NGOs play in civil society and are preoccupied with other news items. Therefore, the public at large continues to have a poor understanding of the role and positive achievements of NGOs in society. Popular opinion continues to associate NGOs with illegal businesses or tax evasion. The lack of tax reform that would enable small businesses to function profitably without resorting to registering as nonprofits also contributes to this negative image.

SERBIA
NGO Sustainability Index
1999

OVERALL RANKING: 5.4

The NGO sector in Serbia is full of contradictions. Certain dimensions of sustainability are very low because of the environment in which the NGOs work (political, economic and humanitarian), but the quality of activities and services of NGOs has been improving every day. After the explosive growth of local NGOs in 1998 and as a result of the presence of new funders such as USAID and the Know How Fund, NGOs passed several dramatic developmental phases. With the withdrawal of funders, due to bombing threats, NGOs were left without consistent sources of financing. During the NATO bombing most NGOs stopped all activities because of martial law and fear of pressure from the regime.

At the same time, the tragic events of 1999 demonstrate that NGOs in Serbia have very deep roots as well as the ability to survive under extremely difficult conditions. Nearly 60 NGOs worked together and spoke out against both the ethnic cleansing of Albanians in Kosovo and NATO bombing. In a way NGOs, particularly those in Belgrade, emerged from the war stronger and more united. The public image of NGOs became very positive and they gained respect. In the post war period, NGOs have appeared as the only reliable alternative, and the only productive force for necessary change in society. New NGOs have been registered but they are dependent upon foreign funding, because the population and the economy are completely impoverished. Unprecedented repression of independent media, complete control of the judiciary system by the regime, imprisonment of human rights activists with sentences of up to three years, are constant threat and an obstacle to the functioning of the NGOs. As a reaction, local and national coalitions are being formed, and cooperation and a dialogue has been established with some political parties about a common platform for change. This process has had its ups and downs, but it has led to improvement in the functioning of civil society. The renewed interest of foreign funders in has Serbia opened new perspectives.

LEGAL ENVIRONMENT: 6

Though there has been no change in the legislative environment for NGOs during 1999, Serbia is experiencing a growing repression against all individuals and groups that think differently than the regime. In response, the NGO sector has supported the formation of a network of offices, coordinated by the Lawyers' Committee for the Protection of Human Rights, to provide free legal assistance throughout Serbia. In several free cities, including Nis, Kikinda, and Sombor, close cooperation has been established between NGOs and local authorities.

Both Yugoslav and Serbian institutions have been used to delay the registration process for new NGOs. A number of NGOs have been refused registration, based upon the argument that the state is already dealing with the same problem. The absence of a legal framework for international NGOs (INGOs) has necessitated separate contracts between individual INGOs and the State. These separate contracts make international organizations largely dependent upon good will of the regime and separate them from local NGOs that cannot or do not wish to establish relations with the regime. The lack of regulations creates substantial financial pressure on the sector, because financing from outside the country is quasi-legal.

ORGANIZATIONAL CAPACITY: 5

Approximately 300 NGO activists from 150 NGOs have successfully completed training in NGO management, provided by Team TRI, a local training group. This training has resulted in more intense networking activity, and a more active approach toward constituents and international donors. The quality of NGO projects, both in the capital and the regions, has been significantly improved. The Civic Initiatives Center for Development Training and Information has been established to respond to the growing demand for assistance and services.

New NGOs, particularly the ones outside Belgrade, still have problems developing activities, writing proposals, and fundraising. The biggest problem is the lack of technical capacity and access to information. NGOs struggle to cover the basic costs of office space, telephone and at least one professional staff member. Volunteers are very rare, as a result of the dramatic economic situation.

FINANCIAL VIABILITY: 6

There has been no progress in financial viability over the past year. Several new small funders, such as IDEE and BCIF, are capable of reacting rapidly and providing small emergency grants up to \$2,000 USD to help local NGOs meet urgent needs. Their flexibility and rapid reaction capability are necessary to keep NGOs afloat given their present circumstances.

Major Belgrade-based NGOs are the only ones that have managed to obtain funds for long term projects. Most local NGOs are on the verge of closing down their activities. They need support and assistance in writing projects, translating them in English, and approaching donors. The international community, particularly European institutions, remains slow in delivering promised support.

ADVOCACY: 6

Close cooperation has been established between local authorities and NGOs in most free cities. Several legal initiatives have been conducted -- for example, amnesty for those who refused to participate in the war in Kosovo, human rights activists, etc. A large number of NGOs and other civil society organizations (e.g. Civic Initiatives' Back to Europe Campaign, Trade Unions, Media etc) have cooperated in several campaigns to promote and advocate for change in Serbian society. Opposition political parties have cooperated with NGOs in the development of several legislative proposals, such as a proposed election law, drafted by CESID.

Neither Yugoslav nor Serbian government institutions provide any response to initiatives coming from the NGO sector. There is no interest on the part of NGOs to continue to try to establish communications with the current regime.

SERVICE PROVISION: 4

NGOs are expanding their service areas to cover new activities including providing support to small and medium enterprises, enlargement of Roma organizations, new human rights and civil society development organizations. NGOs are becoming more aware of their own capacity to make a difference, and the increased number of beneficiaries of NGO services proves that they are attempting to meet the needs of their communities.

