

The 2001 NGO Sustainability Index For Central and Eastern Europe and Eurasia

Fifth Edition - March 2002



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

**The 2001
NGO Sustainability Index
For Central and Eastern
Europe and Eurasia**



FOREWORD

**Gerald Hyman, Director
Office of Democracy and Governance
Bureau for Europe and Eurasia, USAID**

The Office of Democracy and Governance in USAID's Bureau for Europe and Eurasia is proud to present the 2001 NGO Sustainability Index. This report, the fifth in the series, provides a comparative overview of the current state of NGO sectors in the countries of Central and Eastern Europe and Eurasia. We hope it will serve as a useful management tool for international donors and local NGO support organizations interested in monitoring, measuring and evaluating progress in sectoral development.

The Index also provides a good starting point for further, more statistically rigorous investigations of the strength and sustainability of civil society. As examples, USAID Missions in Georgia and Central Asia have built upon the annual NGO Index in the design of more quantitative assessments of their respective civil society sectors. In Georgia, the Mission is planning to conduct an annual survey to measure the effectiveness of NGOs and to collect data to help answer questions such as the average cost to operate an NGO, the number of beneficiaries that Georgian NGOs serve, and the cost of services per beneficiary. In Central Asia, USAID has begun an annual "NGO Thermometer" to complement the Index's macro view of the sector and collect more specific data to help the Mission monitor and evaluate the impact of USAID programs.

The Index can also be useful for generating ideas, sharing experiences and lessons learned. In Estonia, grant-makers and associations use the NGO Sustainability Index broadly in preparing strategies and project proposals. The Network for Estonian Nonprofit Organizations (NENO), which prepares the Index write-up for Estonia under a grant from Freedom House, has also used the Index structure to organize focus groups designed to increase understanding of the sustainability of various programs. NENO has also used the Index process to guide brainstorming sessions and to generate new program ideas in areas such as AIDS services and legislation, and education. Beginning next year, NENO will conduct the NGO Sustainability Index separately in every county in Estonia, with support from the United States Embassy. The data collected will allow NENO to study NGO sustainability in Estonia in much greater detail.

We hope that you will find the 2001 Index both informative and useful. We welcome your comments and suggestions. Please contact Mark Levinson at (202) 712-5301, or by email at mlevinson@usaid.gov.

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USAID Field Personnel:

Suzana Cullufi and Eric Richardson USAID/Albania
Maya Barkhudarian, Dianne Cullinane and James Vandenbos, USAID/Armenia
Elchin Guliyev and Kelley Strickland, USAID/Azerbaijan
Larissa Komarova, Dmitry Lihuto and Christine Sheckler, USAID/Belarus
Marc Ellingstad and Selma Sijercic, USAID/Bosnia
Diana Arnaudova, USAID/Bulgaria
David Hoffman, USAID/Central Asia Republics
Lisa Petter and Slavica Radosevic, USAID/Croatia
Keti Bakradze and Cate Johnson, USAID/Georgia
Argjentina Grazhdani, USAID/Kosovo
Melita Cokrevska and Kathy Stermer, USAID/Macedonia
Vasile Filatov, USAID/Moldova
Dora Plavetic, USAID/Montenegro
Ruxandra Dactu and Randall Tift, USAID/Romania
Inna Loukovenko and Monica Stein-Olson, USAID/Russia
Milan Bastovanovic and Kathryn Stevens, USAID/Serbia
Marilynn Schmidt and Konstantin Yakubenko, USAID/Ukraine

Local NGO Coordinators:

Jiri Barta and Tana Hlavata, Nadace Via, Czech Republic
Riin Kranna and Kristina Mand, NENO, Estonia
Balazs Sator, CSDF, Hungary
Kaija Gertnere and Raymond Stephens, Center for NGOs, Latvia
Ryan Campbell and Jolanta Taruskiene, USBF, Lithuania
Justyna Dabrowska and Jakub Wyganski, KLON/JAWOR, Poland
Katarina Kostalova, SAIA-SCTS, Slovakia

USAID/Washington Editorial Committee

Mark Levinson, Co-Editor
Jennifer Stuart, Co-Editor
Bruce Kay
M. Adnan Iqbal, Intern

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THE 2001 NGO SUSTAINABILITY INDEX INTRODUCTION AND FINDINGS

INTRODUCTION

The *2001 NGO Sustainability Index for Central and Eastern Europe and Eurasia* continues USAID's study of the strength and overall viability of the NGO sectors in each country of the region. Now in its fifth year, the Index is a resource for USAID Missions, other international donors, and local NGO umbrella groups and support centers. It is both a management tool and a significant source of meaningful data. The Index provides a foundation for understanding the strength and capacity of NGO sectors in the region, as well as an understanding of the constraints that the sectors face. The Index is unique in that it is based largely on the perceptions and understandings of both local and international donor experts collected, in part, in field-based focus groups. While there are some recognizable limitations to the methodology and the largely subjective data collected in the Index, it is an important tool for understanding and measuring sustainability. The Index fills in the gaps in analysis that accumulated hard data, such as numbers of NGOs registered, lists of grants received, numbers of employees, and numbers of training sessions attended can not convey.

The Index is a tool for comparing overall progress toward sectoral sustainability. It highlights strengths and constraints in sectoral development and is useful in adjusting strategies and challenging assumptions in the field in ways that can generate new ideas. The Index is a unique resource that compares NGO sectors throughout the entire region, from the Baltics to Central Asia. It allows analysis and comparison across seven dimensions of sustainability, and over an extended period of time.

NGO Index Dimensions of Sustainability

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

The Index began in 1997, as a study of five dimensions of NGO sustainability in 17 countries. In 1999, with the assistance of USAID's Advisory Committee on Voluntary Foreign Assistance (ACVFA) and with input from USAID Missions and the support of indigenous NGOs and local Intermediary Support Organizations in the region, the methodology was improved to make the study more rigorous and more comprehensive. The 2001 NGO Sustainability Index reviews the relative strength of seven different dimensions of NGO sustainability, during the period of January through December 2001 in all countries in the region, and Kosovo.

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NEW THIS YEAR

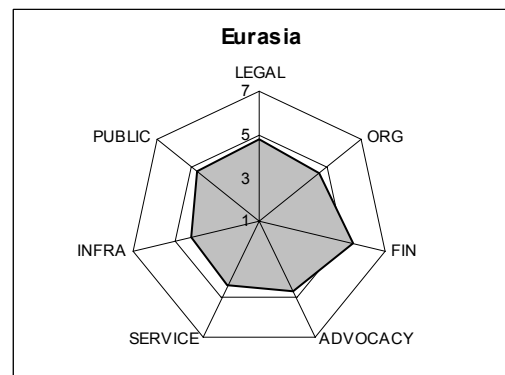
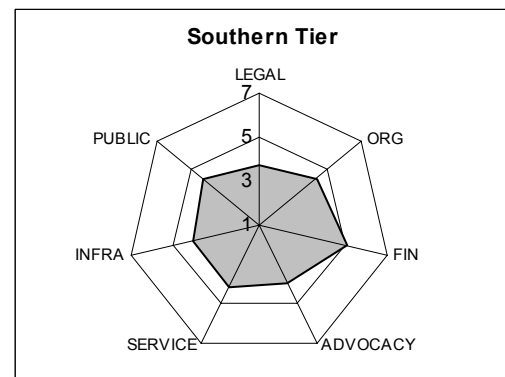
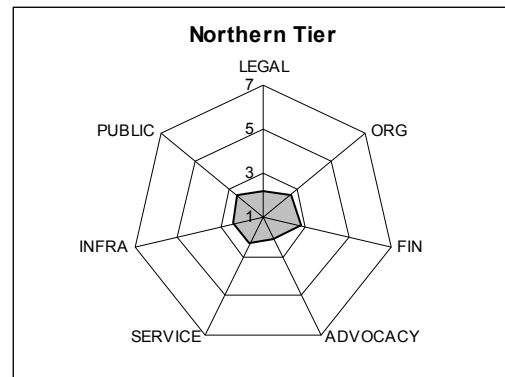
New "target graphs" have been added to each country report in the Index this year. These target graphs provide a quick visual representation of sustainability and the relative strength of each dimension tracked in the Index, in a single visual aid. The level of sustainability of each dimension is represented by its distance from a "bulls-eye", or the center point of the target. The bulls-eye in each target represents the theoretical point of sectoral sustainability (an overall score of "1" on the Index).

To read the graphs, consider the inner band around the bulls-eye to correspond to a score in the "Consolidation" phase of sectoral development. The middle band of the target corresponds to the "Mid-Transition" phase. The outer band corresponds to the "Early Transition" phase. By connecting the scores on each dimension and shading the area covered, we create a visual representation of the degree of constraint to sustainability faced by the NGO sector in each country. The smaller the shaded area, the greater the sustainability.

FINDINGS AND TRENDS

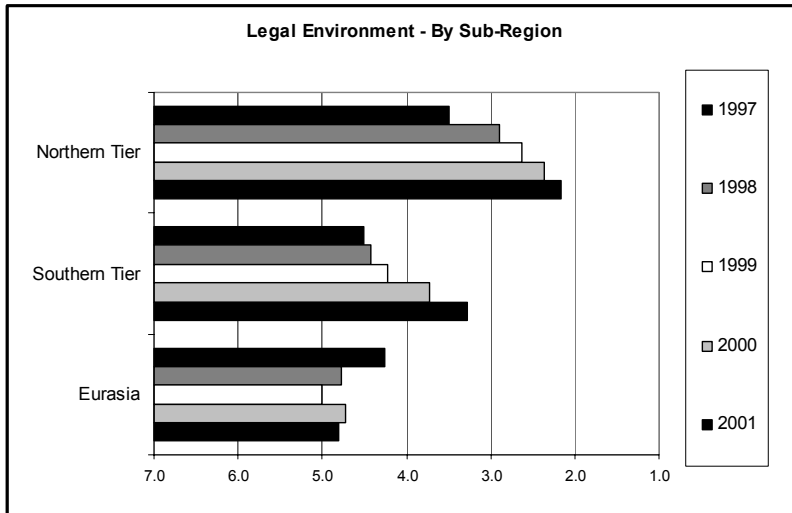
It is not surprising that many of the trends identified in previous editions of the *NGO Sustainability Index* remain. First and foremost, NGOs in the Northern Tier continue to have substantial advantages relative to their counterparts elsewhere in the region in each of the seven dimensions of sustainability. The regional target charts (at right) illustrate that there is still a substantial gap between the sustainability of the NGO sectors in the Northern Tier, and those of the Southern Tier and Eurasia.

In the Southern Tier and Eurasia, NGOs still remain almost entirely dependent upon support from international donors. In addition, the communities in which they operate are generally not well-informed about civil society or the role that NGOs play in policy debate, the resolution of community problems, and the delivery of social services. Nevertheless, there are some positive trends.



Legal Environment

2001 saw a surge of progress in many countries in the region in terms of the development of legal frameworks that are generally supportive of NGOs. With the exception of Serbia, all countries in the Southern Tier now have a basic legal framework in place that is generally supportive of NGO development, provides for relatively easy registration, and allows NGOs to fundraise. Nevertheless, important financial issues such as tax deductions for charitable contributions and NGOs' ability to charge service fees have still not been addressed in many countries.



During 2001, new NGO legislation was either passed or became effective in Albania, Croatia, and Bulgaria. In addition, the National Assembly of the Republic of Srpska passed a new NGO law that seeks to harmonize NGO law in both Bosnian entities, and provide full reciprocity for organizations registered in either entity. Similar laws remain to

be passed in the BiH Federation and by the Federal parliament, but the outlook is positive. In Serbia, a government-NGO partnership has drafted new and more favorable legislation, but it still remains unclear whether this will be passed in the near future.

In Croatia, a new comprehensive legal framework was passed that streamlines the registration process and even allows for the operation of unregistered organizations. New tax legislation provides favorable treatment for charitable contributions and tax exemptions for NGO earned income. In Bulgaria, the new Non-Profit Legal Entities Act, which became effective on January 1, 2001, introduces one of the most modern international legal principles on NGO status, defining both public benefit organizations and mutual benefit organizations.

While the average legal environment scores in Eurasia remain essentially stagnant, underneath the score there were some improvements in NGO legal environments in Eurasia. Both Armenia and Kazakhstan passed new NGO laws during 2001. While the new laws in each country leave a number of problems unresolved and are perceived in each NGO community as a mixed blessing, these laws were drafted jointly by parliamentarians and NGO leaders through relatively inclusive and transparent processes and mark a positive and noteworthy development.

Small but important legal changes have also been made in Tajikstan. Changes in the law have eliminated a number of obstacles to registration, reducing fees and permitting registration in regional and district Departments of Justice, rather than requiring NGOs in

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the regions to travel to the capital, Dushanbe, in order to register at the Ministry of Justice.

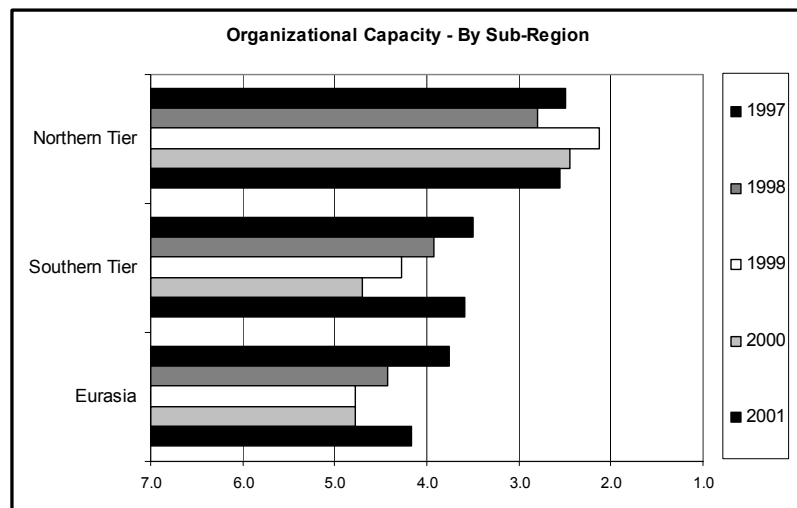
While a number of positive new laws and amendments have passed throughout the region, implementation of remains problematic in many countries, and there are still some governments in the region that continue to resist NGO legal reform and continue to pressure NGOs. In Belarus, for example, during the 2001 presidential election campaign, a number of NGOs had equipment confiscated, including equipment financed by international donors. NGOs that were politically active were plagued with endless inspections from a range of official bodies, from the tax police to fire fighters. Further, a March 2001 Presidential decree imposed strict controls on the receipt and use of foreign donations.

Access to professional legal services familiar with NGO law continues to be rare, even in the Northern Tier. There are few lawyers outside of the capital cities who can provide basic legal advice on registration, tax treatments and other civil society specific legal issues.

Organizational Capacity

Throughout the Southern Tier and Eurasia, most NGOs still have a long way to go to build strong constituencies, plan strategically, and govern themselves effectively. While most NGOs now have defined mission statements, they are often created in response to the requirements of international donors rather than out of a genuine sense of mission, or they are constantly changing in response to changing donor priorities. Few NGOs in the Southern Tier and Eurasia are capable of strategic planning, and even fewer have well developed boards of directors that are capable of establishing policy and governing their organizations. In many countries, the typical NGO still remains dependent upon the personalities of one or two founding activists.

Financial accountability remains a critical issue for NGOs throughout the region. NGOs rarely make financial information and annual reports available to the public. Some NGOs, however, are beginning to understand the long-term strategic importance of operational and financial transparency as tools for building trust in local communities. This is an essential step if NGOs are to be successful in raising local contributions. An example of an initial step in the right direction is the Community Support Foundation – Bacau in northeast Romania, which provides



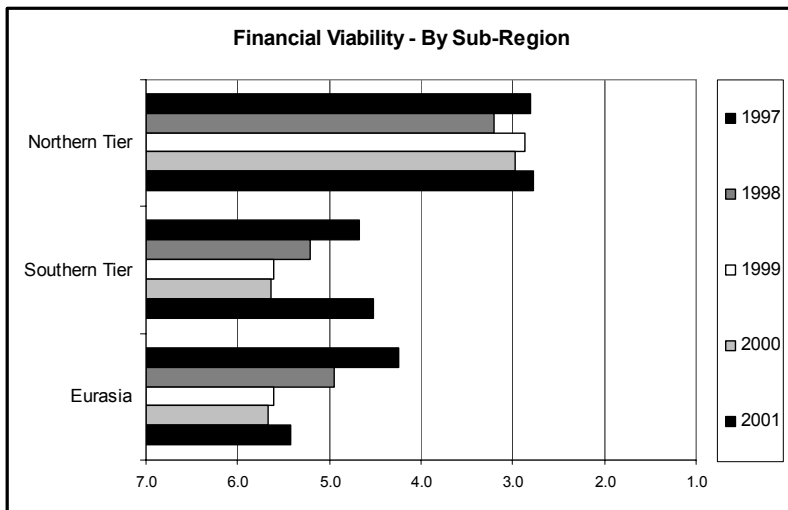
information about its community services to local sponsors and community leaders.

NGOs throughout the region are demonstrating greater capacity to tailor their programs to constituent needs, and are developing the capacity to engage and mobilize volunteers. Election-related activities such as election and media monitoring have been particularly successful in this regard. Strong NGO coalitions with large cadres of active members have emerged out of NGO election monitoring, civic education and voter mobilization campaigns in Slovakia, Croatia, Ukraine and Serbia. In Poland, there is an active network of 18 Volunteer Centers that organize volunteer data systems and formed the core of an inter-sectoral coalition to educate and mobilize the public during 2001, as part of the United Nations General Assembly declared International Year of Volunteers.

Financial Viability

Financial viability remains the single most significant obstacle for NGOs in the region, and little progress outside of the Northern Tier has been made in diversification of funding, or in the development of local traditions of philanthropy.

NGO financial sustainability in the Southern Tier and Eurasia remains under serious threat. Precarious economies, slow growth, high unemployment, and a legacy of conflict constrain the development of indigenous financial support in many countries in the region. This is further complicated by limited financial transparency on the part of NGOs. Professional NGOs remain almost entirely dependent upon international donor grants, and as competition for the shrinking pool of donor money increases, NGOs find it increasingly difficult to cooperate out of fear of competition for limited grant resources.



Even in the Northern Tier, where some progress has been made in NGO self-financing and the development of local philanthropy and state support, financial viability remains a serious problem for most NGOs.

In Latvia for example, NGOs receive 80% of their funds from foreign donor sources, and

local government support and domestic philanthropy have not yet developed sufficiently to replace rapidly declining donor support. A number of Latvian NGOs have been successful in raising in-kind support in their communities, but this rarely exceeds 10% of an organization's needs. In other countries, such as Lithuania, legal restrictions limit the potential for NGOs to earn revenue by restricting commercial activities to only one type of registered organization.

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On the other hand, in the Czech Republic the government provided \$81 million in financial support to sports, social service, health, culture, environmental and human rights NGOs in 2000. On average, 39% of NGO funding in the Czech Republic comes from government sources, including the proceeds from the privatization process that is distributed through the Foundation Investment Fund. In Hungary, almost 60% of all sector revenue is either self-generated by NGOs or earned through state subsidies of social services. During 2000, the 1% Program in Hungary, which allows citizens to donate 1% of their income taxes to a registered NGO, generated approximately \$15.3 million in contributions for 18,500 organizations. In Poland, statistics show that one-fifth of NGO revenues come from individual and corporate donations. During 2000, small and medium sized companies donated an average of 5% of their gross profits to charities.

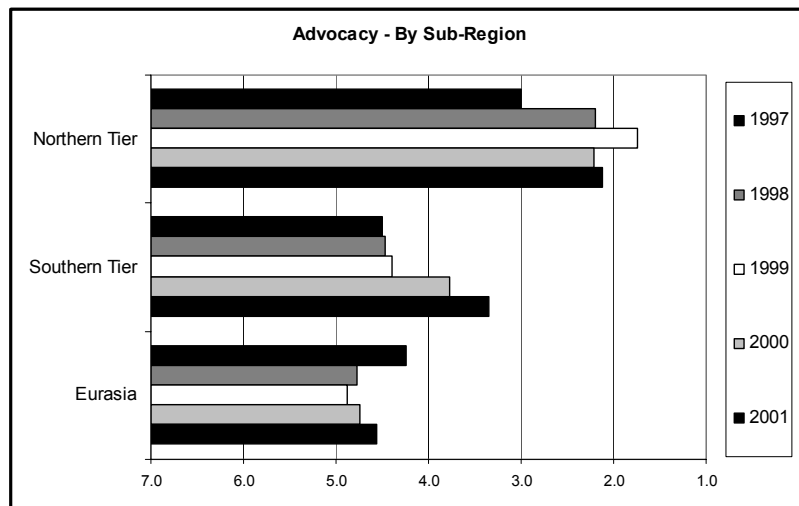
In Russia, although the economy has not yet fully recovered from the financial crash of 1998, businesses are beginning to experiment with local philanthropy. Programs like the Rosbank Student Stipend Program and the Togliatti and Tyumen community foundations have shown that business is becoming more receptive to contributing to NGOs.

Local governments throughout the region are beginning to understand that NGOs can help them meet local needs by supplementing limited resources with volunteers, in-kind and financial contributions from local businesses and international donor grants. In a few countries, national governments are starting to provide resources in the form of grants to NGOs. In Croatia, the government has created the Government Office for NGO Cooperation with to provide grants to NGOs and advocate on behalf of the sector to develop local sources of business support.

Advocacy

Relations between NGOs and government continue to develop and improve throughout the region, particularly at the local government level. As a number of countries begin to grapple with the realities of decentralization, local governments are beginning to find valuable experience, expertise and new resources in NGOs. Most local governments, however, also suffer from limited financial resources, and therefore have little money with which to provide support to civil society and charitable organizations in their communities. National politicians and government institutions often do not understand how to respond appropriately to public interest advocacy.

In Macedonia, local NGOs and businesses have been working with the governments of six municipalities to implement a Local Environmental Action Planning process. NGOs have also been working with the national government to implement the Aarhus Convention on



the rights of access to information and public participation in environmental matters.

In Croatia, as already mentioned above, the Government Office for NGO Cooperation coordinates government funding of NGOs, and works to improve communications between NGOs, the central government and Parliament. The Office also advocates on behalf of civil society with the private sector, to generate partnerships and charitable contributions. Similarly, in Bulgaria, an advisory Public Council was created in the Parliament to provide advice on civil society and public interest issues, and in Azerbaijan, the government formed the Department on Cultural Policy and International Integration in the Ministry of Culture to oversee NGO activities and explore opportunities for collaboration.

Though many advocacy campaigns continue to be initiated by international donors, local NGOs are increasingly identifying their own advocacy issues and messages, forming issue-based coalitions, and educating the public on key issues of reform. NGOs and NGO coalitions lobby their governments for amendments to NGO legislation, the passage of freedom of information legislation, advocating for selective service reform and amendments to election laws. They are educating their communities about key issues of corruption, patient's rights, penal reform, and domestic violence. In Serbia, OTPOR, the youth movement that was instrumental in stimulating the country's dramatic political change at the end of 2000, has undertaken a massive public awareness and education campaign against corruption, and has laid claim to a broader public policy role, functioning as a loyal political opposition. OTPOR has even established an agenda of 15 key legal reforms and challenged the parliament to pass them.

In Russia, environmental organizations were able to collect 2.5 million signatures to support a national referendum against the import of nuclear waste. Unfortunately, a referendum was not allowed and both the Duma and the President ignored public opinion when they passed three unpopular laws on nuclear issues. NGO leaders in Russia remain concerned that the federal government is trying to exert pressure on them by attempting to "coordinate" them through forums such as the Charitable Organizations Union, the Civil Chamber, and a Civil Forum for NGOs. The NGO community is divided in its perception of these forums. Some view government attempts to coordinate NGOs as a threat to NGO independence, while others suggest that efforts such as the Civic Forum are proof of long overdue government recognition of the sector.

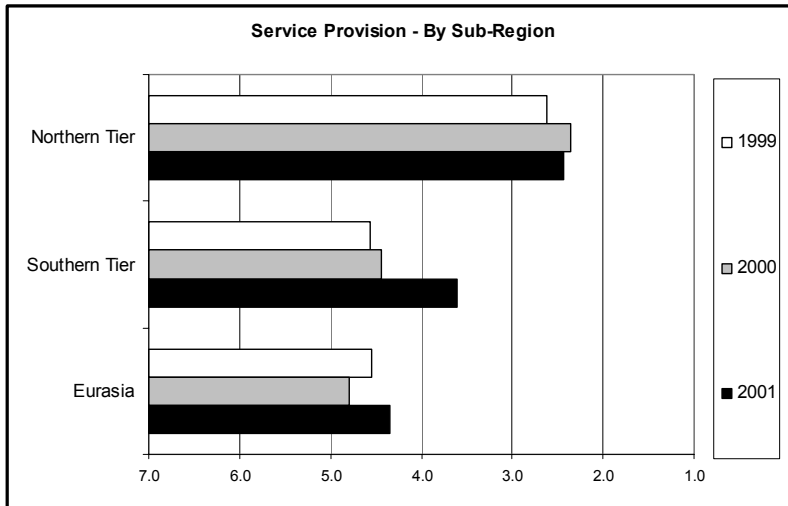
In Kazakhstan, NGOs and independent television stations mounted a public campaign to oppose a set of proposed amendments to Kazakhstan's media law. Despite the ultimate passage of the amendments, the campaign did succeed in forcing a degree of transparency and openness on the Parliament's proceedings, and more than 20,000 citizens took an active part in the campaign.

In Romania, a coalition of media groups, think tanks and human rights NGOs organized a successful lobbying campaign that resulted in the passage of a widely praised Law on Free Access to Public Information.

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Service Provision

As national governments in the region institute public administration reforms and begin to trim the services that they have traditionally provided, NGOs are moving to fill the gap with valuable services that increasingly reflect community needs. NGOs provide services in areas such as social welfare, health, education, job training, legal assistance, agricultural and small business development, humanitarian relief, and citizen education and empowerment.



Particularly at the local level, governments are experimenting with the idea of contracting with NGOs to provide services and advice. In Uzbekistan, for example, the Mayor of the Qarshi contracted a women's NGO to produce an assessment of gender issues in four key regions of the city.

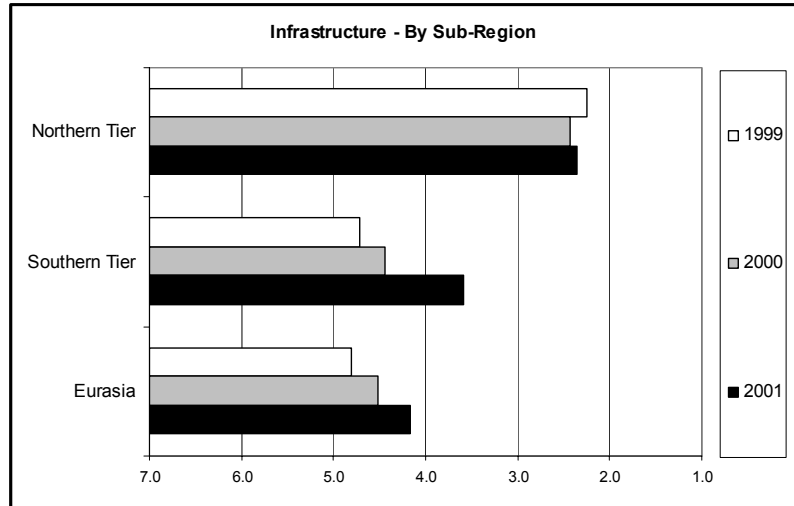
however, remain dependent upon international donor grants, as many local service recipients and providers believe that social services should be offered for free. While NGOs often recognize the need to recover some proportion of their costs through fees, in most countries in the region citizens are either unwilling or unable to pay for the services that they receive, or the tax and legal structures preclude the collection of cost recovery fees. Often, conditions of international donors bar grantees from charging for services provided under their grants. Nevertheless, there are examples of citizens contributing to the cost of NGO social services. In Georgia, a medical services NGO in Gori collects a membership fee of 80 tetri per month (approximately 40 cents).

The vast majority of NGO service programs,

Infrastructure

Throughout the region, NGO support centers are beginning to mature. Well-trained cadres of indigenous trainers are in place throughout the region, particularly in Northern Tier countries, but also in Azerbaijan, Bosnia, Russia, Tajikistan, Ukraine and others.

NGO Resource Centers are well established in the Northern Tier and in the rest of the region. Despite their financial dependence on international donors, they are making major contributions to the development of the NGO sector and reaching beyond the capital cities in Albania, Azerbaijan, Kyrgyzstan, Moldova, Turkmenistan, Ukraine



and in a number of regions in the Russian Federation.

In Macedonia, four new NGO support centers are being established in towns outside of the capitol. The new NGO centers in Veles and Prilep opened in February 2001, and the centers being developed in Stip and Kichevo will open early in 2002. Six additional regional NGO centers are being planned by the European Center for Minority Issues in Skopje, Kumanovo, Tetovo, Stip, Bitola and Gostivar. In Croatia, three new regional support centers and three new training centers opened in 2001. A new resource center was also opened in Lebap, Turkmenistan during the past year, with official government permission.

In the Northern Tier, a wide variety of sector specific umbrella groups support sectoral development and coordinate advocacy activities. In the Czech Republic, SKOK serves health and social services NGOs, the Green Circle and the Spider's Web coordinate activities of environmental NGOs, the Center for Community Organizing represents community development NGOs, and the Czech Donors' Forum facilitates communication between foundations.

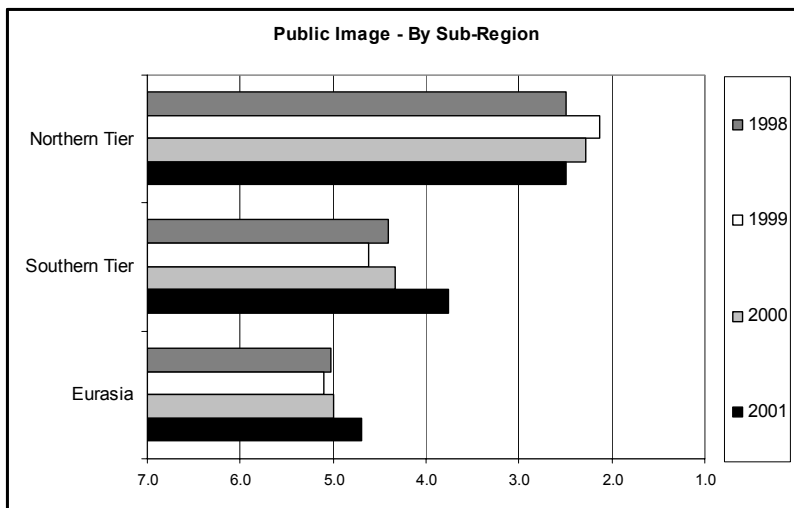
Northern Tier NGOs are continuing to form cross-border partnerships within the region. Polish NGOs, for example, have established on-going mentorships and partnerships with NGOs in Belarus, Ukraine, Lithuania, and throughout the former Yugoslavia.

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Public Image

Throughout the region, large numbers of people continue to have little, if any, knowledge or understanding of NGOs, or of their potential role in bringing about positive change in their communities. In Montenegro, for example, a recent survey by the Center for Development of Nongovernmental Organizations showed that 28% of the public believe that NGOs are partisan and mercenary, and controlled by the state. Many people also believe that NGOs are little more than tools for gaining money and influence from the West. In Poland, a recent study indicated that 41% of the population believes that associations and foundations have little influence in solving important social problems. Only 29% responded that these organizations solve problems in their neighborhood.

In a number of countries, such as Tajikistan, Belarus, Azerbaijan, and Turkmenistan many government officials continue to see NGOs as "anti-governmental" or tools of foreign influence and therefore not representative of local needs and a potential threat. Positive developments have occurred, however, in Serbia, Bosnia, and Bulgaria. In



Serbia, there was dramatic change in public perceptions of NGOs following the elections at the end of 2000. NGOs now receive much more favorable treatment in local media, and NGO activists such as Biljana Kovacevic-Vuco, chairperson of the Yugoslav Lawyers' Committee for Human Rights, have become familiar sights on television

panels and are often featured in newspaper articles on public policy issues.

In Bulgaria, NGOs are being increasingly consulted by government institutions on a variety of issues, and the Bulgarian Media Coalition, an organization representing the strongest media organizations in the country, continues to work on improving collaboration between NGOs and media.

CONCLUSIONS

Despite progress, significant challenges remain. The most important of these are financial viability and continued improvement in credibility, public image and links to constituents. Continued international donor support and capacity-building programs remain essential for the indigenous NGO sectors in the Southern Tier and in Eurasia, and to a lesser extent, the Northern Tier as well. But healthy and sustainable civil societies require more than money, training and technical assistance. Healthy civil societies require more than a community of sustainable professional NGOs and sectoral support institutions. International donors need to go beyond just supplying financial resources and providing training to develop NGO skill sets. Donor programs need to generate community vitality and train NGOs in civic engagement. The key is not just organizational development, but community development -- not just transforming political institutions, but transforming societies.

- Mark Levinson, Co-Editor

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THE 2001 NGO SUSTAINABILITY INDEX For Central and Eastern Europe and Eurasia

What is it and how is it measured?

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

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

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

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

Legal Environment

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

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

Organizational Capacity

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

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

Financial Viability

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

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

Questions asked under this dimension include: Do NGOs raise a significant percentage of their funding from local sources? Are NGOs able to draw upon a core of volunteer and non-monetary support from their communities? Do NGOs have sound financial management systems? Do NGOs engage in membership outreach and constituency development programs? Do revenues from services, products, or rent from assets supplement the income of NGOs?

Advocacy

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

Questions include: Are there direct lines of communication between NGOs and policy makers? Are NGOs able to influence public policy? Have NGOs formed issue-based coalitions and conducted broad-based advocacy campaigns? Are there mechanisms and

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relationships for NGOs to participate in the political process?

Service Provision

Sectoral sustainability will require a critical mass of NGOs that can efficiently provide services that consistently meet the needs, priorities and expectations of their constituents.

The index reviews questions such as: Do the goods and services that NGOs produce reflect the needs and priorities of local donors and the community, as well as foreign donor grants and the government? Do NGOs have knowledge of the market demand? Do they have knowledge of the ability of the consumers of their services to pay for their products and services? Does the government, at the national and/or local level, recognize the value that NGOs can add in the provision of basic social services? Do they provide grants or contracts to NGOs to enable them to provide such services?

Sectoral Infrastructure

A strong sectoral infrastructure is necessary that can provide NGOs with broad access to Intermediary Support Organizations (ISOs) that provide local NGO support services. ISOs providing these services must be able to inform, train, and advise other NGOs; and provide access to NGO networks and coalitions that share information and pursue issues of common interest.

Questions include: Is there an indigenous infrastructure, including ISOs, that supports NGOs? Do local community foundations or ISOs provide grants from either locally raised funds or by re-granting international donor funds? Do ISOs have an available body of information and curricula on the not-for-profit sector? Do NGOs share information with each other? Is there a network in place that facilitates such information sharing? Is there an organization or committee through which the sector promotes its interests?