Most of the population sees NGOs as a substitute for the state. They do not perceive NGOs as vehicles for solving problems themselves, but passively expect NGOs to solve their problems for them. The state has completely given up on entire sectors of social activity, such as foster parents programs and disabled and minority programs, leaving them for NGOs, but without providing any financial support for these activities. State control of all humanitarian aid coming into the country through the Serbian Red Cross places a significant constraint on service provision by local NGOs. In addition, income-generating projects are almost entirely aimed at refugees and displaced persons, although the economic situation of the local population is equally difficult.

INFRASTRUCTURE: 5

The establishment of a new Resource Center, as well as several information centers on the local level, is improving the dissemination of information throughout the sector. Several coalitions have been established on all levels. Conferences and large regional meetings have included participants from other sectors and have intensified NGO partnerships. In response to the increased demand, Team TRI, the only professional group of NGO management trainers, has begun a new Training of Trainers Program, in cooperation with OXFAM and the European Union. The program will train future trainers from all regions of Serbia and Montenegro.

PUBLIC IMAGE: 5.5

Local media have shown increased interest in the activities of the NGO sector. Local radio and television stations and local newspapers have developed special programs and features about the third sector. On the national level, independent media are informing the public about important activities of NGOs. Surprisingly, the state-controlled media have not started a campaign against NGOs. Most significantly, NGOs are benefiting from word of mouth promotion of the impact and results of their programs.

The general population continues to have very limited knowledge of the role and capacity of NGOs. State media provide no information coming from NGOs, particularly with regard to human rights issues, democracy and civil society building. The danger that the State may restart a campaign against NGOs is constant.

THE SLOVAK REPUBLIC
NGO Sustainability Index
1999

OVERALL RATING: 2.07

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, in and around Bratislava, the capital. From a handful of organizations in 1989, the Slovak non-governmental sector has grown to over 27,000 organizations, including NGOs, Civic Associations, Foundations and other non-profit organizations. Of that number, approximately 2,000 NGOs are considered to be active. The largest number of NGOs operates in the field of culture and recreational activities (including sports) humanitarian and charity organizations, and environmental NGOs. The Slovak Academic Information Agency -- Service Center for the Third Sector (SAIS-SCTS) has established a Center for Volunteerism, which reports that public interest in volunteering is increasing. Slovakia's rate of civic participation in the third sector is currently among the highest in the former socialist countries.

The Third Sector in Slovakia has matured dramatically in recent years. It provides a strong example of internal cooperation and advocacy. Its civic education and voter mobilization campaign during the September 1998 elections, OK '98, was highly successful. An IVO poll in October 1998 indicated that 70% of the public was aware of the OK '98 campaign, and gave Slovakian NGOs substantial credit for the successful conduct and outcome of the election.

LEGAL ENVIRONMENT: 3.5

The new government, elected in 1998, has brought about a major change in NGO/government relations, and a major change in government attitude toward civil society. NGO law reform is now one of the government's priorities and a number of former NGO leaders now fill government posts. The basic legislative framework for NGOs has been in place since 1997, though these laws which relate to foundations, non-investment funds and public benefit organizations were heavily criticized by both the Slovak NGO community and by the international community. The Ministry of Justice has established a task force to prepare new laws and amendments, and includes the participation of NGO representatives in full partnership. The new laws and/or amendments recommended by the task force were expected to be submitted to the Parliament by the end of calendar year 1999. The willingness of the government to expeditiously make these changes in legislation will test its so far positive relations with the third sector.

There are a number of highly trained lawyers specializing in not-for-profit law, and a number of legal advisory centers have been established to provide legal services to NGOs. The Social Policy Analysis Center has retained lawyers 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. Slovak NGOs are able to register and operate under four existing laws, which vary in their degree of favorability. The "Law on the Association of Citizens" regulates civic associations, and allows for easy registration and operation with no undue restrictions or state control.

The 1996 “Law on Foundations” introduced several bureaucratic and administrative requirements, including minimum basic assets in the amount of approximately \$2,500 a ceiling of 15% on administrative expenses, and a prohibition on entrepreneurial or business activities (foundations are defined as purely grant-making organizations). 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 is frequently enforced at this time, but until the new government amends or replaces these laws, they will impede NGO growth and development. The existing tax framework provides limited exemptions under the law. Organizations with more than approximately \$2,500 in income are subject to tax on the entire amount. In November 1999 the Slovak government approved legislation that allows individuals and corporations to assign 1% of their income tax for contribution to an NGO of their choice, effective in 2001.

ORGANIZATIONAL CAPACITY: 2.0

A core group of mature NGOs (approximately 200 – 300) has a clear sense of mission. Many of these mature NGOs are providing assistance and developing umbrella structures to mentor developing groups within their sectors. Community based “village NGOs”, are beginning to establish themselves in rural areas. A nascent community of Roma NGOs is also developing, largely as a result of international donors’ interest.

A recent study by Johns Hopkins University's Comparative Nonprofit Sector Project identified approximately 16,000 full-time employees working in NGOs. This is equal to nearly 1% of employment in Slovakia, and compares to a level of 7% in Western Europe. Approximately 44,000 individuals are employed part-time in the NGO sector. The study also showed that 19% of the population volunteers on a regular basis with NGOs.

Slovak NGOs have a high level of intra and cross-sectoral cooperation through mechanisms such as the Gremium of the Third Sector (the Gremium) and its eight regional Gremia; training organizations such as SAIA-SCTS, Partners for Democratic Change Slovakia (PDCS), the Environmental Training Partnership (ETP); and several umbrella organizations. The Slovak NGO Donors’ Forum has proven to be highly successful in coordinating donor activities. There are currently 37 members of the Donors’ Forum, both domestic and international.

ChangeNet, a civic association established in 1996 to support effective communication and information sharing among NGOs, under a grant from the Civil Society Development Foundation (PHARE) provides standard Internet services to NGOs as an independent Internet server.

NGOs recognize the importance of board development, and SAIA has made board development one of its priorities. SAIA recently published a brochure on board development and provides board development training and technical assistance. Many boards are currently comprised of founders and/or staff, with few having constituents or cross-sectoral representation.

FINANCIAL VIABILITY: 3.0

The NGO sector in Slovakia is still largely dependent upon foreign funding, particularly NGOs working in the areas of democracy and human rights. There is, however, evidence that domestic support for NGOs is on the rise. In 1998, the Ministry of Labor, Social Affairs and Family awarded \$1,450,000 to NGOs. Community foundations are providing small grants in a number of communities. In-kind and cash contributions are common in Slovakia, at both the corporate and

individual levels. NGOs are also developing self-financing opportunities such as the collection of fees and the sale of services.

The Gremium is lobbying the Ministry of Finance for changes in the Income Tax Law including an increase in the percentage of deductible income for businesses and individuals, and greater tax breaks for NGOs on income earned through economic activities for the purpose of carrying out public benefit purposes.

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 approximately \$2,500 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 \$50.

USAID will close its Mission in Slovakia in September 2000. Most U.S.-private foundations have also announced that they will begin reducing their activity. While it is expected that EU funds will be available to fill the gap created by the reduction in U.S.-based support, EU support is highly directive, limited to program assistance, and less flexible than the assistance it will be replacing.

Most of Slovakia's registered domestic private foundations are operational rather than grant making, and many were established to fulfill a special purpose or 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. Emerging community foundations are making the first attempts to build endowments and are fostering cross-sectoral co-operation at the local level.

ADVOCACY: 1.5

The Third Sector in Slovakia provides a very strong example of internal cooperation and advocacy. In February 1998, a new civic initiative, Civic Campaign 98 (OK 98), was launched. It was an open, nonpartisan initiative designed to help ensure free and fair elections and citizen oversight over the electoral process in the September 1998 parliamentary elections and the November 1998 local elections. 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.

As a result of the 1998 election, a new government, substantially more receptive to NGOs and civil society in general, was elected. Almost all Ministries now have an NGO outreach program. The government also created a Commission for Cooperation with the Third Sector. The commission is composed of ½ members nominated by the third sector (i.e. the Gremium and other bodies) and ½ composed of Vice Ministers and representatives of Ministries.

The Gremium for the Third Sector, an elected representative board for the NGO sector, advocates for the interests of the sector and participates in the drafting of and comments on legislation relating to the NGO sector. It has been successful in mobilizing NGO support for large initiatives. 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. As a result of NGO advocacy efforts, the Ministry of Justice has established a task force to prepare new NGO laws and amendments, with NGO participation.

Despite the substantial success of Slovak NGOs in advocating for sectoral change, lobbying capacity is not as well developed at the level of specific issues. The sector also needs to maintain the momentum that it gained in the wake of the 1998 elections, and find ways to share the lessons learned from its successful advocacy campaigns. To date, the sector's advocacy efforts are being carried out in response to crisis situations. With a more supportive government in power, the sector needs to develop a more strategic and sustained approach.

SERVICE PROVISION: 2.0

Slovak NGOs can respond much more quickly than government to newly identified needs, particularly in the areas of social services, health and education. The Social Help Act, passed in July 1999, enables the government to authorize NGOs to act on its behalf, by contract, to deliver services. As a result, some NGOs have begun receiving substantial contracts from the government, particularly in the area of social assistance.

While the Social Help Act is a major step forward in encouraging local government/NGO partnerships and cooperation, there are no clear regulations that establish how local governments are to arrange their tenders and how to select from among proposers. There is insufficient transparency in the process.

INFRASTRUCTURE: 1.5

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 eight branch offices in eight regions 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. The SAIA-SCTS newsletter, "Nonprofit", is now published in cooperation with the Media Foundation, in order to be able to address a broader public and to professionalize the newsletter.

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.

PUBLIC IMAGE: 1.0

According to repeated public opinion polls, the image of NGOs among the public is largely positive, despite the recent attempts of the prior HZDS government to cast the sector as oppositional and anti-Slovak.

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. 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.

TAJIKISTAN
NGO Sustainability Index
1999

OVERALL RATING: 6.1

Although the tenuous stability of Tajikistan remains a serious hindrance to the development of the NGO sector in the country, several stronger groups have matured over the last year. A coalition of women's groups is active in promoting free and fair implementation of upcoming elections. A growing number of NGOs are interested in dealing with conflict management issues. Several NGOs have established better relations with government, and NGOs are generally becoming better publicists of their activities.

According to USAID grantee Counterpart Consortium's database, there are now 516 active NGOs in Tajikistan. They are primarily service providers, but there also exist some public policy NGOs and a few legal advocacy NGOs. Women's groups are particularly strong, and some of the ecological groups have remained impressively active.

The biggest problem facing NGOs in Tajikistan is their financial sustainability. The economy is in shambles following the war, and few businesses are sustainable enough to think about charity. Furthermore, even donor funds must be handled through outside banks or in cash due to the tenuous nature of the banking system. Despite having the best tax code in Central Asia, taxation in Tajikistan is virtually not implemented. And, more recently, those NGOs that are more politically oriented in their missions are experiencing harassment from the government.