Public Image

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

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

Ratings: What they mean in general terms

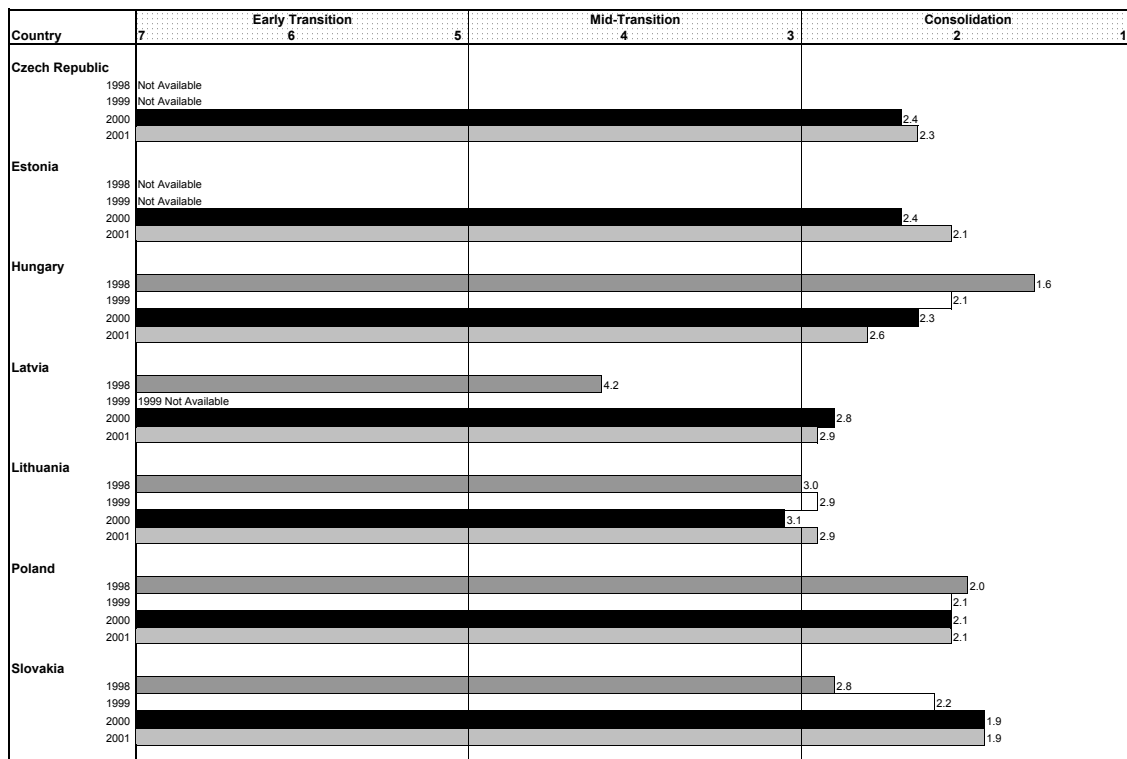
The NGO Sustainability Index uses a seven-point scale, to facilitate comparisons to the Freedom House indices, with 7 indicating a low or poor level of development and 1 indicating a very advanced NGO sector. The following section elaborates on the characteristics of each level of development:

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

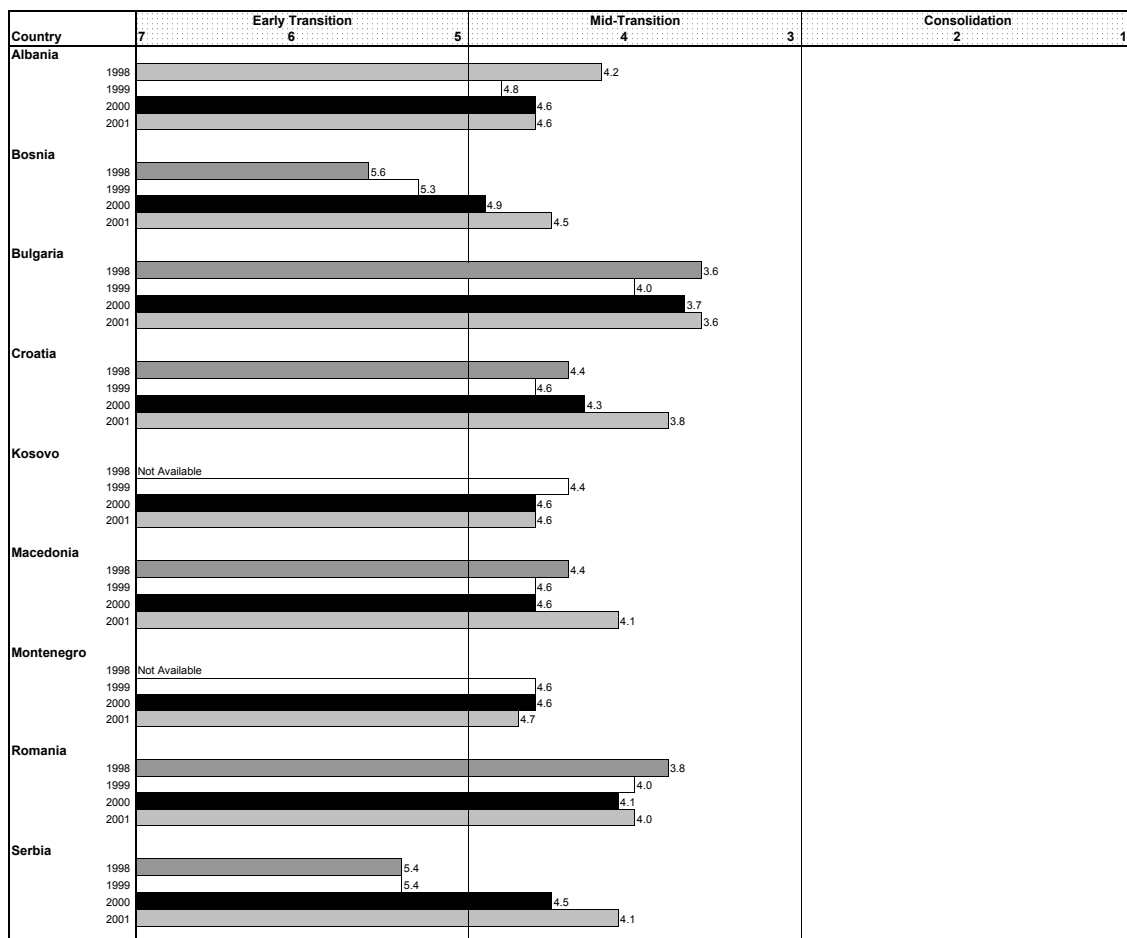
COUNTRY	LEGAL ENVIRON	ORG CAPACITY	FIN VIABILITY	ADVOCACY	SERVICE PROVISION	INFRA STRUCTURE	PUBLIC IMAGE	OVERALL SCORE
NORTHERN TIER:								
CZECH REPUBLIC	2.0	3.0	2.0	1.8	2.0	3.0	2.5	2.3
ESTONIA	2.0	2.3	2.6	1.8	2.3	2.0	2.0	2.1
HUNGARY	1.7	2.8	2.8	3.5	2.3	2.5	2.8	2.6
LATVIA	3.0	3.3	3.5	2.2	2.4	3.0	2.7	2.9
LITHUANIA	2.0	3.0	3.0	2.0	4.0	2.5	4.0	2.9
POLAND	2.0	2.0	2.5	2.0	2.0	2.0	2.0	2.1
SLOVAKIA	2.5	1.5	3.0	1.5	2.0	1.5	1.5	1.9
<i>Regional Average</i>	2.2	2.6	2.8	2.1	2.4	2.4	2.5	2.4
SOUTHERN TIER:								
ALBANIA	4.0	5.0	5.0	3.0	5.0	5.0	5.0	4.6
BOSNIA	4.0	4.0	5.7	4.2	4.2	4.8	4.5	4.5
BULGARIA	3.5	4.5	4.5	3.0	3.0	3.0	4.0	3.6
CROATIA	3.0	4.0	5.0	3.0	4.0	4.0	3.8	3.8
KOSOVO	4.0	5.0	6.0	5.0	4.0	4.0	4.5	4.6
MACEDONIA	3.0	4.0	4.0	4.0	5.0	4.5	4.5	4.1
MONTENEGRO	3.7	5.0	5.5	4.5	4.5	5.0	5.0	4.7
ROMANIA	3.0	4.5	4.5	4.5	3.5	4.0	4.0	4.0
SERBIA	5.0	4.0	6.0	3.5	3.8	3.0	3.5	4.1
<i>Regional Average</i>	3.7	4.4	5.1	3.9	4.1	4.1	4.3	4.2
EURASIA:								
ARMENIA	4.0	4.0	6.0	4.0	4.0	4.5	4.0	4.4
AZERBAIJAN	5.0	5.0	6.0	5.0	5.0	4.0	5.0	5.0
BELARUS	7.0	4.8	6.0	5.5	5.0	4.5	5.5	5.5
GEORGIA	4.0	4.0	5.0	4.0	4.0	3.0	4.0	4.0
KAZAKHSTAN	4.5	4.2	5.0	4.3	4.0	4.1	4.1	4.3
KYRGYZ REPUBLIC	5.2	4.0	5.5	3.0	4.3	3.8	4.5	4.3
MOLDOVA	3.0	4.5	5.3	4.2	4.5	3.8	4.3	4.2
RUSSIA	4.2	4.0	4.7	4.3	4.3	3.4	4.5	4.2
TAJIKISTAN	4.8	5.0	6.0	5.0	5.0	4.8	5.0	5.1
TURKMENISTAN	6.5	5.5	5.5	6.3	5.0	5.5	6.0	5.8
UKRAINE	5.0	4.0	5.0	4.0	3.0	4.0	5.0	4.3
UZBEKISTAN	4.4	4.8	5.1	5.1	4.0	4.6	4.5	4.6
<i>Regional Average</i>	4.8	4.5	5.4	4.6	4.3	4.2	4.7	4.6

NGO Sustainability Index: 1998 - 2001

NORTHERN TIER



SOUTHERN TIER



EURASIA

Country	Early Transition			Mid-Transition			Consolidation		
	7	6	5	4	3	2	1		
Armenia									
1998		5.5							
1999		5.1							
2000		5.0							
2001		4.4							
Azerbaijan									
1998		6.3							
1999		5.6							
2000		5.0							
2001		5.0							
Belarus									
1998		Not Available							
1999		Not Available							
2000		5.7							
2001		5.5							
Georgia									
1998		3.6							
1999		3.8							
2000		4.0							
2001		4.0							
Kazakhstan									
1998		4.4							
1999		4.8							
2000		4.7							
2001		4.3							
Kyrgyz Rep.									
1998		3.9							
1999		4.2							
2000		4.3							
2001		4.3							
Moldova									
1998		Not Available							
1999		Not Available							
2000		4.6							
2001		4.2							
Russia									
1998		3.4							
1999		4.1							
2000		4.3							
2001		4.2							
Tajikistan									
1998		6.6							
1999		6.1							
2000		5.4							
2001		5.1							
Turkmenistan									
1998		Not Available							
1999		6.6							
2000		6.0							
2001		5.8							
Ukraine									
1998		4.2							
1999		4.1							
2000		4.4							
2001		4.3							
Uzbekistan									
1998		4.7							
1999		5.3							
2000		5.1							
2001		4.6							

Ratings: A Closer Look

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

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

Legal Environment

Early Transition (5-7):

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

Mid-Transition (3-5):

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

INTRODUCTION

Consolidation (1-3):

The legislative and regulatory framework begins to make special provisions for the needs of NGOs or gives not-for-profit organizations special advantages such as: significant tax deductions for business or individual contributions, significant tax exemptions 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 inter-national. 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.

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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 and think tanks. 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 this stage of development will review their strategies, and possess an ability to adapt and respond to challenges by sector. A prime motivator for cooperation is self-interest: NGOs may form alliances around shared issues confronting them as 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

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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 of 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.

ALBANIA

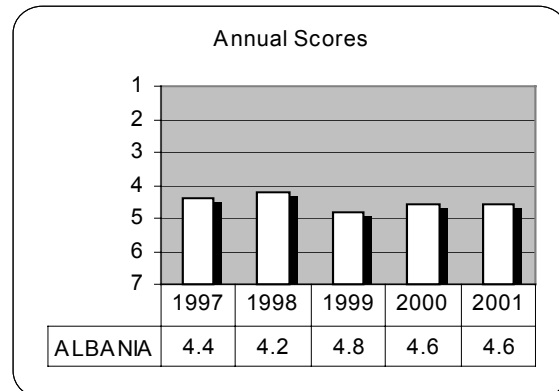
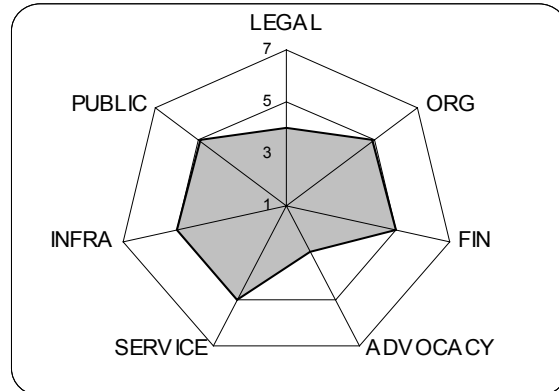
Capital: Tirana	Foreign Direct Investment: \$43,000,000
GDP per capita (PPP): \$3,000 (2000 est.)	Inflation: 1% (2000 est.)
Population: 3,510,484 (July 2001 est.)	Unemployment: officially 16% (2000 est.) (may be as high as 25%)

OVERALL RATING: 4.6

Albania continued its return towards normalcy over the past year. The Kosovo crisis is now a memory, a new NGO law was passed, public order was further strengthened, and national Parliamentary elections were held which were considered by OSCE and the Council of Europe as relatively free, fair and peaceful.

It is believed that there are currently between 400 and 800 NGOs in Albania, approximately 250 of which are active. The strongest NGOs are those engaged in advocacy, youth issues and civic education. Women's organizations are also strong, but few in number.

The overall outlook for the sector is mixed. While the new NGO law is liberal and progressive, its implementation and impact remain uncertain. A new NGO coalition on anti-corruption has been formed but it is too early to assess its effectiveness. Capacity building for the NGO sector has been introduced but, again, it is too early for evaluation. Even the strongest NGOs remain donor driven and dependent as a result of the constricted Albanian economy and the absence of an Albanian history of individual and corporate philanthropy.



LEGAL ENVIRONMENT: 4.0

On paper, at least, the NGO legal environment in Albania improved significantly in 2001 with the passage of the new Law on Nonprofit Organizations, the Law on the Registration of Nonprofit Organizations, and accompanying Civil Code amendments. While the new NGO legislation is perceived as very favorable to the

NGO sector, the lack of clear regulations based upon the legislation and the subsequent implementation of those regulations remain unclear.

The package of new NGO legislation contains excellent substantive criteria relating to NGO registration. One potential

ALBANIA

drawback is the requirement that all NGOs register in Tirana. However, this central registration requirement should make it fairly easy in the coming years to gather reliable data on how many NGOs are in Albania and in what sectors they are operating.

NGOs and their representatives are generally able to operate free from harassment by central and local government. There are reports of enforcement actions by the tax police, but this may be due more to ambiguities in the tax laws than state "harassment" of the sector.

There are a large number of local lawyers,

government officials and judges familiar with the NGO sector. However, most lawyers and others are in Tirana. Legal advice outside of Tirana is limited and insufficient to meet demand.

NGOs serving the public benefit are entitled to tax exemptions, and limited tax deductions exist for corporate and individual donors. NGOs typically do not pay taxes on grants.

The new legislation allows NGOs to earn income from the provision of goods and services. It also lays the groundwork for NGOs to compete for government contracts and procurements.

ORGANIZATIONAL CAPACITY: 5.0

On the whole, there has been little change in terms of organizational capacity in the NGO sector over the past year. Programs aimed at filling the gaps in training and organizational development within specific sectors of the NGO community have begun recently.

With few exceptions, Albanian NGOs remain donor-driven and donor-dependent. Organizations change their missions to be eligible for grants rather than using their missions as a tool to build a constituency. Constituency building remains one of the weaker elements of NGO organizational capacity.

NGOs are still characterized by limited use of volunteers. There is little to offer in training for the volunteers and for those who recruit and manage them. Most NGOs are mission-specific organizations as opposed to broad-based community

organizations. There is very little understanding of how to involve and work in communities. Donors in Albania offer little training and technical assistance to build the community development capacity of NGOs.

NGOs remain weak in strategic planning, management structures, staffing, and technical advancement. Board members tend to have little preparation for their role; many are there simply because they are paid. A few NGOs are seeking training to set up new boards or train the existing ones on volunteer principles. The boards of most organizations, however, have little understanding of their relationship with an executive staff and still tend to revolve around a single strong leader. Delegation of authority remains the odd exception and occurs primarily in Tirana.

FINANCIAL VIABILITY: 5.0

The NGO sector remains highly dependent on foreign donors for grants and as

customers of their services. Donor funding, however, has been falling dramatically

since the end of the Kosovar refugee crisis.

There are few opportunities to raise funds locally. Business is nascent and the government continues to face major financial, infrastructural and social problems with a minimum of financial and human resources. While the legal framework has been modified to offer incentives to businesses to support charitable activities, how this will work in practice remains to be seen. For the vast majority of NGOs,

financial viability remains a dream.

Diversification of funding, financial management systems, fundraising abilities and possibilities for earned income are still widely lacking in the sector. Donors offer little oversight of their grants that could serve as a training period. In turn, financial mismanagement is fairly widespread, showing that the NGO sector is not immune from the corruption that pervades the country.

ADVOCACY: 3.0

The most successful and developed NGOs have strong advocacy skills, although these are often based upon strong leadership and the relationships built between the NGOs and the government, whether local or central. NGOs are increasingly active in the formation of government policy and have continued to establish good working relationships with ministries and local governments. While NGO-government relationships continue to improve, they remain at a rudimentary level.

there is hope that there will be greater opportunities for NGOs to receive some financing from local governments. Given the past history of NGOs working with local authorities on issues such as regional economic strategies, prioritizing local development needs, raising environmental awareness, and providing health services and leisure facilities, the trend in greater NGO/local government partnerships is likely to grow as the decentralization process continues.

With financial decentralization pending,

SERVICE PROVISION: 5.0

The new NGO law allows NGOs to provide a full range of goods and services, but how this will work out in practice remains to be seen. The role NGOs can play in the provision of services is little understood by the central government; progress has been better at the local level. To be fair to both the central government and the NGO sector, neither party has a clearly articulated policy on government/NGO partnership.

Albanian NGOs in providing services to their membership or the general public.

Lack of service provision also reflects donor policy. Few international donors offer grants or technical assistance to support

Since the Kosovo crisis, the number of NGOs working in service delivery has increased, though delivery remains insufficient to meet demand. Most of the newer social services NGOs are outside Tirana. However, most of the projects undertaken are short term and involve little community involvement, making the NGOs involved difficult to sustain. The NGOs lack project and financial management skills and are generally poor in cost recovery efforts.

ALBANIA

INFRASTRUCTURE: 5.0

Outside of Tirana, resource centers remain few and far between, while those that do exist are rudimentary, providing access only to computer equipment, photocopying, and, in some, language training. Access to the Internet is very limited as there are no Internet Service Providers outside Tirana; expensive phone calls to Tirana are required to access the Internet. Internet access is a clear indicator of the general lack of access to information outside of the capital and explains the relative lack of development in the outlying regions. The few resource centers that do exist outside Tirana compete for information and have no network through which to distribute the information they have.

Organizational development services, very much a need within the NGO sector, are not widely available. ANTARC is the only organization offering such training, but it contracts its services to international NGOs and carries out most of its workshops in Kosovo. Over the medium term, the situation may improve somewhat as a new Albanian staffed NGO Resource Center will be established over the coming two years.

The creation of coalitions and partnerships is embryonic. Partnerships tend to be *ad hoc* and dissolve when the creative issue is resolved. Lack of trust in others is pervasive and makes long lasting relationships difficult.

PUBLIC IMAGE: 5.0

The public image of NGOs improved notably as a result of their response to the Kosovo crisis, during which the NGO community received considerable and favorable media attention for their efforts to deal with the influx of Kosovar refugees. When the refugees returned to Kosovo, much of the good work and the good media coverage of the NGO community came to an end.

Both NGOs and the media require training in order to solidify their relationship. The media lacks knowledge and understanding of NGOs' work and the role NGOs play in a civil society. NGOs, in turn, have little experience in working with the media. The media have

been relatively positive in educating the public about some NGO activities but do not analyze the underlying social problems being addressed by the NGOs. Media outlets do not accept Public Service Announcements (PSAs) without payment for their airing or publication; as a result, there are no PSAs.

Very few NGOs publish annual reports or accounts. A few extraordinary exceptions to this rule place both their reports and financial accounts on the Internet for public scrutiny. There is no Code of Ethics for NGOs in Albania.

ARMENIA

Capital: Yerevan

GDP per capita (PPP): \$3,000 (2000 est.)

Population: 3,336,100 (July 2001 est.)