LEGAL ENVIRONMENT: 6

On paper, the legal environment for NGOs in Tajikistan is one of the best in Central Asia. The implementation of rule of law, however, is the most deficient in the region. The political and economic instability of the country creates a situation in which it is difficult to talk about a sustainable legal environment for the NGO sector as a whole. In the period before the November 1999 presidential election, both NGOs and political parties had difficulties in registering their organizations with the Ministry of Justice, and experienced bureaucratic problems in obtaining the requisite government certification stamps and approvals for the documentation of signatures.

ORGANIZATIONAL CAPACITY: 6

Most NGOs in Tajikistan have weak organizational capacity. They are led by a handful of strong personalities who, while capable, do not provide for broad membership or democratic governance. Few NGOs have core staff beyond their leaders, and even fewer have a strong volunteer base. They generally lack the ability to build constituencies, and their technical resources are limited, particularly outside the capital city of Dushanbe.

FINANCIAL VIABILITY: 7

At present, the NGO sector in Tajikistan is completely unsustainable financially. The majority of NGOs lack diverse sources of funding, and they must survive from grant to grant. Furthermore, the tenuous situation with banking in the country makes it difficult to maintain financial accounts

of any significance. Finally, few NGOs have in place means of financial accounting, taking on accountants on an as-needed basis for project implementation.

ADVOCACY: 6

The tenuous situation in governance is one of the biggest obstacles to successful advocacy in Tajikistan. It remains difficult to advocate policy issues in the present situation, where the government is neither stable nor in control of the entire country. Despite these problems, there are some active NGOs in Tajikistan that advocate for specific issues with local and national governments. For example, the NGO Khana-I-Umed (House of Hope) was established to address the increasing problem of unregistered marriages in southern Tajikistan, a practice that abrogates women's legal and property rights. This group has opened a dialogue on this issue for the first time, in the Khatlon Oblast.

SERVICE PROVISION: 5.5

There are a number of NGOs in Tajikistan that provide services. The sustainability of these organizations, however, is tenuous given that they are entirely dependent upon donor funds. As a result, many organizations are willing to change their focus and mission per donors' demands. Despite these problems, service provision NGOs have become better providers for their communities and are beginning to build both clientele and constituencies.

INFRASTRUCTURE: 6

Unrest and instability in the country critically hamper the NGO infrastructure in Tajikistan. While some NGO resource centers have opened around the country, those outside Dushanbe are difficult to maintain and lack access to resources. While some NGO coalitions have formed, they remain few and far between, and there are no central coordinating bodies for NGOs. While much training is available, it remains mostly in the capital city, and only a handful of intersectoral partnerships exist.

PUBLIC IMAGE: 6

Media coverage of NGO activity has improved over the last year due to closer relations between independent media and NGOs. The existence and activities of a journalist association and the presence of NGO support centers have also increased awareness in outlying areas. Most people in the country, however, are largely unaware of what NGOs exist, and know little about what NGOs do.

TURKMENISTAN
NGO Sustainability Index
1999

OVERALL RATING: 6.6

The NGO sector in Turkmenistan continues to be one the weakest in the former Soviet Union. The political environment in Turkmenistan is repressive, and the government shows little tolerance for the right to associate or for any organizations that are outside the government's jurisdiction. Despite these problems, 138 active NGOs now operate in the country. The largest NGO sectors are in education, health, ecology, and women's issues. While these NGOs continue to grow through the support of international organizations that provide funding and training, there remain questions as to whether they can continue to mature without the political will of the government to allow them to freely operate.

LEGAL ENVIRONMENT: 7

While the new civil code in Turkmenistan has provisions for the proper and timely registration of NGOs, no new NGOs, except perhaps a handful of sporting clubs, have successfully registered in the last two years. Authorities, without proper legal justification, often harass NGOs. In addition, there is virtually no local legal capacity in Turkmenistan that would be capable of or willing to defend the rights of NGOs.

ORGANIZATIONAL CAPACITY: 6

The organizational capacity of Turkmenistani NGOs is improving, but it remains limited, given the lack of political will from the government to promote the growth of a non-governmental, non-commercial sector. Most existing NGOs remain very small and lack the ability to plan strategically. Their governance structures are largely undeveloped.

FINANCIAL VIABILITY: 7

Turkmenistani NGOs are largely financially unsustainable. They have little hope of attaining support from either the state or businesses, because of the level of negative engagement coming from government. In this respect, Turkmenistani NGOs are almost entirely dependent upon international donors. Given the nascent nature of the NGO sector in Turkmenistan, few organizations have strong financial management systems in place.

ADVOCACY: 6.5

Advocacy is almost non-existent in Turkmenistan. The government claims that there is no opposition in the country and does not accept even those NGOs that are not advocacy oriented. Given the government's negative reaction to political agents of change in the past, one must assume that it is dangerous for NGOs to be strong advocates of change in Turkmenistan at this point in time. Small, "non-threatening" advocacy initiatives have occurred at both the local and national level. For example, a consumer right's group, *My Rights*, mobilizes consumer awareness, and has conducted a series of public fora regarding existing legislation. A water-users association

in Dashoguz brings together citizens and local Hyakimlik to discuss water usage and resource matters.

SERVICE PROVISION: 6

There are a fair number of NGOs providing social services in Turkmenistan, and many of them are becoming more capable. In 1999, a coalition of seven NGOs joined forces to distribute over \$1,300,000 in humanitarian assistance to vulnerable groups. The growth of this sector, as is the case for the NGO sector more generally, is limited by the lack of governmental recognition of the importance of NGOs as sources of service provision. Local officials in some areas outside of the capital city of Ashgabad recognize the need for non-governmental assistance in the provision of social services. These officials are often concerned that such opinions will be seen unfavorably by their superiors in Ashgabad. Consequently, their support to NGOs is usually limited to passive moral support.

INFRASTRUCTURE: 6.5

The amount of resources available to NGOs in Turkmenistan has grown significantly in the last year. Despite these developments, resources are difficult to find outside the capital city of Ashgabad. While some training is available, it is more difficult to access outside the capital, and the training is mostly on a very basic level. While some local governments have given NGOs office space, no strong intersectoral partnerships exist. The initial success of the water users association in Dashoguz demonstrates that further development in this area is possible.

PUBLIC IMAGE: 7

There is no independent media in Turkmenistan, limiting the opportunities for NGO coverage. While there have been some instances of positive media coverage of NGOs in the state media, there is at least in one case in which a journalist was reprimanded for writing articles about NGOs. NGOs are virtually unknown among the populace, and the government looks upon them unfavorably. While some NGOs have tried to publicize their work, many have learned that publicity is more likely to bring negative consequences than positive ones.

UKRAINE
NGO Sustainability Index
1999

OVERALL RATING: 4

There are two overriding obstacles to developing a sustainable NGO sector in Ukraine: the critical economic situation, and the lack of a supportive legislative and regulatory environment. Nonetheless, grassroots activism and public support of these organizations seem to be on the rise. According to statistics provided by the General Tax Administration, as of September 1999 there were 25,500 registered NGOs in Ukraine. Although admittedly, a small percentage of the registered NGOs are actually active -- about 3,600 -- they are becoming more visible and effective, often overcoming incredible obstacles in achieving their goals. Improvements in local government acceptance and cooperation will contribute to more national recognition of the societal contributions of NGOs, as will more coherence within the NGO sector itself, as the mechanisms for both their internal organizational and external coalition capabilities fall into place.

LEGAL ENVIRONMENT: 5

Due to the parliamentary elections in March 1998, and the presidential elections in October/November 1999, NGO legislation was an even lower priority than usual for the Ukrainian government. A few draft bills on civic associations, not-for-profit organizations, trade unions, and business associations submitted earlier, are still in committees or being developed by expert task groups in Parliament. New laws concerning youth NGOs, NGOs dealing with the disabled, and favorable tax benefits were adopted in 1998 and the first half of 1999. Unfortunately, basic acts like the Civil and Tax codes are far from being adopted and their drafts contain few details regulating NGO activities. On a positive note, the International Center for Not-for-Profit Law (ICNL) has a permanent representative in Ukraine, working closely with both the parliamentary legislative committees. The Counterpart Alliance for Partnership (CAP) program also has an NGO legal specialist who is available to assist and counsel NGOs who would otherwise not be able to find or afford qualified legal assistance.

Administrative acts adopted by the General Tax Administration, Ministry of Justice and a number of other agencies, are the most powerful constraints that allow government to decrease the scope of not-for-profit organizations arbitrarily and unlawfully. These by-laws have a particularly negative impact upon NGOs in small towns and rural areas, which have practically no access to good legal advice or advocacy efforts. Some NGOs, particularly those who are involved in political campaigning (which is allowed under Ukrainian law) or citizen advocacy efforts, face numerous obstacles from tax authorities, fire service, and other administrative agencies that hamper the NGOs' activities.

The most important issues that need to be addressed by new NGO legislation remain the same: granting NGOs special tax status as not-for-profit organizations to enable them to raise funds for their activities, providing NGOs opportunities for legal recourse in the event an NGO is denied registration, and finally, providing tax incentives for private organizations and individuals to donate funds or in-kind contributions to NGOs.

ORGANIZATIONAL CAPACITY: 3.5

The NGO sector in Ukraine has shown some improvement in the area of organizational capacity, and as a result of training and close monitoring, has been able to set new standards in management and financial skills. Comprehensive training is provided in areas such as strategic planning, fund-raising, organizing volunteers, financial management, program implementation and evaluation, building partnerships with local government and business, public relations, etc. As a result of this training, some of the leading organizations, particularly in the area of social services, do have a clearly defined mission statement, many organizations have a full-time director, and perhaps surprisingly, many organizations have a very large corps of volunteers who help carry out the organization's program. Many organizations aim to build constituencies outside of their beneficiaries, but often they lack the capacity to do this effectively due to limited resources.

Although training is provided in NGO management, the economic situation in Ukraine often forces organizations to adjust their mission to donor priorities. Most NGOs are still small, community-based organizations that do not necessarily understand the concept or role of boards of directors. Ironically, some older organizations (pre-Independence/1991) do have quite active boards. The majority of NGOs do not have the resources to afford even the most basic office equipment, unless they receive support from the donor community. The lack of technical equipment is addressed in part by a network of resource centers throughout Ukraine which are supported by Eurasia Foundation (EF), Mott Foundation as well as NGO resource centers of the British Council, all of which provide access to computers, copiers and fax machines.

FINANCIAL VIABILITY: 5

Due to the current economic crisis, it is difficult for even the most advanced and aggressive NGOs to raise local funding, even though NGOs have become more adept at finding support from the various donors active in Ukraine. Active NGOs appear to be able to come up with resources to remain viable, and have responded to increasing competition for grant funds by finding resources for cost-shares and in-kind contributions. A successful Corporate Challenge Grant Program introduced by Counterpart Alliance for Partnership (CAP) in 1998 has been expanded to include a Government Challenge Grant Program, matching funds that NGOs raise from the public sector. Depending upon their specific mission, certain organizations are also able to attract support from membership dues or the general public, but these hardly help cover operating expenses.