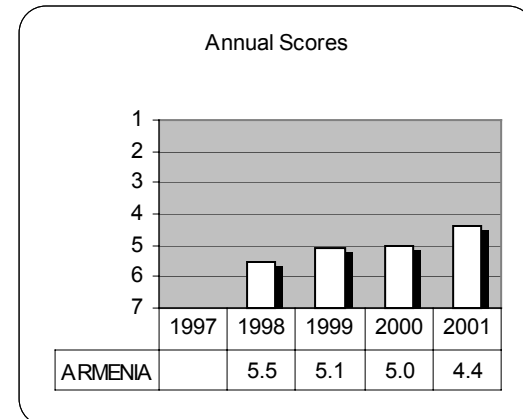
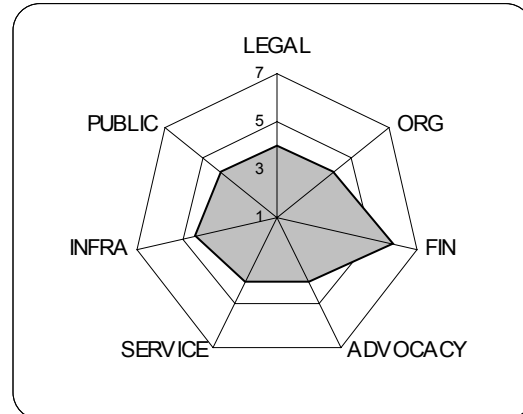
Foreign Direct Investment: \$150,000,000

Inflation: 1% (1999 est.)

Unemployment: 20% (1998 est.)

OVERALL RATING: 4.4

Over the past year, NGOs made progress in areas such as organizational capacity, advocacy, infrastructure and public image. NGOs still rely almost exclusively on the international community for financial support, although several have launched revenue-raising programs as a means of generating extra income to sustain their operations and provide services. Most NGOs are relatively small organizations that do not receive support from a larger constituency, although there are some NGOs that reach out to broad segments of the population to achieve short-term goals. While the central government still does not utilize NGOs to carry out public services, moves are underway for public service delivery between NGOs and local government bodies. An increasing number of NGOs are successfully lobbying for provisions in draft legislation or bringing issues to the attention of government officials.



LEGAL ENVIRONMENT: 4.0

In 1999 the government required NGOs to re-register, to bring NGOs' charters into compliance with the new Civil Code. By November 1, 2001 there were 1,700 NGOs registered in compliance with the new legislation. About 1,000 NGOs have not sought re-registration; the majority of these are believed to be inactive.

A new NGO law that complies with the Civil Code and Council of Europe re-

quirements was passed in December 2001. While the new law contains recommendations made by local NGOs and the International Center for Not-for-Profit Law (ICNL), it still has several weaknesses. First, it makes it difficult for NGOs to engage in economic activities. Second, while the law makes all grants tax-exempt, it does not provide tax breaks for individuals or businesses making donations to NGOs. In general, NGOs still face bureaucratic hurdles

ARMENIA

with the Humanitarian Assistance Coordination Committee in order to get Value

Added Taxes (VAT) waived.

ORGANIZATIONAL CAPACITY: 4.0

Over the past year, the notion of constituency building among NGOs has improved, as they have started to work more transparently in sharing their ideas and involving others in their initiatives. NGOs are learning to tailor their programs to their constituents' needs. However, there is continuing competition among NGOs for grants from international donors, which impedes the atmosphere of openness and cooperation among NGOs. After several years of operation and training, many NGOs have become more consistent in defining and pursuing their missions.

Most NGOs do not have salaried permanent staff. Management within NGOs receives salaries from project funding, and work as volunteers when there is no funding. Some NGOs successfully recruit volunteers for specific programs, but there is not a core of volunteers available on a continual basis from which an NGO can draw support. Many NGOs have basic office equipment such as computers and fax machines, although NGOs in Yerevan are better equipped than NGOs in the regions.

FINANCIAL VIABILITY: 6.0

The poor economy and the lack of legal incentives for philanthropic donations have greatly hampered the ability of NGOs to generate any financial support from local sources. NGOs have developed good proposal-writing skills that enable them to get funding from multiple international donors, but few have funding from other sources. Some NGOs collect membership dues, but these NGOs tend to have a relatively wealthy membership, such as business

associations. Some NGOs generate revenue (for example, by renting out conference space or making goods that can be sold to supplement programs), but the majority of groups do not engage in such activities. The government and business communities rarely contract with local NGOs to provide services. NGOs have steadily improved their financial management skills out of necessity, both to respond to donor requirements and to comply with Armenian law.

ADVOCACY: 4.0

An increasing number of NGOs have established good contacts with government entities at both the national and local levels. As a result of advocacy training and funding for advocacy programs provided over the past year, NGOs' ability to advocate for change has increased. NGOs have become more comfortable with lobbying the gov-

ernment, and there are several examples where legislative changes have occurred as a result of NGO advocacy. Over the past year, NGOs have formed issue-based coalitions to amend or draft new laws in several areas including NGO legislation, patients' rights, handicapped access to schools, and domestic violence. Collaborative efforts between

a coalition of NGOs and deputies from the National Assembly successfully led

to the withdrawal of a defective draft law on freedom of information.

SERVICE PROVISION: 4.0

NGOs provide a range of goods and services across many sectors. These services respond to community needs, although community needs far exceed what NGOs can offer. Service delivery NGOs provide a wide range of services to constituencies beyond their immediate memberships. This includes providing health care, food, and clothing to refugees, the elderly, the disabled, and other socially vulnerable groups. However, when NGOs conduct seminars or produce publications, these tend to be directed towards a more exclusive

group, such as other NGOs working on similar programs and not inclusive of a broader segment of the population. When NGOs provide a good or service, they rarely recover any costs. The exception is business associations, which can effectively charge members for services. The government recognizes that NGOs can fill gaps for services that it is unable to provide, but they rarely call upon NGOs to work closely with them, nor do they contract services out to them.

INFRASTRUCTURE: 4.5

During the past year, a number of Intermediary Support Organizations (ISOs) have become active throughout Armenia. Opportunities for grants and training have expanded beyond the capital, involving more organizations from the regions. The donor-funded ISOs employ local trainers, but few NGOs have their own resources to hire trainers as needed. However, some NGOs manage to organize training for their staff using local trainers who volunteer their services.

NGOs have improved their willingness to share information in order to achieve common goals and are beginning to form coalitions around specific issues and policies. Inter-sectoral communications have increased, especially between NGOs and mass media. Some businesses fund small-scale NGO activities, but neither the government nor local businesses provide continuing support to NGOs.

PUBLIC IMAGE: 4.0

There has been a marked increase in media coverage of NGO activities. Many NGOs work in close collaboration with independent and public television to produce public service announcements (PSAs) and/or documentaries, and many stations will provide airtime for free or at a reduced cost for NGOs to broadcast PSAs or do programs with the

participation of NGO representatives.

Although the population at large still does not understand the role of NGOs in society (beyond service delivery), more people are becoming exposed to the notion of an NGO. Over the past year, a concerted effort has been made by many NGOs to establish cooperative

ARMENIA

relations with government. Although there is still wariness on both sides, the notion of social partnerships has begun to take root, especially outside of the capital. With the exception of profes-

sional associations, such as unions of lawyers or journalists, individual NGOs do not employ codes of ethics. Only a few NGOs publish annual reports and widely distribute them.

AZERBAIJAN

Capital: Baku

GDP per capita (PPP): \$3,000 (2000 est.)

Population: 7,771,092 (July 2001 est.)

Foreign Direct Investment: \$500,000,000

Inflation: 1.8% (2000 est.)

Unemployment: 20% (1999 est.)

OVERALL DESCRIPTION: 4.9

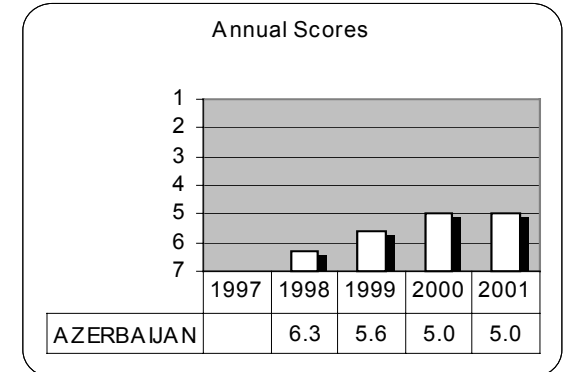
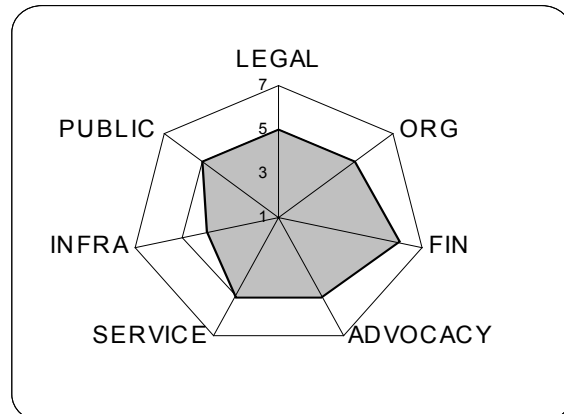
Approximately 350 NGOs and unregistered initiative groups operate in Azerbaijan in areas including children and youth, health, gender, environment, human rights, humanitarian issues, migration, arts and culture, and others. Due to the adverse legal environment in the country, many NGOs are unable to register.

NGOs in Azerbaijan have become adept at implementing programs largely defined by the international community. Azeri NGOs lack institutional capacity in areas such as: strategic planning, internal management structures, staffing, technical resource availability, advocacy, constituency building and outreach. Although numerous international organizations provide training to NGOs, there is little intensive technical assistance available to the sector to ensure effective implementation of lessons learned.

Although several new NGO laws have been passed recently, this has provided little benefit or relief to the sector. Registration remains problematic, NGOs are banned from implementing political activities, and the government can disband an NGO perceived to be trespassing into the political arena.

The NGO sector as a whole faces a lack of understanding about the role of NGOs in society and, often, outright opposition from government agencies, the media and the public. NGOs resist coalition building and information sharing unless pressured by the donor community, as they lack an understanding of the benefits of doing so.

Despite these setbacks, there is reason for optimism. Baku-based NGOs have begun to open branch offices outside the capital city; NGOs outside of Baku are increasing in number and strength; a few of the larger NGOs are beginning to incorporate strategic, financial, and organizational planning into their operations; and NGOs are beginning to promote their activities more widely.



AZERBAIJAN

LEGAL ENVIRONMENT: 5.0

NGOs are still required to register under the 1996 Law on the Registration of Legal Entities, although new registration procedures are included in a draft law that is expected to pass this year under pressure from the Council of Europe. Nonetheless, the proposed registration process is still problematic. For example, the draft law requires all NGOs to register with the Ministry of Justice in Baku and does not set any time limits within which applications must be processed.

According to the law, NGOs can operate freely in Azerbaijan. However, the law is vague and open to interpretation, which allows the government to interfere in or disrupt NGO activities and/or operations. Frequent “monitoring” of NGO activities, offices, and financial records, especially by the local tax authorities, is common. NGOs are generally hesitant to directly criticize the government for such actions for fear of reprisal.

A growing number of local lawyers offer

free legal services to the NGO community in Baku and, to a lesser extent, rural areas. Such services are generally provided as a part of a grant program sponsored by an international donor.

According to the Law on Grants, NGOs are exempt from all taxes with the exception of income taxes on staff salaries. However, NGOs are still subject to harassment from tax officials who are either unaware of these regulations or simply choose to ignore them. Tax regulations do not promote philanthropy or provide mechanisms for in-kind or monetary contributions to be made to NGOs by either individual or corporate donors. In the past, the Tax Ministry has been used to shut down unwanted NGOs.

The NGO law does not ban organizations from competing for contracts or earning income. However, earned income is taxed at the same rate for a for-profit organization.

ORGANIZATIONAL CAPACITY: 5.0

Most registered organizations have written mission statements, as required by the Ministry of Justice. However, NGOs do not always closely follow their missions. Azeri NGOs have little knowledge of the benefits of constituency building. NGOs show little commitment to their stated beneficiaries, often changing their programs in response to donor trends.

With few exceptions, NGOs in Azerbaijan do not have a clear understanding of strategic planning. However, in the past year, a small number of NGOs have begun to carry out longer term planning.

A few of the more advanced organizations maintain some full-time permanent staff, but the majority of NGOs in Azerbaijan work on a project-to-project basis. Most NGO staff are volunteers trying to gain experience, use their free time usefully, or make necessary connections for future job opportunities. The use of volunteers remains unstructured, with many NGOs utilizing friends or relatives when volunteers are needed. Most of the population in Azerbaijan remains unaware of the role of NGOs and therefore have not yet been successfully tapped as potential volunteers.

Few NGOs have computers, fax machines, or access to the Internet and e-mail. Most organizations can afford only outdated equipment or receive it from their donors. Organizations outside of Baku suffer the most in this regard, fac-

ing unreliable electricity supplies and poor telephone connections in addition to the lack of equipment. NGO resource centers play an important role in providing access for NGOs to office equipment, as well as Internet and e-mail communication.

FINANCIAL VIABILITY: 6.0

As a result of the lack of tax incentives and the nascent stage of business development, local financial support of the NGO sector is rare. Most organizations receive funding primarily from international sources. While grants from international organizations remain the major financial source for Azerbaijani NGOs, leading organizations have begun to understand the importance of diversifying their funding, and have at least begun to pursue funding from multiple international sources.

Officially registered organizations are required to have a bank account and to be registered with the tax authorities. Additionally, international donors require basic budget development and financial reporting from their local recipients. Be-

yond these requirements, however, very few organizations have in place financial management systems or internal control mechanisms, or engage in financial planning.

For the most part, NGOs do not understand the concept of a non-profit organization charging clients for their services and therefore, as a general rule NGOs do not engage in income generating activities. However, there are some examples of local fundraising efforts by NGOs. For instance, the Center of Young Leaders organized an exhibition in February 2001, where pictures of refugee children were displayed for sale. Other organizations obtain income from publishing books, postcards, etc.

ADVOCACY: 5.0

Direct communication between NGOs and the government is weak and limited by regulations that restrict NGO activity to non-political spheres. Most interactions between NGOs and the government are through limited personal contacts. Successful examples of political lobbying are rarely held in the public arena or where NGOs can be seen as criticizing the government. However, there are examples of NGO representatives participating in parliamentary working groups on NGO-related issues. For example, NGO participation led to amendments in the NGO law. Overall,

though, NGO influence in the legislative processes remains insufficient.

Although the NGO community is cautious about conducting high-profile advocacy campaigns for fear of being closed down for involvement in "political activities", there are examples of NGO involvement in policy advocacy initiatives. For example, a coalition of eight local NGOs is working together to amend the election law to allow NGOs to monitor elections. The NGO community also provided commentary on the draft Law on Registration of Legal Enti

AZERBAIJAN

ties. Parliament is currently reviewing the law and has incorporated some of

the changes recommended by the NGO community.

SERVICE PROVISION: 5.0

NGOs in Azerbaijan provide various services in such spheres as education, health, environment, human rights, income generation, economic development, voter education, etc., although NGOs are not allowed to work in certain areas (e.g., publishing textbooks for school children or in political activities). Also, activities in some service areas require special licenses that are difficult if not impossible to obtain, (e.g., for medical and legal services).

NGOs generally find themselves responding to donor requirements rather than needs of their communities, which do not always coincide. Few NGOs undertake community assessments when developing their program plans, although a few larger NGOs are beginning to incorporate such assessments when planning programs.

The vast majority of NGOs offer their services free of charge, as neither NGOs nor constituents are comfortable with the concept of NGOs charging for their services. NGOs also avoid charging for their services because of tax regulations.

In general, Government remains suspicious of NGOs and their activities, though a department within the Ministry of Culture was recently formed to oversee NGO activities and to explore opportunities for collaboration. This department, the Cultural Policy and International Integration, has drafted a document for the Ministry of Economy on areas of collaboration with the Third Sector and has organized NGO roundtables with members of the Council of Europe.

INFRASTRUCTURE: 3.0

There are 14 NGO resource centers in Azerbaijan providing access to information, training and technical support for NGO community. Three of these centers are located in Baku, with the rest in regional locations. The centers are extremely dependent upon international funding and it is unclear what would happen to them should that funding end.

Most funding for the NGO community continues to come from international donor organizations. However, the Ministry of Youth, Sport and Tourism is providing limited financial support to NGOs, mainly those involved in youth-related activities.

NGO coalitions are beginning to take hold in Azerbaijan. Several sectoral coalitions have formed, and an NGO Forum and NGO Congress were created. Information sharing and collective advocacy are in the embryonic stages, as NGOs are just beginning to understand the benefits of collective representation.

Training courses are provided for NGOs on various topics, including management, finances, etc., with funding from international donors. Both the Initiative for Social Action and Renewal in Eurasia (ISAR) and the UN's NGO Forum have a core group of trainers skilled in a variety of topics. Training materials and programs are offered in both Russian

and Azeri. Training providers in Azerbaijan do not currently have the capacity to provide advanced technical assistance.

There is a growing understanding within

the NGO community of the importance of close working relationships with the government and the business sector. Cooperation is limited to non-political areas such as humanitarian or environmental activities.

PUBLIC IMAGE: 5.0

While both government and independent media cover NGO activities, there is a clear difference in their attitudes towards NGOs. Government controlled media positively highlights activities of charitable and humanitarian organizations; political and election-related NGOs do not receive positive coverage. Coverage is based primarily on personal connections. Independent media outlets, on the other hand, are relatively more objective in their coverage of NGO activities.

Local NGOs do not work regularly with the press nor do they effectively publicize their activities. NGOs are beginning to place more emphasis on public relations as a result of donor pressure.

There have been several public awareness campaigns carried out by interna-

tional organizations that have contributed to growing public recognition and understanding of NGOs in Azerbaijan. However, the majority of the population either knows nothing about NGOs, or associates them with either business or politics. Most government officials continue to see NGOs as anti-governmental and a potential threat.

There is a limited understanding by the NGO sector of ethics and transparency. Azeri NGOs do not adhere to a Code of Ethics nor do they regularly disburse information about their accomplishments. It is unheard of for NGOs to disburse financial information in any format including annual reports. Few training courses currently cover these topics, but there is a growing interest in addressing them.

BELARUS

BELARUS

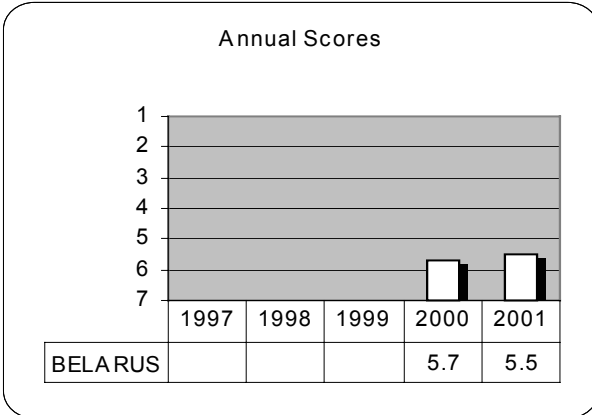
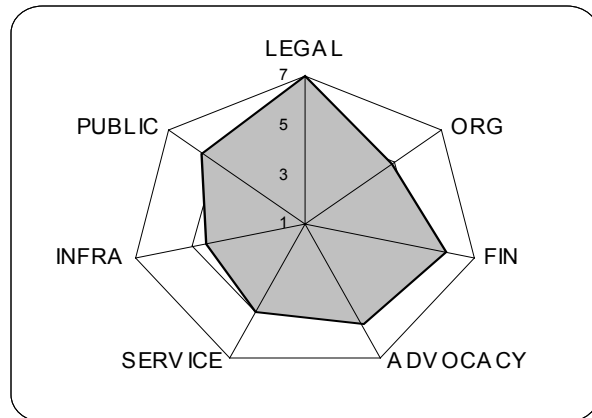
Capital: Minsk	Foreign Direct Investment: \$90,100,000
GDP per capita (PPP): \$7,500 (2000 est.)	Inflation: 200% (2000 est.)
Population: 10,350,194 (July 2001 est.)	Unemployment: 2.1% officially registered (December 2000) large number of underemployed workers

OVERALL DESCRIPTION: 5.4

There are currently approximately 2,500 NGOs registered in Belarus. Meanwhile, it is estimated that there are nearly as many unregistered NGOs active in the country, as many organizations choose not to register due to the burdensome nature of the registration process.

NGOs operate in a wide range of fields, including interest clubs, political organizations, charitable and social societies, and research and educational associations. The most active NGOs work in the fields of social service, education, youth, sports, human rights protection, arts, history and culture.

The year 2001 was dominated by the September presidential elections. During the year, the government tightened existing legislation and used its administrative structures and the state-controlled mass media to neutralize and discredit democratic political parties and NGOs. Despite the undemocratic environment in Belarus, civil society struggles to flourish, as demonstrated by the non-partisan get-out-the-vote and observation campaigns organized during the 2001 presidential elections.



LEGAL ENVIRONMENT: 7.0

During the presidential election campaign, the government of Belarus stepped up its pressure on the third sector. As a result, it has become al-

most impossible for organizations deemed unacceptable to the government to register legally. For example, organizations are required to have a "le

gal address”, but the authorities refuse to rent them office space. Meanwhile, unregistered organizations and initiative groups have been subjected to severe persecution, often leading to fines or arrests of their leading activists.

The law does not protect NGOs from state interference. Over the past year, many organizations have had their technical equipment, including equipment financed by international donors, illegally confiscated. In addition, many organizations are plagued with endless inspections by controlling bodies ranging from the tax police to firefighters. Even the least “politicized” organizations – those dealing with social projects – are subject to these inspections.

NGOs have limited access to qualified legal assistance from regional resource centers. During the course of the election campaign, experienced law practitioners were intensively trained to work with NGOs in both large regional cen-

ters and small provincial towns.

In March 2001, Presidential Decree #8, “On certain measures to regulate the procedure of receipt and usage of foreign gratuitous aid”, came into effect. This decree imposed strict controls on the use of foreign donations. Among other regulations, it required that grants be registered with the Department for Humanitarian Activities.

According to Belarusian law, charitable donations and grants to NGOs are tax-exempt. However, since Decree #8 came into force, tax authorities have begun to demand tax payments from recipients of foreign grants, in some cases even when they are registered.

NGOs are subject to the same rates of taxation on earned income as for-profit companies. Neither individual nor corporate sponsors receive tax deductions for donations to NGOs.

ORGANIZATIONAL CAPACITY: 4.8

Most NGOs still have weak links with their constituents, with only the leading NGOs focused on constituency-building. While the pre-election mobilization campaign helped many organizations reach out beyond their traditional constituencies, this practice is not yet ingrained. To date, few NGOs utilize strategic planning techniques, but donor-supported training is slowly increasing understanding of the importance of thinking strategically.

The majority of NGOs have autocratic administrative structures and no clear delineation of responsibilities, in large part due to limited staff size. Only 5 to 10% of NGOs have permanent staff.

The oppressive environment in Belarus encourages both NGOs and donors to keep their transactions secret. The state attempts to control the use of all charitable donations and humanitarian aid. Unless a grant is registered with the Department for Humanitarian Activities, banks can freeze grant funds. Additionally, if not granted an individual tax exemption by the President, a grant may be significantly reduced by taxes.

NGOs have inadequate technical equipment. More than half of NGOs lack offices and communication equipment, and therefore rely on the resources of others.

FINANCIAL VIABILITY: 6.0

Local funding for the third sector is extremely limited as a result of the abysmal economic situation in the country. Another disincentive to local philanthropy is the fact that charitable donations by businesses often draw the attention of tax and other regulatory bodies.

Despite these unfavorable conditions, some organizations do succeed in raising funds locally. But even the most resourceful NGOs are unable to cover more than 20% of their budgets from local sources. As local support is insufficient, foreign donors remain the primary source of NGO funding. Few organizations seek to raise funds through other options such as membership dues or individual donations, although membership dues are the basis of some organi-

zations budgets, such as associations of businessmen. The state provides financial support only to pseudo-non-governmental organizations, which were created at the initiative of the state itself.

NGOs that receive their funding through the banking system are subject to strict government control and scrutiny. Under the circumstances, many NGOs use measures that are not fully transparent in order to protect themselves from state harassment and interference.

Donors encourage accountability and transparency through regular reporting and staff training. Nevertheless, most third sector organizations do not yet understand the benefits of making their operations transparent to the general public.

ADVOCACY: 5.5

NGOs occasionally cooperate successfully with local and national government entities, but this is rare. In general, relations between civil society and the state tend to be contentious at best. The Belarusian state expresses little desire to enter into a dialogue with the third sector, thereby depriving NGOs of communication channels or mechanisms to lobby or influence important national political decisions. However, there have been exceptional cases where NGOs were invited to participate in the discussion of national politics, as with the National Council for Gender Policy, which included representatives from three NGOs. The majority of NGOs, though, chose to boycott direct ties with their opponents through such councils.

There are some coalitions of NGOs but they do not conduct wide-scale cam-

paigns or utilize their members' resources effectively. The sector is gradually coming to understand the importance of a unified front to advocate for their interests. During the election period, coalition-building increased and there were a number of successful campaigns organized to advocate for NGOs rights and interests. For example, the *Dialogue* coalition brought together several organizations who opposed Decree #8. Thanks to a widespread information campaign, *Dialogue* succeeded in getting public hearings on the Decree, which was passed with a narrow one-vote majority.

Leading NGOs lobby for their constituents' interests. For example, associations of businessmen joined forces to attract attention to problems in the national economy and small and medium

business development. As a result of their efforts, Parliamentary hearings were held. However, the third sector generally fails to use even those channels that are available to them – such as

parliamentary discussions, appeals to administrative bodies, and judicial investigations – even though these methods do occasionally yield some success.

SERVICE PROVISION: 5.0

As a result of the state's aggressive policy towards the third sector and limited budget resources, NGOs only provide services in a narrow range of fields, primarily in the field of social services. It is difficult for NGOs to generate revenue by charging fees for services, as this entails a loss of tax benefits. Furthermore, the old Soviet mentality still prevails, meaning that most Belarusians are unwilling to pay for social services.

NGOs do provide some innovative services not provided by the state. For example, women's NGOs associated with the Women's Independent Democratic Movement started providing psychological counseling for women that was not available before. However, the state makes it difficult for NGOs to pro-

vide services to those who are not members. NGOs strive to meet demand, but there is no targeted market research of needs and available services.

As a rule, the state does not acknowledge the role or value of NGOs as alternative providers of goods and services, reflecting the state's view that NGOs are anti-governmental. However, there are a few examples of the state acknowledging the role of NGOs in solving community problems for example, the creation of local centers for family support. Even in such cases, the cooperation is superficial. In reality, the state has tried to co-opt the process, taking credit for the results itself, thereby perpetuating the illusion that the state has the capacity to solve all social problems.

INFRASTRUCTURE: 4.5

The Belarusian Association of Resource Centers (BARC) is a regional network providing information and technical support to local organizations in 63 towns. In general, these services are provided by NGOs that operate their own independent programs in addition to providing resource center services. BARC members provide smaller NGOs with technical, legal, educational, and fundraising assistance, and help NGOs find partners and form local coalitions. All services are provided free-of-charge. Micro-grant contests are also an important aspect of BARC activities. The contests are organized mostly to implement "first step" projects by initiative

groups or start-up NGOs in smaller towns and villages.

While there are a number of national and regional coalitions, and information is exchanged within the sector, NGOs often unite only to meet donor requirements that projects be implemented jointly. However, there is a growing understanding of the need to unite, which has resulted in the creation of five new coalitions involving approximately 100 NGOs that advocate on behalf of NGOs and coordinate election-related activities. The Assembly of Pro-Democratic NGOs played the most active role in organizing the civic election observation

BELARUS

and non-partisan get-out-the-vote campaigns. A large coalition of citizens' organizations, Independent Observation, supported by USAID and OSCE, mobilized over 10,000 people to monitor voting throughout the country.

There are experienced trainers and consultants in all regions of the country,

but not all NGOs know where and how to get consultations. Training materials are available but are insufficient in number and variety. Inter-sectoral partnerships, particularly with business and mass media, are becoming increasingly common as common interests are realized.

PUBLIC IMAGE: 5.5

Media in Belarus is heavily controlled by the state. During the election campaign, the state-owned media – especially TV – was dominated by programs defaming public organizations that took a critical position of the government and supported alternative candidates.

The population is fairly ignorant of the work of NGOs, often associating NGO activity with the political opposition. This is partly due to the government's portrayal of NGOs and partly due to NGOs' actual involvement in politics.

NGO contacts with other sectors are rare. Little outreach occurs. The lack of public information limits the recruitment

of new customers and members. One exception to this lack of public outreach was the election mobilization campaign, during which NGOs used electronic and printed mass media, the Internet, booklets and brochures to highlight their activities.

NGO coalitions are at a nascent stage. Those that do exist adopt some informal codes of behavior, which are obeyed by the majority of members. The women's movement attempted, but failed, to develop an ethics code. This failure might reflect the competitiveness that still exists among organizations, as well as a weak understanding of the benefits of coalition-building.

BOSNIA AND HERZEGOVINA (BiH)

Capital: Sarajevo	Foreign Direct Investment: \$117,000,000
GDP per capita (PPP): \$1,700 (2000 est.)	Inflation: 8% (2000 est.)
Population: 3,922,205 (July 2001 est.)	Unemployment: 35%-40% (1999 est.)

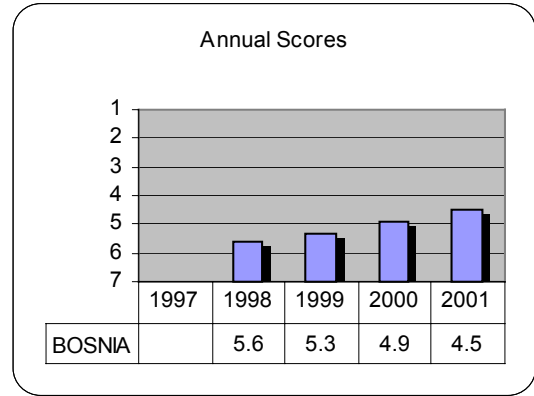
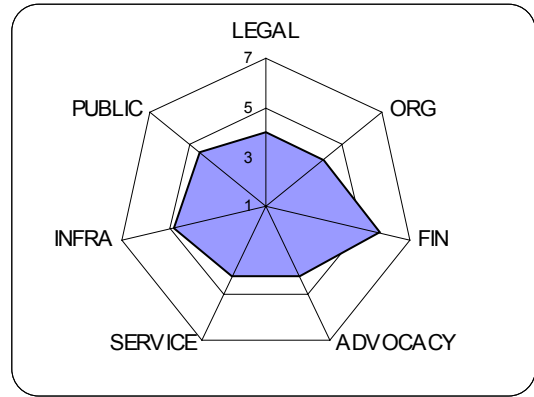
OVERALL RATING: 4.5

Bosnia and Herzegovina (BiH) is making progress, albeit at times frustratingly slow, in the dual transition towards lasting peace and democratic governance. With a fractured public sector of limited capacity, NGOs have helped facilitate this transition by serving as service providers and encouraging public discourse.

The NGO sector's development is still very much influenced by the broader consequences of the war, including its impact on Bosnia's political, economic and social fabric; the country's division into two Entities; and intensive international involvement. Due in part to the economic situation, the establishment of many early post-war NGOs was motivated more by a need for employment than a commitment to a particular mission. Recently however, mission-oriented NGOs committed to a broad range of activities including human rights and media monitoring, legal advisory services, civic education, conflict resolution and micro-credit extension have emerged.

As the level of donor support continues to decrease on an annual basis, many organizations are having difficulties with organizational and financial sustainability. While more than 1,300 NGOs have been registered in BiH (N.B.: not included in this figure are the many NGOs registered with Federation Cantonal courts and Republika Srpska Regional courts), only an estimated 300 to 500 are active and able to provide adequate services for their beneficiaries or membership. Donor funding is now being targeted towards concrete, results-oriented programs, or for organizational strengthening activities. While in the past, the presence of donors has contributed to what observers have described as an "ownership gap", now donors are encouraging NGOs to identify problems and suggest concrete solutions.

The organizational capacity of Bosnian NGOs varies widely. A small number of highly capable and professional indigenous NGOs have emerged from the close mentorship and sponsorship of a few international organizations. These NGOs will comprise an elite core of organizations with sound internal structures, relatively transparent operations,



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and the professional capacity to undertake local initiatives and sustain their operations.

BiH's NGO sector is still lacking effective resource centers and strong intermediate support organizations that would serve as effective channels for advocacy work and policy reform. Networks and coalitions that came 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 which formed independently in response to community needs.

LEGAL ENVIRONMENT: 4.0

Due to the unique structure of the Bosnian state, NGOs operate under a confusing and potentially restrictive array of laws that effectively prevent statewide NGO registration or operations. As a result, multi-ethnic NGOs wanting to maintain appearances of ethnic neutrality have had to face difficult choices when deciding where to register.

Throughout 2001, international donors and local partners continued with extensive efforts to develop an enabling legal framework within which NGOs may operate in BiH. The adoption of entity and state-level NGO laws are among the requirements for BiH's eventual accession to the Council of Europe, and a critical step in promoting an active and viable civil society in which NGOs can register and operate freely throughout the country.

In September 2001 the National Assembly of the Republic of Srpska (RSNA) finally passed the Law on Associations and Foundations, which was drafted by a group of local NGO representatives and government officials, with support of international legal experts from ICNL and OHR.

Simultaneously, the respective parliamentary bodies are reviewing the draft laws on the Federation and State levels.

The Draft for the Federation has been approved by the House of Peoples and is scheduled to be reviewed by the House of Representatives during the current parliamentary session. Both the RS law and the Federation draft include articles allowing for full reciprocity between entities. The two Houses of the BiH Parliament approved the draft of the State-level law, but in different versions, which must be harmonized to be enacted.

The passage of these three laws will be the first step in creating an enabling legal environment for NGOs in BiH. For the first time NGOs that are registered in the RS will be allowed to freely operate in the Federation without further administrative requirements. This law and the two drafts are the result of long lobbying efforts by the Bosnian NGO themselves, and represent genuine Bosnian ownership of the process.

Once framework legislation is passed, taxation will become the priority issue. Present laws allow some donations to NGOs to be tax deductible, but the rules governing this vary by entity. In addition, there are fairly restrictive limits on how much a donor can contribute and receive the deduction. Grants to NGOs are exempt from taxes.

ORGANIZATIONAL CAPACITY: 4.0

In the last year, NGOs have become more aware of the importance of increasing their organizational capacity in order to be recognized as respectable organizations. They are increasingly asking for training in professional staff education, strategic planning, internal restructuring, etc. Organizations seeking this additional assistance generally also seek funding outside of international donors, and participate in issue-based coalitions with other local or regional NGOs.

There are still many organizations that allow donor funding to drive their activities, but it is becoming increasingly difficult for such organizations to diversify their funding sources without a core mission and constituency. These organizations still do not have clearly defined management structure, but are starting to recognize this as a problem

that they need to resolve.

Although the Federation has more registered NGOs than RS, it seems that the NGOs in the Federation have better developed organizational capacity. However, there are several very strong, regionally recognized NGOs in the RS, as well. The present trend in BiH is “quality over quantity”, and many expect some degree of consolidation in the absolute numbers of NGOs as foreign assistance levels decline.

NGOs are increasingly using volunteers and the Center for Civic Initiatives conducted sessions in 70 municipalities with over 100 NGOs on how to support volunteerism. An increasing number of NGOs also have access to modern office equipment and are developing an increased presence on the Internet.

FINANCIAL VIABILITY: 5.7

The wartime devastation of BiH's economy, a limited pre-war tradition of philanthropy, and the lack of framework NGO and taxation legislation severely constrain the sector's financial sustainability. As a result, NGOs continue to rely largely on foreign funding. Fluid donor priorities contribute to confusion and financial uncertainty among NGOs.

Many NGOs, particularly those in isolated rural areas, lack skills in financial planning, accounting and financial management. Other NGOs that have received significant donor funds in the past have also received financial training, and are less in need of such basic skills. Some NGOs are able to identify alternative financing methods such as membership fees, fees-for-services, in-

kind contributions or government funding to compensate for existing constraints.

While few local governments understand or use NGOs for delivering public services, a positive trend has been observed as some municipal governments begin to utilize NGOs for public service provision, primarily in the fields of social work, youth, and education activities. For example, the Center Sarajevo and Tuzla Municipalities have realized that NGOs can serve as an efficient and cost-effective method of delivering both mandated and non-mandated services. In the case of Center Sarajevo, a sizeable percentage of the discretionary budget has been devoted to such work carried out by NGOs. USAID is now working closely with 14 municipalities in

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Central Bosnia to encourage increased utilization of local NGO resources to ad-

dress local problems.

ADVOCACY: 4.2

This past year the NGO sector demonstrated increased interest in advocacy activities, as more local NGOs became involved directly in legal reform efforts and advocacy efforts at the municipal level. At the same time, all levels of government are demonstrating willingness for closer cooperation with NGOs. However, most NGOs remain cautious about getting involved in issues that can be seen as even remotely political. Many NGOs still adopt a very passive attitude towards the external environment and are thus ill-positioned to be advocates and catalysts for change.

Nearly all advocacy campaigns are initiated or partially led by international organizations. Nearly all coalitions have been created at the initiative of foreign donors. Some of these coalitions, such

as the Regional NGO Fora and the NGO Council, are doing good work. For example, the NGO Council played a role in pressuring MPs and government to push for NGO legal reform and to pass NGO laws as soon as possible. However, these coalitions still need to improve their effectiveness and coordination. Donor assistance is providing critical training and technical assistance in advocacy and organizational structure to both the individual NGOs and the coalitions.

In some more advanced municipalities, such as Center Sarajevo Municipality, NGOs have the opportunity to advocate for changes through a specially designated municipal official for cooperation with NGOs.