The financial sustainability of NGOs remains the most critical issue, because of some of the factors already noted: lack of good financial management skills, the poor legislative environment, and the grim economic situation. Financial management systems in organizations vary. Many do not have a system at all, unless they have received training. NGOs often literally interpret "non-profit" as "no-income", expecting the international donor community to naturally support their "unique" mission. There is little awareness of the opportunities available for income-generation, as well as a lack of affordable and accessible legal advice on reformulating registration documents to allow for such activity. Some business skills and social enterprise development training is being provided to NGOs. They are, however, restricted from earning revenues beyond meager membership dues by legislation, or the often arbitrary decisions of tax authorities.

ADVOCACY: 5

The NGO community has lacked coherency in the past, partly because of its newness, and partly because of competitiveness and an inherent lack of trust. Regional and sectoral cooperation has resulted in some successful advocacy efforts in areas such as the environment, social welfare, public policy and citizens' interests and rights, as NGOs slowly come to realize that there is power in numbers. The Outreach and Advocacy program of the ARD/Checchi Rule of Law Consortium was particularly supportive of such initiatives, and there were other examples of effective campaigns that resulted in victories in public court cases.

The Freedom of Choice Coalition, an umbrella non-partisan NGO coalition of over 270 NGOs working together for free and fair elections as part of democratic reform in Ukraine, is an example of the sector moving towards such coalitions. USAID extensively funded their activities prior to the presidential elections through grants administered by Freedom House and CAP.

On the local government level, there has been some success, specifically with social service NGOs, in part because social service issues are more tangible for the average citizen than democracy-building or economic reform, and it is easier for the government to understand and support these issues. As a result, there are limited examples of city administrations stepping in to "protect" an NGO from hefty fines levied by the tax administration if they see that the organization is performing a worthwhile service to the community. Such examples, however, are the exception to the harassment most NGOs experience.

To the extent that they have been effective in affecting government policy, NGOs have done so almost exclusively on a local government level. On the whole, public opinion still shows that people lack the belief that they can affect change in society. Even though by nature NGOs are likely to take more initiative than the general public, the NGO community has not yet galvanized enough to form a strong lobbying effort on a national level.

SERVICE PROVISION: 2.5

About half of all active NGOs provide basic social services, offering a very diversified "product-line" that to some degree reflects the needs of the community, as well as the priorities of the funding environment. Some NGOs have shown that they have matured by developing goods and services that can be used by a broader constituency. For example, providing workshops and publications on specific issues to local government, similar NGOs, schools, and other institutions. There are also examples of NGOs involved in specific service sectors that have been successful in cost recovery. Examples include substance abuse rehabilitation, where the clientele is not necessarily always low-income and can afford to pay for services; legal protection groups -- although often provided on a pro-bono basis, there are instances when the client is able to pay for high-quality assistance, particularly if this is part of a more encompassing advocacy effort; and e-mail connection services. Local governments are most appreciative of the contribution that NGOs make in their communities. NGOs often fill in the gaps left by underfunded local government agencies, as in the case of social service NGOs, or in attracting new expertise and assistance in other areas. So far, this has not carried over to the national level.

INFRASTRUCTURE: 3.5

NGO Resource Centers serve a vital link to information and technology for NGOs throughout Ukraine. Only one or two of these resource centers have shown promise of becoming self-sustainable, because NGOs are unable to afford to pay for their services. An independent NGO

magazine funded in part by the Eurasia Foundation and the Mott Foundation, highlighting important issues, case studies and donor information, is published periodically by the Innovation and Development Center.

There has been some coalition building on a regional and sectoral basis. NGO partnerships, such as the Freedom of Choice Coalition mentioned above, have only just begun to take root, and exchange technical expertise and foster stronger lobbying efforts. Despite some success with these programs, there is a long way to go to a more stable, constant working relationship among NGOs.

There is a very successful indigenous NGO training organization widely used by many donors. It offers a wide range of basic training and the demand for its services is high. There are areas where this training has leveled out, and some organizations are ready for more advanced and specific courses than are presently available. It would be worthwhile to expand the corps of qualified in-country trainers, including working with other regional centers to meet growing needs, conduct more training-of-trainers and provide more third-country training opportunities and diversity in training providers. There is a good base of training materials available in Ukrainian, but much more is necessary, and they need to be better disseminated.

PUBLIC IMAGE: 4

Both NGOs and the general public have started taking more initiative in grassroots activism. These are the less-publicized aspects of social progress in Ukraine. NGOs have been successful to some extent in raising public awareness on important social issues such as children's rights, substance abuse prevention and rehabilitation, HIV/AIDS prevention, domestic abuse and trafficking of women, and environmental and legal advocacy issues. In some cases this has spurred some government agencies to form their own working groups on these issues, though such examples are still few and far between. Success stories of NGOs working in these areas have made the public more supportive of these grassroots efforts and encouraged other NGOs to follow suit. Public policy institutes are beginning to play some role, albeit still limited, in building a long-term strategic approach to political thinking in taking the public pulse through opinion surveys, talk shows, etc. and in forming schools of thought independent of specific political affiliations.

NGOs often find themselves in a catch-22 situation. If they are too effective, they may garner public support, but at the same time may bring upon themselves the wrath of the authorities who feel threatened by this new force called the third sector. There is much uncertainty as to what role NGOs should or can play in society and with government. NGOs are still hampered by the bad public image that has been played up by the media, where some NGOs have been featured as money-laundering operations for corrupt businesses or pulpits for political figures. Unfortunately, such abuses have in fact occurred. More effort needs to be put into the positive portrayal of NGO successes and impacts by the media. The NGO Donors Coordinating Group helped coordinate a competition funded by Eurasia Foundation aimed at encouraging journalists to cover NGO activities. Similarly, NGOs need to make a concerted effort to involve the media in their events and activities. Usually after being positively featured in the press, NGOs are able to reap the benefits of the publicity by attracting new sponsors, and therefore are more encouraged to continue such outreach.

UZBEKISTAN
NGO Sustainability Index
1999

OVERALL DESCRIPTION: 5.3

Over the last year, NGO development in Uzbekistan has taken some steps forward and some steps back. In general, both local and national government have begun to relate more favorably towards NGOs. A new national law on Non-Commercial Non-Governmental Organizations (NNOs) has better defined the forms and rights of NGOs, and the local governments in Karakalpakistan and Bukhara show increased interest in the further development of the non-governmental sector in those regions. At the same time, the aftermath of the bombings in Tashkent in February of 1999 has produced a far more oppressive political atmosphere that further limits the ability of NGOs to take a lead role in advocating political change. There has been an extensive crack down on independent media and tougher suppression of opposition parties and individuals. While these events have not resulted in the direct repression of any NGOs or their members, they have created a social climate of greater governmental control and surveillance.

According to a database kept by USAID grantee Counterpart Consortium, there are 441 independent NGOs that are actively working in the country. There are a number of quasi-governmental NGOs (GONGOs) in Uzbekistan, which are better known to the public than are "grassroots" organizations, and vary widely in their capacity. Overall, the NGO community is fairly diverse, but there are certain sectors in which the NGOs are stronger. Women's NGOs in Uzbekistan are particularly active and effective, and there are several fairly strong health NGOs. In addition, 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 are growing NGO communities in the Ferghana valley, Samarkand and Bukhara, as well as in Karakalpakistan. There are very few NGOs in the Surkhandariya and Kashkadariya regions in the south of Uzbekistan. The situation for NGOs is often governed by their geographical location, since Uzbekistan varies significantly by region in terms of culture and resources. In areas outside of Tashkent, the attitude of the local government towards NGOs also determines, to a large degree, the ability of NGOs to work effectively.

LEGAL ENVIRONMENT: 6.0

A new law on Non-Commercial, Non-Governmental Organizations was passed by Uzbekistan's parliament and signed by the president this last year. This development has improved the legal framework within which NGOs operate in Uzbekistan and paves the way for further legal reforms including potential changes to the tax code to allow for tax breaks to non-commercial, non-governmental organizations. The positive implications of this new law for local NGOs, however, depend upon its proper implementation. As it has not yet been implemented, the concrete positive implications of this legislation remain unknown. The impact on the NGO sector should become more apparent this year as the Ministry of Justice of the GOU provides guidelines for the law's implementation and NGOs begin to re-register and test these guidelines. Recent political developments in Uzbekistan have had a chilling affect on human rights in the country. While violations of human rights in Uzbekistan have not directly affected NGOs, they certainly limit the ability of NGOs to act as open advocates for political change. It should be mentioned that the

affect of political repression on the NGO sector is primarily through self-censorship (i.e. NGOs deciding not to push the envelope).

ORGANIZATIONAL CAPACITY: 5.5

While older Uzbekistani NGOs are becoming more mature in their organizational capacity, almost all NGOs in the country lack a well-defined governmental structure and membership base. The majority of stronger NGOs have a small core staff, paid when project grants allow them to be, and a cadre of volunteers, but any kind of democratic structure for members to take part in decision making is missing. While some NGOs have Boards of Directors, most Boards of Directors are indistinguishable from the NGO's small membership base.

Many NGOs are beginning to develop constituencies by becoming more involved in community development. Perhaps more than in any other country in Central Asia, several Uzbek NGOs have proven themselves to be more effective than GONGOs (as local government officials will themselves often point out) and empowered by their support from communities as a result of their stronger involvement in those communities. While this development is moving many NGOs toward clearer problem-driven missions, it has yet to translate into examples of sustainable organizational capacity. Most strong NGOs have access to computers and other needed equipment, but Internet access is more difficult outside the capital of Tashkent.

FINANCIAL VIABILITY: 5.5

Most NGOs have yet to tap local philanthropy resources, and no legislation promotes philanthropic activities. Nonetheless, several of the stronger NGOs in Uzbekistan have found ways to generate program revenue, on which they must pay taxes. While this is an important development that indicates movement towards more sustainability, without legislation recognizing non-profit status and the altered taxation of program revenue, these creative means of raising revenue cause a growing lack of distinction between NGOs and commercial organizations.

The majority of NGOs in Uzbekistan, with the exception of GONGOs, remain dependent upon grants from foreign donors. With the lack of hard currency conversion in Uzbekistan, this reliance on foreign donors is especially dangerous. Stronger NGOs that have independently sought outside funding from organizations not present in Uzbekistan, such as the MacArthur Foundation, run the risk of losing 75% of the grant money to the conversion process, bank fees, and taxes. The conversion issue also causes severe problems for financial management systems, especially if an NGO must account for the use of hard currency to foreign donors. While there is potential for some governmental contracting with NGOs in the future, this is not presently feasible given the poor state of local administration and their feeble budgets. Many NGOs in Uzbekistan, have been able to leverage office space from their local governments. Islamic traditions of philanthropy have great potential for assisting Uzbekistan's NGO sector in the future, but the NGOs first need to prove their worthiness for charitable donations. Many NGOs operate quietly, concerned that a more public profile may bring the attention of the tax police and other authorities concerned about independent associations of citizens. This tendency may change as more and more NGOs become involved in local neighborhoods and prove themselves relevant to community needs and the "makhalla" councils that are responsible for community projects.