SERVICE PROVISION: 4.2

Service provision by NGOs in Bosnia is underdeveloped and not sufficiently specialized or professional. The most specialized NGOs are those that provide legal assistance and legal protection. Bosnian NGOs also provide services in education, health care, economics and business development, and social and environmental protection. The provision of such services still remains concentrated on the larger cities, with lesser coverage in rural areas. However, after the general elections held in November 2000, the government has become more open to the idea of cooperation

with local organizations on service provision. Some governments have even hired dedicated staff to coordinate with local NGOs. While progress has been made in this regard, further developments are needed to get municipal and cantonal governments to systematically accept this notion. In part, this process has been slow because of the difficulties faced by all levels of government in revenue collection. Only more advanced local governments have budgetary resources designated to fund service provision by and coordination with NGOs.

INFRASTRUCTURE: 4.8

The lack of intermediary support organizations (ISOs) and NGO resource centers in BiH remains a significant problem. Although there have been numerous attempts to create effective NGO resource centers and ISOs, nearly all initiatives have come from the international community and bypassed indigenous NGOs. Furthermore, these organizations are unable to survive without further international support. There are some examples of effective coalition-building and networking among NGOs.

For example, during the pre-election period last year, the Centers for Civic Initiatives organized a coalition of 300 organizations to conduct domestic monitoring of the elections.

A positive improvement is that Entity borders present less of a problem than they did in the past. An NGO from one Entity can now cooperate freely with an NGO from another Entity on common programs, with the exception of political reintegration.

PUBLIC IMAGE: 4.5

Positive changes noted in the last year include the fact that local media have started to pay more attention to the work of local NGOs, and that human rights NGOs are less associated with the activities of political parties. This progress is the result of the general change in the political scene after the last general elections in BiH. New local and central government officials have a generally positive perception of NGOs, but they still do not rely sufficiently on NGOs as a community resource, or as a source of expertise and credible information.

There are still a number of issues that remain to be addressed and devel-

oped. Local NGOs still lack proper skills in marketing and media relations, including an understanding of what types of activities would attract media attention. More training is needed for NGOs on how to publicize their activities or promote their public image. Many NGOs, however, have established cooperation with journalists and media outlets. For example, the Centers for Civic Initiative even included young journalists into their work directly. These journalist students are preparing a newsletter entitled "Initiative" which includes articles about different NGO issues and activities.

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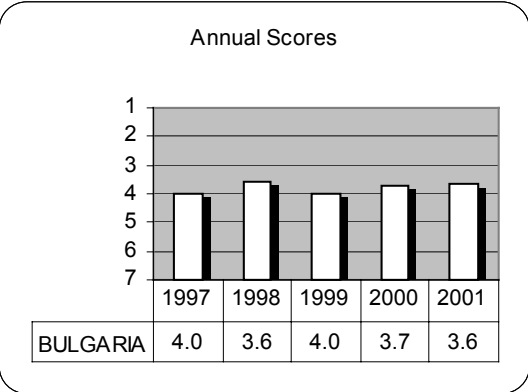
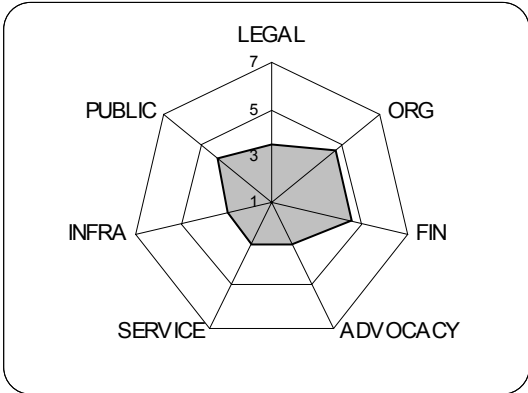
BULGARIA

Capital: Sofia	Foreign Direct Investment: \$975,000,000
GDP per capita (PPP): \$6,200 (2000 est.)	Inflation: 10.4% (2000 est.)
Population: 7,707,495 (July 2001 est.)	Unemployment: 17.7% (2000 est.)

OVERALL RATING: 3.6

The Bulgarian civil society sector includes approximately 8,000 organizations, including political and religious organizations. About half of those are "Chitalishta", traditional Bulgarian educational and cultural organizations, most of which currently provide a very limited scope of services. There are organizations active in almost all spheres of traditional NGO activity including: civil society development, social services, environment protection, human rights, economic development and education. Over the past three years, the number of organizations considered "active" has increased from 1,000 in 1998 to about 1,900 in 2001.

A new framework law governing the establishment, functioning and legal status of NGOs in Bulgaria came into effect on January 1, 2001. This law lays the foundation for changes in tax and other related legislation that will improve the prospects for NGO sustainability. Most NGOs are extremely dependent on foreign funding. While the ability to raise funds domestically remains constrained, a significant number of NGOs report receiving some level of support from local government and businesses. Most organizations are project driven, and links with constituents are generally weak. There is often a lack of coordination among NGOs and limited capacity to form networks. Still, NGOs are successful in lobbying on specific issues and are constantly improving their relations with central and local government. Although public awareness of NGOs has increased over the past year, the public is generally not well informed about NGO activities.



LEGAL ENVIRONMENT: 3.5

The new Non-Profit Legal Entities Act, effective as of January 1, 2001, is the culmination of several years' work by

several Bulgarian lawyers, civil society organizations and parliamentarians, with critical assistance provided by the Inter

national Center for Non-for-Profit Law (ICNL). While the new NGO law is an important first step, it is still too early to judge the full impact of the law on the NGO sector, as implementation has just begun.

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

The new law outlines requirements relating to the internal governance of associations and foundations. Furthermore, the law introduces one of the most modern international legal principles on NGO status by defining two categories of organizations – public benefit organizations (PBOs) and mutual benefit organizations (MBOs). PBOs are organizations whose activities fall within one of the public benefit categories specified in the law and are registered with the Public Registry within the Ministry of Justice. Only PBOs are entitled to benefits from the state.

According to the new law, NGOs are allowed to earn revenue through economic activities related to their mission. NGOs may also set up subsidiaries that may engage in any economic activity, but their profits are taxed at the same level as businesses. This provision improves the prospects of NGO sustainability through the provision of various services. However, NGOs still face difficulties with VAT and are sometimes forced to pay taxes on grants, as there is no clear legal definition of a grant.

The new NGO law is considered progressive and will provide a basis for future work on tax law amendments and related procurement legislation. A working group on tax legislation has drafted a package of amendments, which is currently being discussed by NGOs and the newly elected parliamentarians and government officials. Legal assistance in the area of social contracting is also underway. However, since no tax benefits have yet been adopted, and implementation of the new law has just started, the rating for the category remains at its 2000 level.

ORGANIZATIONAL CAPACITY: 4.5

A small core of strong, viable and influential NGOs exists in Sofia and in other urban centers, with some viable NGOs emerging in other parts of the country. Most NGOs are comprised of small groups of people surviving on a project-by-project basis, with nonexistent or weak links to constituencies. The new law requires the internal management structure of NGOs to have a clear division between staff and members. Nevertheless, boards are seldom active and NGOs continue to be dependent on the executive director's personality and skills. Leading NGOs employ permanent staff, and have some success attracting volunteers, despite the fact that only 4%

of the population participate in NGO activities. Although NGOs declare their missions when they register, mission statements are often broad and do not reflect the organization's actual mission or vision.

NGOs rarely undertake a detailed planning process, as they are dependent on international donor funding and generally respond to the goals set by donors. As such, their planning remains short-term and ad-hoc. Most NGOs do not have a regular mechanism to analyze constituents' needs and there is still no "culture" of constituency building. There remains a great need for tailored train

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ing programs that meet the organizational needs of individual NGOs and encourage constituency building. In addition to training, NGOs still need basic office equipment. NGOs are generally

only able to obtain modern office equipment on a project-by-project basis. However, Internet access has increased from 25% of NGOs in 1998 to 46% in 2001.

FINANCIAL VIABILITY: 4.5

The financial viability of the NGO sector remains extremely low, with the exception of a few strong NGOs located primarily in the capital. Many of the smaller NGOs are entirely dependent on international donor funding. NGOs are generally pessimistic about the prospects of alternative funding sources, and NGO budgets are generally not diversified. However, there are examples of NGOs attracting local business support, as demonstrated by the fact that 48% of NGOs report receiving at least some financial assistance from businesses over the past year, an increase of 8% from the previous year. In addition, a survey conducted among 300 companies showed that 25% of the firms inter-

viewed made financial or in-kind donations to NGOs during the past two years.

NGOs have had some success in garnering support from local government as well; 24% of NGOs report receiving some government funding, albeit generally insignificant. However, most NGOs still face significant resistance at the municipal level. While some organizations collect membership fees and charge for their services, the income generated by such activities is extremely small due to the overall poverty in the country. However, new legislation allows for economic activities and raises the prospects for future NGO sustainability.

ADVOCACY: 3.0

NGOs are becoming increasingly aware of the need to engage in advocacy activities. Existing legislation allows for NGO input into the legislative process, and NGOs are gradually gaining seats on important policy-making committees. Receptivity to NGO input, however, is often dependent upon the good will of individual lawmakers. While advocacy coalitions do come together around specific issues, there is no coalition to advocate on behalf of the NGO sector as a whole. Still, NGOs have been fairly successful in forming issue-based coalitions and have been active in promoting legal reform. NGOs were successful in advocating many policy changes over

the past year, including in such areas as NGO and media legislation, environment, and business. For example, as a result of a campaign organized by the Center for Independent Living, a local NGO working with the disabled, provisions were adopted that obliged that Ministry of Labor and Social Policy to develop programs to integrate people with disabilities into mainstream society. A Parliamentary commission on civil society was created in the summer of 2001 and will hopefully play a key role in the future. In addition, an advisory Public Council was created in Parliament to serve as a key advisory body on civil society and public interest issues.

SERVICE PROVISION: 3.0

NGOs successfully provide some social services in areas such as day care, health care services for disadvantaged groups, and home care for the elderly. NGOs also offer a great variety of services in other fields, although they generally reflect the strategies of international donors rather than local community needs and priorities. Indigenous services to the NGO sector include publications, workshops and expert analysis.

As the state withdraws from some sectors, opportunities are emerging for NGOs to take up services previously provided by the state. Although some NGOs charge for their services, the prospects for cost recovery are extremely limited due to the overall poverty in the country. In general, the government recognizes the value of NGOs, although support is still very limited.

INFRASTRUCTURE: 3.0

A number of NGO resource and information centers operate throughout the country. Most provide a limited scope of services, but at a minimum provide the essential information needed by NGOs to function effectively, including information on registration, operation, proposal writing, and management. These centers are generally successful in attracting limited amounts of income from locally generated sources. NGO networks are functioning in a number of individual sectors, such as media and the environment. Diverse training opportunities are available and are based on well-developed systems.

Inter-sectoral partnerships are generally issue-based, and there is an increasing awareness among media, local government and business of the value of NGOs. For example, a group of business leaders in the town of Sevlievo have established an organization, similar to a community foundation, to provide financial support for projects of priority to the community. In addition, USAID is starting a program to support the development of community funds, community-based mechanisms that bring together NGOs, businesses, and local government to solve local problems by generating local resources and targeting them to community needs.

PUBLIC IMAGE: 4.0

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

formed about NGO activities. Public awareness of NGOs has increased from 52% in 2000 to 61% in 2001. NGOs are increasingly recognized by government institutions and consulted on a number of issues. Relations with the media are constantly developing, and special features focused on the role and activities of NGOs are emerging on Bulgarian radio and television. The Bulgarian Media Coalition (BMC) continues its work to

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improve collaboration and contacts between NGOs and the media. For example, during the past year, it has helped

selected NGOs develop effective media strategies.

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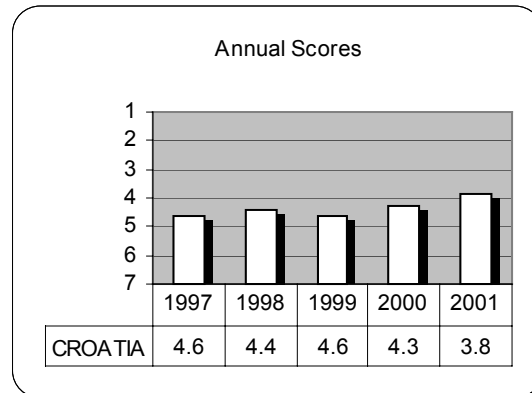
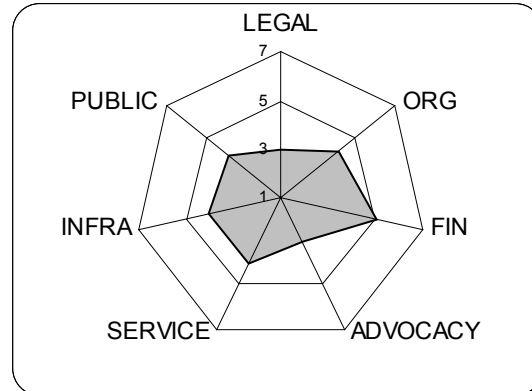
Capital: Zagreb	Foreign Direct Investment: \$750,000,000
GDP per capita (PPP): \$5,800 (2000 est.)	Inflation: 6% (2000 est.)
Population: 4,334,142 (July 2001 est.)	Unemployment: 22% (October 2000)

OVERALL RATING: 3.8

While the situation of NGOs in Croatia continues to improve, the sector's long-term prospects are still influenced by the weak economy and difficult social conditions in the country.

The number of registered NGOs continues to be relatively stable at approximately 18,981, out of which the vast majority, or 17,065, operate on the local level and the remaining 1,916 on the national level. The largest number of NGOs operates in the areas of sport, culture, economy, social services, humanitarian assistance, and veteran and youth issues. Meanwhile, the strongest NGOs tend to be based in urban areas, focusing on humanitarian assistance, social services, peace and human rights, women's issues, environment and culture.

In the past year, the Parliament enacted several laws that improved the overall NGO legal environment. Most NGOs are still very fragile and face serious obstacles to long-term organizational and financial sustainability. Intermediary support organizations, including regional NGO support centers and training organizations, continue to develop and provide valuable services to smaller NGOs. They have also become important in promoting networking, voluntarism, philanthropy and NGO-government-business cooperation. In 2001, Croatian NGOs continued to improve their public image. NGO-government cooperation is also improving, as local authorities are becoming more open to and interested in working with NGOs.



LEGAL ENVIRONMENT: 3.0

Significant improvements were made in the legal framework for NGOs in Croatia during 2001. In January, a new comprehensive package of tax laws came into

force, which provides favorable treatment of NGOs in several regards. For example, donations to NGOs in certain fields are deductible up to 2% of the in

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dividual or company's total income. The new legislation also provides tax breaks on income generated by NGOs through economic activities. In June, a supplementary VAT regulation went into effect that makes the purchases of domestic goods and services by NGOs exempt from VAT when funded through foreign donations. In July 2001, revisions to the Law on Foundations and Funds were also enacted, thereby allowing foreign foundations to establish branch offices in Croatia.

Most important of all, in September 2001, the Parliament passed the new Law on Associations, which represents a significant improvement over the previous law and largely complies with international standards and regional best practices. For example, the new law streamlines the registration process, reduces the number of founders required, allows unregistered organizations to operate, and contains flexible rules regarding internal governance. The new law resulted from broad, collaborative, open, and transparent efforts that in-

cluded government officials, NGOs and representatives of the international community. The new law comes into effect on January 1, 2002; therefore, its real impact will begin to be felt in the next year. Unfortunately, many NGOs and businesses are still not fully aware of the implications of the new laws.

Several NGOs in Croatia, including the Croatian Law Center, NGO support centers, B.a.B.e., Croatian Helsinki Committee and other human rights groups, specialize in legal issues. There is also a group of NGO lawyers trained in non-profit legislation, who provide legal assistance in the primary cities. However, NGOs are not always aware of the legal services provided by these groups.

Despite the fact that NGOs were still registering under the complicated and time-consuming registration procedures of the old Law on Associations during 2001, most NGOs did not face serious difficulties in getting registered.

ORGANIZATIONAL CAPACITY: 4.0

Most NGOs are still weak organizationally, due partly to the difficult economic and social conditions in the country. NGOs receiving foreign donor support tend to be stronger organizationally than those that have not received foreign assistance.

Most NGOs have clearly defined missions, although few incorporate strategic planning techniques in their decision-making processes. Again, NGOs that receive foreign assistance are more likely to engage in strategic planning. Generally, NGO statutes define clear internal structures, but these structures are not always fully respected. Often there is a lack of transparency in NGO activities and decision-making proc-

esses. NGOs remain ignorant of conflict of interest issues, as demonstrated by the fact that family members are often hired to provide services within an NGO. Few NGOs have well-developed boards. Larger and well-developed NGOs generally have paid staff, while many smaller organizations may have only one paid employee and many volunteers.

Many NGOs have adequate technical equipment and Internet access and communicate through the electronic network *Zamir.net*. However, much of this equipment is out-of-date or the private property of one of their members.

Croatian NGOs are still very weak in

constituency building and there are still not many attempts by NGOs to develop

this skill.

FINANCIAL VIABILITY: 5.0

Financial sustainability is still the most significant obstacle for Croatian NGOs due to the difficult social and economic conditions in the country and the weak philanthropic culture. While funding to larger NGOs still comes primarily from foreign donors, as donor assistance decreases, domestic sources are beginning to make small contributions to the NGO sector. Domestic sources of funding include the Government Office for NGO Cooperation, local governments, and, increasingly, the corporate sector. A few commercial banks and companies such as Zagrebacka Banka, Lura, and Pliva have begun to provide grants to NGOs, although they do not always respect open, competitive and transparent procedures. Grants are mostly given to NGOs in the area of culture, education, sport, health, and children and youth programs. The practice of small in-kind contributions to community groups by small businesses is also becoming more common. Local governments and cities are also becoming more willing to provide office space to NGOs under favor-

able conditions. However these options are still not available to human rights and peace groups.

Very few NGOs are in a position to earn income and only a few NGOs have succeeded in signing contracts with one of the cities or the Ministry of Labor and Social Welfare to provide social services. There are also very few organizations that collect significant funds through membership dues. Most NGOs have limited membership and very low dues.

With the exception of a few strong NGOs, most NGOs do not have diversified sources of funding or well-developed financial management systems in place. The majority of Croatian NGOs continue to have weaknesses regarding financial transparency and accountability, as demonstrated by the fact that few organizations publish annual reports with financial statements.

ADVOCACY: 3.0

As a result of efforts by the Government Office for NGO Cooperation and a few ministries (including the Ministry of Environment, Labor and Social Welfare, and Justice), communication among NGOs, the central government and the Parliament has continued to improve slowly. NGOs are also cooperating more effectively with local government. For example, larger cities like Split and Rijeka have begun to include NGOs as partners in public policy dialogue. A limited number of NGOs in fields such as women's rights, human rights, disability

rights, and the environment have been effective in influencing public policy. In addition, several NGOs were directly engaged in promoting legal changes in the Law on Associations through direct communication with the Ministry of Justice and the Government Office for NGO Cooperation. However, most NGOs do not lobby or advocate on policy issues effectively, and long-term collaboration and partnership between NGOs and the government is still the exception, rather than the rule. This is partly a result of the fact that few government represen

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tatives or MPs recognize the non-profit sector as a relevant player in policy dialogue.