ADVOCACY: 5.5

As long as the issues addressed are not overtly connected to political change, Uzbekistani NGOs are able to advocate on the local level and have found ways to do so successfully. One of the most vivid examples of such advocacy was the effort of the Chirchik Russian Cultural Center in lobbying local government to stop sending grade school children to pick cotton during the traditional harvest period.

Outright political advocacy of structural change, however, is dangerous in Uzbekistan given the history of government treatment of opposition groups. The parliament has to date been a mostly closed and ineffective branch of government and has not met openly with NGOs. While an NGO working group originally drafted legislation for Non-Commercial, Non-Governmental Organizations and lobbied for it with parliament, the law finally adopted was drafted unilaterally by governmental ministries and passed by parliament without the recognition of even those comments by NGOs that were incorporated into the law.

Despite these barriers to advocacy, it is noteworthy that associations of disabled people and women's groups tend to be able to lobby with more acceptance. A Tashkent association of parents of disabled children has worked to lobby legislation to protect the rights of disabled persons, and nascent coalitions of women's groups are forming in Tashkent and Samarkand. Similarly, informal cross-issue coalitions of NGOs appear to be forming in Bukhara, Kokand, and Nukus through the efforts of strong NGO leaders with missions devoted to the promotion of their local communities' livelihoods. Advocacy in Uzbekistan is most often promoted through local personal relationships rather than through any structural mechanisms linking government to civil society. A good example is the work of the Business Women's Association in Kokand whose leader was an important personality in the Communist Party during Perestroika and, therefore, has retained many important personal ties to the local government structure. She is often able to leverage these relationships to promote certain issues to local government.

SERVICE PROVISION: 4.5

Given the limits of NGO advocacy, most NGOs in Uzbekistan focus on some sort of service provision. Many of these groups have become effective and important providers of services that are neglected by the government, such as women's crisis centers and ecological clean-up groups. Unfortunately, the sustainability of these projects is questionable since the majority of these service-providing NGOs remain dependent upon foreign donors for financing. Many of these NGOs, however, have sought out constituencies in local communities and rural areas and several have found ways to generate program revenue through the implementation of limited fee-for-service programs. The types of services provided are diverse, but there are still few NGOs that can realistically implement wide service provision either for government through tenders or for international development organizations. Still, over the last year, there has been some improvement in the skills of health NGOs that have been supported and have received training from USAID's health program as well as from other donors. Likely the strongest health sector service-providing NGO in the country is Perzent in Nukus, which has often had to turn down funding intended to implement foreign assistance in the health area.

INFRASTRUCTURE: 5

Several very strong NGO resource centers exist in Uzbekistan, but where they do, they are mostly the product of a particular individual who has the ability to unite the NGO community around various issues and resources. Such resource centers include the Bukhara Information Center and the

Business Women's Association's Resource Center in Kokand. These centers, which have emerged through individuals' recognition of a community need, have been more effective than those created by donors to serve local NGO communities. One of the few exceptions to this rule is the Counterpart NGO resource center in Nukus which has benefited by a staff that was already heavily involved in the local NGO movement. Most of these resource centers offer training and information as well as access to computers, etc. Generally, where a strong resource center has been established, its largest impact on the NGO sector has been in providing a public space for local groups to learn about each other's work, successes, and problems.

The biggest issue facing the further development of resource centers in Uzbekistan is the development of a strong organizational structure that can ensure the centers' sustainability once their strong leaders are no longer running them. While few issue-based coalitions have formed in Uzbekistan, a couple of regional informal coalitions of NGOs have formed around the NGO resource centers in different regions. These local coalitions have formed around the broader issue of local development rather than around specific issues, and they feed off the general regional patriotism of different communities in Uzbekistan (e.g. Bukhara, Karakalpakistan, Kokand, etc.). In addition, while still rare, there are growing examples of social partnerships between service provision NGOs and local governments. Where these have developed, they have usually centered around the local Khokimiyat or a local "makhalla" council providing an NGO office space to carry out their activities. Examples include the Bukhara Information Center, the Bukhara Association of Pediatricians, and the SATR association of parents of disabled children in Tashkent.

PUBLIC IMAGE: 5

Media coverage of NGO activity has increased in Uzbekistan over the last year. Despite these developments, the coverage remains limited and the public perception of NGO activity is still only nominally improving. Many people still suspect that NGOs are means for opportunists to make money and actually serve little purpose to society. The NGOs' lack of transparency and their dependency upon foreign donors exacerbate this situation. The lack of transparency that emerges out of fear of the tax authorities and NGO leaders' inability to open their organizations to larger memberships and more democratic governance, does not promote public support of the organizations. Likewise, the NGOs' dependency on foreign donors makes those donors, rather than local communities, the primary clients of the organizations. This situation is understandably creating suspicion that NGOs are merely tools for foreign influence in Uzbekistan and not representative of the needs of local communities.

While NGOs are receiving significantly more press coverage in Uzbekistan, one must question whether press coverage will alleviate this problem in a country where the press itself does not enjoy either freedom or public support. While NGOs should continue to work with journalists to promote their activities, it is likely even more important that their activities touch the lives of an increased number of people. Only by making the results of their activities more pertinent to an increased number of people in local communities will NGOs in Uzbekistan significantly change their public image for the better.

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