Over the past year, there were several

advocacy campaigns focused on issues such as violence against women, volunteerism, human rights, rule of law and peace building.

SERVICE PROVISION: 4.0

The most common services provided by NGOs are in the areas of social welfare, health, education/training, legal assistance and empowerment. A significantly smaller number of NGOs provide assistance in economic development or governance. Almost no NGOs actively provide services in the areas of environmental protection, housing, water or energy. Most of services provided by NGOs reflect the needs and priorities of the constituencies and communities in which the NGOs operate.

Services provided in the area of education/training, social services, legal assistance and empowerment are offered to a wide number of citizens, while relatively few NGO products have been successfully marketed to local governments, political parties and other NGOs.

Most government officials still do not recognize the value and services that

NGOs can provide, due to their general lack of awareness and knowledge about civil society. However, thanks to the efforts of the Government Office for NGO Cooperation and some opening at the local level, the practice of contracting to NGOs to provide services has been introduced. The Split Department for Health and Social Welfare is the most advanced in terms of social contracting, with most of these contracts focusing on the provision of social services to women, children, and the elderly. This year the Government Office for NGO Cooperation also initiated a social contracting procedure through their call for proposals.

A few NGOs have started to recover some costs for the services that they provide. Training organizations are amongst the most successful example of this, earning approximately 25% of their costs for providing various services.

INFRASTRUCTURE: 4.0

Intermediate support organizations have developed significantly. Three new regional NGO support centers and three training organizations now actively service other NGOs. Regional NGO support centers provide training, technical and legal assistance, and promote voluntarism and cooperation with local governments. They have also begun to take a more pro-active role in networking by organizing annual regional NGO forums.

Training organizations effectively provide basic NGO management training throughout the country. Many NGO trainers have become competent and respected resources, and are used not only by NGOs but also by local governments and the donor community. However, advanced and more specialized training in NGO management is still lacking in Croatia. Training organizations and regional NGO support centers have developed close partnerships with each other.

2001 NGO Sustainability Index

Training materials in the Croatian language are being developed slowly. New publications on facilitation skills, community development, community philanthropy, and legal issues were published over the past year. Some publications, such as the NGO Handbook published by Odras last year, are also now available electronically.

Croatia still does not have truly indigenous grant-making organizations or community foundations that provide grants to NGOs. Most local grant-making organizations are affiliated with

foreign organizations or foundations such as the Regional Environmental Center and the Open Society Institute Croatia.

Information sharing takes place mostly through networks such as the environmental network *Green Forum*, the Women's Network, the Legal Coalition and the electronic network *ZaMirNET*. The three NGO support centers are also taking on a more pro-active role in encouraging information-sharing on a regional level.

PUBLIC IMAGE: 3.8

The public image of NGOs has improved somewhat. Media coverage of NGO activities is increasing, especially in the print media. There are also some smaller developments with electronic media. For example, state TV programs broadcasts in the morning and afternoon (*Dobro Jutro* and *Svakodnevnica*) have

increased their coverage of NGO activities. NGO activities are not generally portrayed negatively as they were in the past. Many NGOs are putting more efforts into improving their media skills and media relations. Despite these developments, most Croatians do not understand the role of NGOs in society.

CZECH REPUBLIC

CZECH REPUBLIC

Capital: Prague

GDP per capita (PPP): \$12,900 (2000 est.)

Population: 10,264,212 (July 2001 est.)

Foreign Direct Investment: \$4,477,000,000

Inflation: 3.8% (2000 est.)

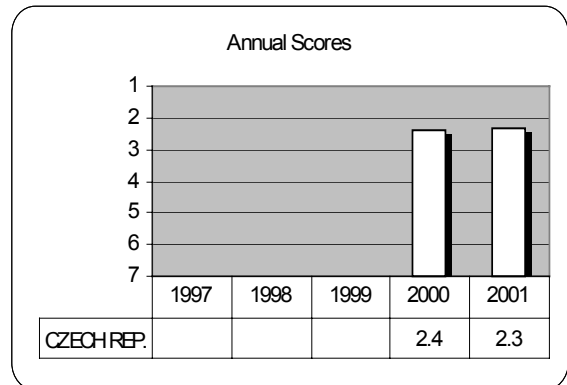
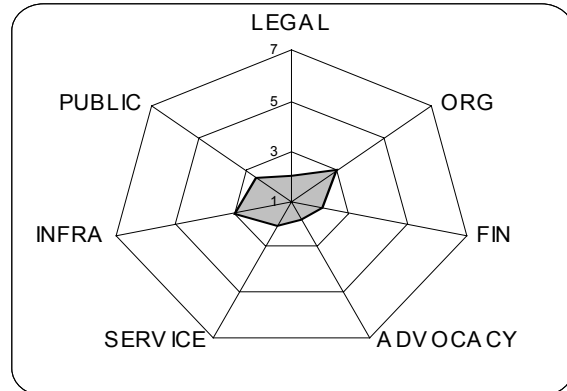
Unemployment: 8.7% (2000 est.)

OVERALL RATING: 2.3

There are over 44,000 NGOs registered in the Czech Republic. The vast majority (96%) of these are civic associations, while the remainder are foundations, public benefit organizations, and church-related organizations. It is estimated that one-third of the civic associations are inactive.

The non-profit sector accounts for approximately 3% of total employment in the Czech Republic. Non-profit organizations operate in all regions. Although most of them are registered in Prague, Brno, České Budějovice and other large cities, many of them benefit a broader geographic area. Approximately a third of non-profit organizations operate at the local level, a third at the regional level and a third at the national or international level.

Cooperation between the government and NGOs needs to be improved. The government does not perceive NGOs as partners; some prominent government officials even refer to NGOs as illegitimate, non-elected organizations without verifiable democratic structures. A network of information centers has been developed, but is unable to satisfy demand. To represent their interests more effectively, some NGOs have established coalitions on a regional or field-of-interest basis.



LEGAL ENVIRONMENT: 2.0

NGOs in the Czech Republic are regulated by several laws, including the 1997 Law on Foundations and Foundation Funds, the 1995 Law on Public Benefit Organizations, and the 1991 Law on Freedom of Religion and the Status of

Churches and Religious Organizations. The more general 1990 Law on Association of Citizens regulates operation of civic associations, which is also outdated. All of the above-mentioned legislation is ambiguously written, thereby

allowing for differing interpretations.

Different types of organizations are subject to different registration procedures. Although the legislation covering NGO registration is generally adequate, practical implementation is cumbersome and time-consuming due to a backlog in the courts, the lack of technical equipment and frequent judicial incompetence.

The legislation also provides different income-generating opportunities for different types of NGOs. As a result, NGOs often choose a legal form based on the privileges they will receive, instead of the best form for their activities. Civic associations have the fewest restrictions, while public benefit organizations' economic activities are more restricted. Foundations are allowed to generate income only through specifically defined activities such as the leasing of assets, organization of lotteries, public collections, and cultural, sport

and educational events.

The Czech Parliament is currently negotiating an amendment to the Law on Foundations, which is expected to result in some positive changes. The proposed amendment expands the ways in which foundations can use their endowments and makes improvements in the format of financial reporting.

Legislation regulating the use of public finances is inadequate and there is no legislation defining the concept of public benefit. The government is presently preparing legislation on volunteerism, is sorely needed.

NGOs can address matters of public debate freely and express criticism but there are subtle attempts by state officials to prevent them from doing so. There is still a dearth of lawyers knowledgeable about non-profit sector legislation, especially outside of Prague.

ORGANIZATIONAL CAPACITY: 3.0

Most NGOs now have defined missions that they try to fulfill through their activities. However, they often fail to sufficiently inform the public and generate support for their activities, focusing instead on fundraising and other operational concerns.

Volunteerism has not yet emerged as a popular concept. In 1999, only 8% of citizens volunteered with a non-profit organization. More than one-third of NGOs admit to having difficulties in recruiting volunteers, while one-fifth experience problems in managing them.

Most NGOs consider themselves too small to use strategic planning in their decision-making processes. However, this subject is covered in NGO training and some foundations require that

NGOs present a strategic plan when submitting grant applications.

About one-third of NGOs lack a Board of Directors and the division of responsibilities between the Board and the staff is often unclear in the remaining two-thirds. In many organizations, Board members consider their position as a mere formality required in order to register an NGO. The situation is gradually improving, however – partially due to training sessions. Most NGOs also employ external consultants in addition to a small number of permanent employees.

Small regional organizations struggle to obtain even basic equipment, while in larger cities NGOs tend to have adequate equipment.

CZECH REPUBLIC

FINANCIAL VIABILITY: 2.0

In 2000, the Czech government provided NGOs with approximately \$81 million of support, which went primarily to sporting activities, social services, health protection, culture, protection of minorities' rights and environment. On average, NGOs receive 39% of their funding from the government, while a quarter of NGOs receive over half their funding from the government. Government funding is only available for one-year periods, which is problematic for longer-term programs. The public financing system is also not fully transparent.

The second phase of distribution of the proceeds from the privatization process collected in the Foundation Investment Fund (NIF) will occur this year. Sixty-four foundations will be chosen on the basis of selection criteria and granted a total of \$22 million. In spite of this positive development, domestic foundations have not yet become a significant funding source for the Czech non-profit

sector.

According to research conducted in 1999, 82% of private companies claimed to have made a financial contribution to an NGO, while 60% made material contributions. Individual philanthropy is still not a common practice. NGOs supplement their income through income-generating activities in a very limited manner, due in part to complicated accounting and tax regulations. The proportion of funding from local resources and income-generating activities is gradually increasing, while membership dues remain a negligible funding source for most NGOs.

The flow of foreign funding into the Czech non-profit sector has decreased to roughly a quarter of its 1997 level, which has caused serious problems for organizations that were established and extensively funded from foreign resources, particularly those working in human rights and the environment.

ADVOCACY: 1.8

Recently, NGOs have begun discussing the need for an umbrella organization to represent the entire non-profit sector and to act as a partner in negotiations with the government and Parliament. There are already several regional and sector based coalitions. Umbrella organizations include: SKOK (health and social care), Green Circle (environment), Spider's Web (environmental education), the Centre for Community Organizing (community development) and the Donors' Forum (foundations). Environmental NGOs are especially unified in their cooperation, which has enabled them to successfully advocate for

some changes in regional development plans and other projects.

There are formal mechanisms allowing NGOs to participate in decision-making processes but they are seldom utilized effectively. NGOs are not unified in their opinions and often contradict each other. Lobbying in Parliament is usually done by individual NGOs rather than by coalitions. Members of Parliament have recently become more interested in the non-profit sector and a number of seminars on the subject have been organized in the Senate as a result.

Since 1992, the Council for NGOs (RNNO), made up of NGO and government representatives, has been working on the national government level. Its intention is to comment on new legislation and political measures concerning NGOs, help distribute finances from the NIF and provide information on the non-profit sector. Unfortunately, the RNNO does not fulfill its mission adequately and its success and effectiveness depend on the members of the Council at

any given time.

Advocacy campaigns, petitions, demonstrations, and blockades occur from time to time with some success, although they do not always mobilize broad public support. Insufficient financial means limits the capacity of NGOs to coordinate activities, raise public support or build coalitions, thereby limiting the success of such actions.

SERVICE PROVISION: 2.0

NGOs provide services in almost all areas to the general public. For example, some NGOs work to improve conditions for the handicapped and ethnic minorities, while other NGOs provide housing to socially disadvantaged groups of citizens. Social services are improving and new forms of services are being introduced, especially for marginal groups, homeless people, drug addicts, home care, etc. The government still mostly provides health care and educational services but, the number of non-governmental healthcare providers is increasing. The participation of Czech NGOs in humanitarian aid in the Czech Republic as well as abroad is significant and acknowledged by the public.

Although state representatives often show their disdain for NGOs, they use them as providers of services that cannot be funded from the state budget. In this way the government saves money because state subsidies can only cover a maximum of 70% of project costs.

Publications about the non-profit sector are not systematic or updated. Up-to-date data about the number of NGOs, their fields of interest, effectiveness, financial structure, etc. are not available on an annual basis. Information about NGO services can be obtained either in NGO offices or in information centers.

INFRASTRUCTURE: 3.0

A network of NGO information centers exists in Prague and other large cities. These centers provide information to NGOs, organize training programs and offer legal and financial consultations. However, the network is insufficient in both quantity of centers and the scope of services provided. Training for NGOs does not cover all fields and there is a lack of qualified trainers in areas such as NGO management, fundraising, strategic planning, income-generating

activities and board development. Some NGOs help their regional colleagues to develop cross-sectoral partnerships with local governments and businesses. Unfortunately, businesses are seldom interested in these efforts. Several umbrella NGO coalitions have been formed and operate on a regional and/or field-of-interest basis. Domestic grantmaking foundations support both nation-wide and local projects but their potential is still quite limited.

CZECH REPUBLIC

PUBLIC IMAGE: 2.5

The NGO sector's cooperation with the media is gradually improving, although the media still pays insufficient attention to NGOs. Negative stories typically receive more coverage than positive ones. To improve this situation, the Prague Information Center and the regional centers have been organizing annual public awareness campaigns called "30 Days for the Non-profit Sector" since 1998. Despite this effort, many people do not yet fully understand the role of NGOs in civil society or recognize the names of individual NGOs and their projects. Foundations that hold public collections, and therefore regularly appear in the media, are generally better known.

Public perception of the NGO sector is ambivalent. On one hand, more than half (51%) believe that NGOs represent people's actual interests, but at the

same time, approximately the same number of people (57%) suspect NGOs of organizing public collections that are fraudulent.

The government does not publicly support the NGO sector. Some important representatives of the largest political parties even accuse NGOs of trying to replace public bodies. Nevertheless, 75% of the people trust NGOs more than political parties.

NGO transparency is gradually improving. Foundations have adopted a code of ethics and all recognized NGOs publish annual reports. Government bodies as well as foundations require the presentation of annual reports, including a financial statement, when funding projects.

ESTONIA

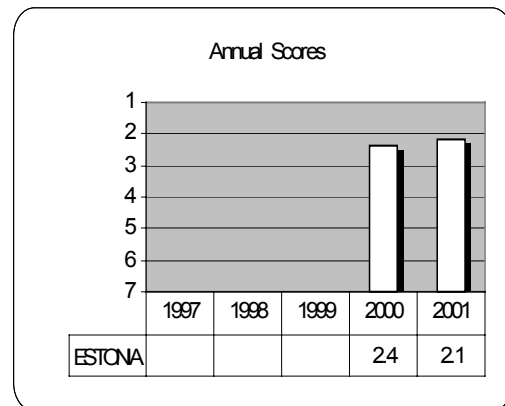
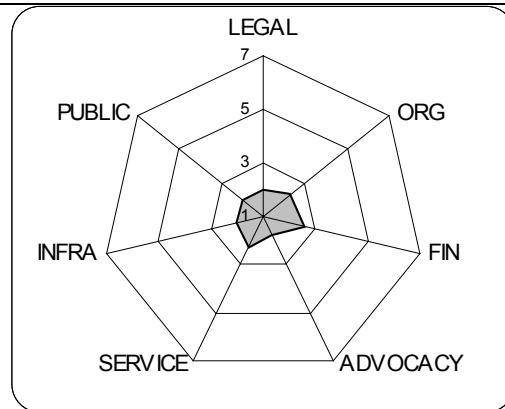
Capital: Tallinn	Foreign Direct Investment: \$241,000,000
GDP per capita (PPP): \$10,000 (2000 est.)	Inflation: 4.1% (1999 est.)
Population: 1,423,316 (July 2001 est.)	Unemployment: 11.7% (1999 est.)

OVERALL RATING: 2.1

The Estonian NGO sector currently consists of over 14,000 registered non-profit organizations active in fields including social welfare, health care, education, culture, human rights, and environmental protection. NGOs benefit from a fairly well developed legal environment that affords them easy registration, protection from government interference and limited tax benefits.

A wide gap continues to exist between the organizational capacity of NGOs in the major cities and those in rural areas. The NGO sector receives significant support from local sources, including funding from local governments and businesses, membership dues, and in-kind and volunteer support from local communities. Advocacy skills have been developed throughout the sector. In particular, NGOs in the fields of AIDS, the environment, child protection and integration of ethnic minorities have formed coalitions to effect policy change at the national and local levels. Many NGOs work to fill the gaps left by the government in the provision of services in the fields of social welfare, health, and education.

A network of nine NGO information and support centers provide consulting, training and support services to NGOs. The general public still does not have a solid understanding of the role NGOs play in society, due in part to NGOs' limited capacity to communicate with the media.



LEGAL ENVIRONMENT: 2.0

NGO registration in Estonia is relatively uncomplicated, but could be simplified for Russian NGOs by providing more information in the Russian language. Unregistered associations are allowed, and are

regulated by the Law on Contracts and Extra-Contract Obligations. Some NGOs, especially nationwide organizations, find it difficult to register new Boards due to the requirement that all members be pre

ESTONIA

sent at the notary at the same time.

There are two laws regulating registered organizations – the Law on Nonprofit Associations and the Law on Foundations – both of which set clear guidelines for operation. The laws preclude state control over NGOs, including government dissolution of an NGO for political or other arbitrary reasons. NGOs can operate freely under the law, are free from harassment by the central and local governments, can address matters of public debate, and express criticism. However, since Estonian legislation is in a state of constant change, NGOs are often faced with officials who themselves are not competent in interpreting the law.

There are a few lawyers in Estonia who are trained in and familiar with nonprofit law. Legal advice is available to NGOs in the capital city and, to a lesser extent, in secondary cities and in counties. NENO's

network of regional NGO support centers provides basic legal assistance for free.

The law does not encourage charitable giving – individual and corporate donors receive very limited tax deductions. Individual donors can give up to 100,000 kroons (approximately \$5,900) tax-free to certain NGOs registered with the Ministry of Finance

NGOs do not have to pay taxes on grants, but do pay all other taxes, including VAT and social taxes on employees.

The legislation allows NGOs to earn income from the provision of goods and services. The only difference between NGOs and businesses in this regard is that NGOs may not redistribute income in the form of profits. NGOs are also allowed to compete for government contracts and procurements at the local and central levels.

ORGANIZATIONAL CAPACITY: 2.3

Most NGOs do not consider constituency building important and therefore do not dedicate time or resources to such efforts.

In comparison to last year, NGOs are much more aware of the necessity of incorporating strategic planning techniques into their decision-making processes. Most NGOs have a clearly defined mission and goals. A few nationwide NGOs have long-term strategic plans and practice professional marketing and organizational development. However, most NGOs lack the skills necessary to be truly strategic and sustainable in their management and administration.

Most NGOs have a clearly defined management structure and a recognized division of responsibilities between the board and staff members. Leading NGOs have permanent and paid staff and most NGOs utilize the services of volunteers.

The distinction between the technical capacity of NGOs in the major cities and those outside of these cities is immense. Urban NGOs have access to computers and the Internet on a regular basis. Outside of the major cities, however, access to modernized office equipment is much more limited. Only 10% of NGOs have their own e-mail address and staff at some NGOs lack even basic computer skills.

FINANCIAL VIABILITY: 2.6

NGOs in Estonia raise a significant percentage of their funding from local sources. Most of them also draw upon a core of volunteer and in-kind support from their communities. Membership dues are an important part of income for some NGOs. Estonian NGOs also receive funding from local governments and local businesses provide both financial and non-monetary support. Despite the availability of all of these types of support, individual NGOs generally have few sources of funding, which prevent them from remaining viable beyond the short-term future.

Few NGOs have cultivated a loyal core of financial supporters. However, a few national organizations such as the Estonian Fund for Nature, AIDS Prevention Center, and the Estonian Union for Child Welfare, are practicing fund develop-

ment and have conducted successful outreach and constituency development programs.

More professional NGOs earn income from the delivery of products and services. Increasingly, central and local governments contract with NGOs for services. However, cooperation with businesses in this respect is not widespread.

Since there are few individual donors or private foundations in Estonia, philanthropy only exists at a very basic level. Most businesses do not see the advantages of philanthropy, as they receive few tax benefits and because they do not trust the professionalism and accountability of NGOs. Most NGOs do not have transparent and clear financial management systems.

ADVOCACY: 1.8

Communication between NGOs and policy makers is infrequent and not systematic. Although there are several ministries that have been willing to involve NGOs, they lack the skills and experience to effectively do so. NGOs are occasionally invited to participate on various government committees, but are not always able to influence public policy at the central or local levels. NGOs with resources who threaten to go public are generally taken more seriously.

As a result of training and capacity building, NGOs have become stronger and more skilled in advocacy. With international support, the Estonian Law Center comments on draft laws. The Estonian Government has launched an Internet program called *Today I Decide* which allows citizens and groups to propose new laws and initiatives. This initiative, however, requires more work.

In the field of AIDS, the environment, child protection and integration of ethnic minorities, NGOs have formed issue-based coalitions and conducted advocacy campaigns, some of which have resulted in effective policy changes at the national and local levels. For example, NGOs working with disabled people have been actively working on the Estonian Concept for Disability, which sets standard rules for creating equal opportunities for people with disabilities.

In April of 2001, NGOs submitted a Concept for the Development of Civil Society (EKAK) to the Parliament. The EKAK is a document developed by more than 2,000 members of the NGO sector over a 13-month period. The document establishes the roles of the public and the third sectors, principles for coopera-

ESTONIA

tion and regulatory mechanisms for the future planning of public policy and development of civil society. One of EKAK's anticipated outcomes is the development of mechanisms for NGOs to participate in the political process. During 2001, NGOs also successfully lobbied against changes in the Gambling Tax Law, while increasing public support and awareness of this issue.

A core group of NGOs has increased awareness among the wider NGO community on the role of the legal and regulatory framework in enhancing NGO effectiveness and sustainability. The same group is also promoting legal reforms to benefit philanthropy and charitable giving.

SERVICE PROVISION: 2.3

NGOs provide basic services in the fields of social welfare, health, and education. Most of these services reflect the needs and priorities of their communities, and indicate the inadequacy of government services. NGOs provide services to their members as well as to other client segments. There are very few NGOs delivering services in the areas of economic development, environmental protection, or governance and empowerment.

Although NGOs recover some costs from the provision of services, it is mostly on a break-even or below-cost basis as NGO customers are generally unable to pay for their services and products. NGOs have limited knowledge

and understanding of market demand and analysis.

Cooperation with national and local level government with respect to service provision has developed considerably over the last year. The number of contracts to NGOs to provide such services has increased, although the amount of direct grants is diminishing. This is motivated by two factors: first, the EU encourages such cooperation, and second, NGOs can often provide such services cheaper, thereby allowing budget cuts. Despite improved cooperation in this area, the government still does not fully recognize the advantages NGOs bring to the table.

INFRASTRUCTURE: 2.0

Since 2000, there has been an active network of NGO information and support centers across the country. Through an open competition, the Network of Estonian Nonprofit Organizations (NENO), with the support of the Baltic-American Partnership Program (BAPP), selected nine organizations to provide consulting, training and support services to NGOs. The program has been truly successful and the centers have become well-known and earned the trust of local NGOs. The centers also promote citizen

initiatives and volunteer activities, channel draft laws, and gather information on the development of the local third sector. NENO coordinates the network, trains the coordinators, and disseminates information among the centers.

Unfortunately, the network requires more people, technology and financial resources to fully meet the needs of local NGOs. Besides international support, the centers earn some of their operating revenue by charging fees for

services and from other locally-generated sources. However, the government has not provided any support to the network.

Through the regional NGO resource centers, NGO training has become available outside of the capital city. While a few organizations provide basic NGO training, advanced training is currently unavailable and the pool of professional local NGO management trainers is insufficient. In particular, more advanced training is needed in areas such as strategic management, accounting, financial management, fundraising, volunteer management, and board development. Although some training materials are available in local languages, there is a need for much more.

In 2000, Tallinn Pedagogical University introduced a major in nonprofit man-

agement, which has proven to be quite popular. Some other universities have also introduced courses related to nonprofits into their curricula.

There are a few examples of NGOs working in partnership, either formally or informally, with local businesses, government, and the media to achieve common objectives in the fields of HIV/AIDS, integration of ethnic minorities and the environment. While NGOs are beginning to cooperate with national-level entities, such as the Ministry of Foreign Affairs, there are more successful examples at the local level.

Unfortunately, although there is awareness among the various sectors of the possibilities for and advantages of such partnerships, there is still a great deal of mistrust between the sectors and a lack of experience in cooperating.

PUBLIC IMAGE: 2.0

The general public has a very vague understanding of the role NGOs play in the society. Those who do understand have a more positive perception of the sector and are more likely to support NGO activities.

NGOs enjoy positive, but insufficient, media coverage. With international support, there are TV broadcasts on NGOs in both Estonian and Russian. In addition, *Foorum*, an 8-page insert dedicated to NGOs and citizen activities, is published in the nationwide newspaper *Postimees* on a monthly basis. With the exception of *Foorum*, coverage of NGO activities contains little analysis, either positive or negative.

Media coverage at the local and national level varies greatly. Unlike national media, local press shows great interest in NGO activities.

Attempts to distinguish between public service announcements and corporate advertising exist and certain newspapers and other marketing channels provide NGOs with the opportunity to advertise their events, activities and messages either free-of-charge or at a lower price than corporate advertising.

Successful relationships with the government and business sectors are generally the result of personal contacts. In general, the business sector and local and central government officials are ignorant of NGOs and therefore do not consider NGOs a source of expertise or credible information. The attitude of the business sector toward NGOs is occasionally even hostile.

Although most NGOs have limited capacity to communicate with the media, the number of NGOs who are capable and professional in public relations and

ESTONIA

in promoting their public image is growing. A few NGOs have developed relationships with journalists to encourage coverage.

Most NGOs do not have a code of ethics but the sector has set the develop-

ment of a NGO Code of Good Practice as a priority for the coming year. Leading NGOs demonstrate transparency in their operations and communications and most also publish annual reports. More and more NGOs publish these reports on the Internet.

GEORGIA

Capital: Tbilisi

GDP per capita (PPP): \$4,600 (2000 est.)

Population: 4,989,285 (July 2001 est.)

Foreign Direct Investment: \$101,000,000

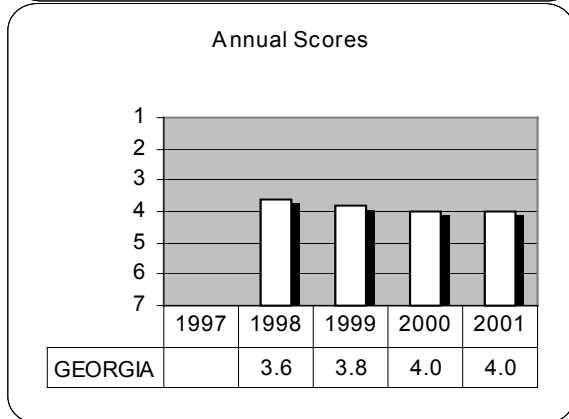
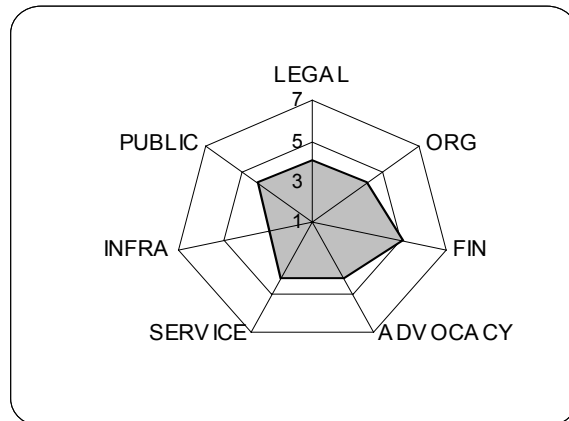
Inflation: 4.1% (2000 est.)

Unemployment: 14.9% (1999 est.)

OVERALL RATING: 4.0

A diverse NGO sector has developed in Georgia over the past decade. It is difficult to determine the number of Georgian NGOs as there is no comprehensive registry, but recent estimates suggest that there are more than 3,000 NGOs registered in Georgia. Only 500 to 800 are considered to be active organizations, with perhaps no more than 100 of them operating full-time. As few as 20 to 50 NGOs have the capacity to interact with government at the national level in policy formulation and decision-making.

The NGO Sustainability Index reflects these uneven levels of development. Of note are the recent advocacy successes of Georgia's most mature and professional NGOs, though probably no more than 10 organizations are capable of this type of successful lobbying activity at the national level. The remainder of the sector, particularly the relatively nascent NGOs in Georgia's regions, are substantially weaker and do not have the capacity to interact effectively with Government on their constituent's behalf. Similar asymmetry is noted in other dimensions, including organizational capacity and financial viability.



LEGAL ENVIRONMENT: 4.0

Although Georgia's legal environment generally has improved during past year, several problems continue to impede the NGO sector: weak and incomplete legislation, poor implementation of the law, bureaucratic obstacles, and corruption.

The legislative base for NGOs remains weak. Three key laws govern the sector: the Civil Code, the Law on Grants, and the Tax Code. Despite years of NGO lobbying effort, there is still no law on charity, and NGOs remain subject to the

GEORGIA

same taxation rate as private companies.

Problems also remain in the implementation of existing law. For example, according to the tax code, NGOs can be reimbursed for VAT charges (20%) paid for services and work performed. However, few NGOs have actually been able to collect this reimbursement; the few that have been successful received their refund only after submitting their claims to court.

Bureaucratic obstacles to registration

are still formidable and costly. Registration fees can cost up to GEL 200 (approximately \$100), prohibitively expensive for many nascent groups.

Corruption continues to impede progress. For example, although the law exempts NGOs from paying duties on products purchased abroad with grant funds, in practice NGOs are often required to pay additional unforeseen costs, which can exceed customs duties, such as the cost of cargo storage at customs.

ORGANIZATIONAL CAPACITY: 4.0

NGO organizational capacity varies greatly between the handful of well-developed NGOs in Tbilisi and the numerous nascent organizations in the regions. The few well-developed NGOs in Tbilisi enjoy both multiple funding sources and prestige. They are well equipped with adequate office space, generators, computers, permanent staff, and a clearly defined management structure including Boards of Directors. Conversely, smaller and newer NGOs in the regions struggle to obtain these ne-

cessities – especially Internet access.

Outreach to constituents is a new concept for Georgian NGOs. While many NGOs acknowledge that a strong constituent base is needed for their viability and sustainability, few have the knowledge or means to actively engage in outreach activities. Many Georgian NGOs deliver services to local citizens. However, few of these seek to expand their base by reaching out to other potential constituents.

FINANCIAL VIABILITY: 5.0

Georgia's NGO sector is highly dependent on foreign donor support. Approximately 95% of funding for the sector comes from international sources. The general level of poverty in Georgia, particularly in the regions, prevents NGOs from seeking a paying membership base, and legislation does not provide tax benefits or exemptions to those who make philanthropic donations. As a result, there is virtually no local philanthropy or fundraising. One recent example of the difficulties faced in trying to raise funds locally occurred in the Kak-

heti region, where an NGO suffered \$380 in damage during a thunderstorm. After sending more than 100 letters to various businesses and governmental agencies seeking financial support, the NGO only managed to raise \$22.50.

Despite their poverty, Georgian citizens have demonstrated that they will pay for services that they deem essential. For example, in Gori, an NGO that delivers basic medical services to the surrounding villages remains viable because each family pays 80 tetri (40 cents) a

month to the NGO to maintain these services.

Businesses occasionally support NGOs, but generally only for one-time activities. Such donations are usually not widely publicized since businesspeople do not want to draw the attention of tax authorities. Absence of legislation to make charitable contributions tax deductible hinders the development of philanthropy.

Federal and local government financing is also rare. Georgian law prohibits the government from awarding grants to NGOs with its own resources. In a few cases, financing was provided from grants received by the Georgian Government from international organizations such as UNESCO.

ADVOCACY: 4.0

During the past year, there were three notable examples of NGOs working with the government to enact productive reforms. First, a coalition of leading NGOs joined with the Orthodox Church to provide oversight and assistance to the Ministry of Justice on issues including penal reform. Second, a coalition of NGOs worked with Parliament to collaboratively craft Georgia's first Unified Election Code. Finally, a group of NGOs joined members of the Chancellery, Parliament, and local council members to draft a new Law on Local Self-Governance. Other government ministries that actively cooperate with NGOs include the Ministry of Environment and

SERVICE PROVISION: 4.0

There are several areas in which the services of well-developed NGOs effectively compete with those provided by the government or private businesses.

The level of financial sophistication varies greatly among Georgian NGOs. The few well-known NGOs that have been in existence for years have excellent financial management systems in place, diversify their services, have regular staff, and successfully raise funds. However, the vast majority of Georgian NGOs fail to meet these basic financial criteria.

Most NGOs have weak financial management systems. Financial reports are prepared only to meet donor requirements and financial audits are rare. One of the few times such audits are performed is to ensure the sufficiency of the initial capital required in registering a foundation.

Natural Resources and the Ministry of Education. Such efforts demonstrate that NGOs, particularly seasoned experts in Tbilisi, are increasingly willing and able to work with one another to successfully lobby for progressive reforms.

However, few cases of such collaborative efforts exist in the regions, and newly formed NGOs are generally unwilling to work together. While there are a few isolated examples of NGO advocacy at the local level, the vast majority of these new NGOs are not yet ready or able to forge coalitions and lobby government for change.

For example, several strong NGOs employ professionals who provide a wide variety of services, including environmental, legal, economic, management,

GEORGIA

medical, cultural, educational, forensic expertise, psycho-social rehabilitation, support of the unemployed, gender, conflict resolution, and local community mobilization. Well-developed service NGOs are able to respond to the rapidly changing needs of society in a more timely and flexible manner than the government.

Besides their constituencies, Georgian NGOs have started to serve the business and governmental sectors. For example, in the city of Ozurgeti in Western Georgia, NGOs provide legal services to the local government and maintain certain databases. In the past year, through its NGO-government partnership program, the Horizonti Foundation provided financing to eight NGOs to provide various services to the Govern-

ment. NGOs also provide critical and timely services to the international donor community. For example, this year NGOs were involved in evaluating the World Bank-funded Poverty Reduction Program and submitted alternative expert conclusions.

However, relatively few NGOs provide these services, and most of these are located in Tbilisi and other large cities. Frequently, NGOs lack the financial resources and technical equipment to expand the scale of their activities or their clientele. Furthermore, the licensing system, gaps in existing legislation, and bureaucratic labyrinths sometimes create artificial obstacles for the NGOs in providing services to their clients.

INFRASTRUCTURE: 3.0

During the past year, NGO resource centers and intermediary support organizations (ISOs) have sprung up throughout the country, and are beginning to form the basis of participation in broader civic education efforts. NGOs now have access to several qualified trainers who can provide the basic information and skills needed for institutional development. Demand for their services from new NGOs is quite high. Exchange of information and coalition building occurs primarily among organizations with similar specialties, such as those concerned with the issues of internally displaced persons (IDPs), human rights protection, and environmental NGOs.

The Horizonti Foundation works to strengthen partnerships among NGOs,

local business and government to achieve common objectives. NGOs working on legal and economic issues actively cooperate with businesses, as well as with legislative and executive bodies. Environmental NGOs have worked with the Ministry of Environment and Natural Resources Protection to jointly lobby Parliament for improved legislation and policy. In a similar vein, several NGOs working on issues of anti-corruption, journalistic investigations and human rights protection actively cooperate with representatives of the press, TV and radio. Despite the general lack of public and media relations skills in most NGOs, there are several examples of NGO-media cooperation, particularly with regard to the Freedom of Information section of the Administrative Code.

PUBLIC IMAGE: 4.0

Georgia's few mature NGOs have learned innovative means of partnering with the media to "get the word out" about the Third Sector. These groups effectively communicate their message to the public through a wide variety of means, including seminars, creative use of awards, publications, and public service announcements.

Nonetheless, the general population in Georgia still lacks a clear understanding of the nature and purpose of NGOs, as the vast majority of NGOs fail to provide meaningful outreach to constituents or to work effectively with the media to publicize events, activities, or successes. Most Georgian NGOs lack the experience and knowledge of how to work effectively with the media or with

their local communities. In addition, the media is usually ready to publicize any misstep by the NGO community, including accusations (justified or not) of the mishandling of funds or of other types of corruption.

Public opinion studies undertaken in the regions confirm that the majority of the population knows little about NGOs. Despite the proliferation in the number and geographical coverage of NGOs, most of the public, including government representatives and business people, neither understands the significant potential of the third sector, nor the importance of creating a vibrant civil society in Georgia.

HUNGARY

HUNGARY

Capital: Budapest

GDP per capita (PPP): \$11,200 (2000 est.)

Population: 10,106,017 (July 2001 est.)

Foreign Direct Investment: \$1,650,000,000

Inflation: 10%

Unemployment: 9.4% (2000 est.)

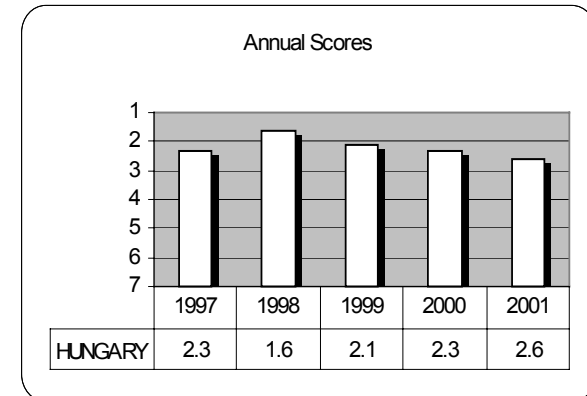
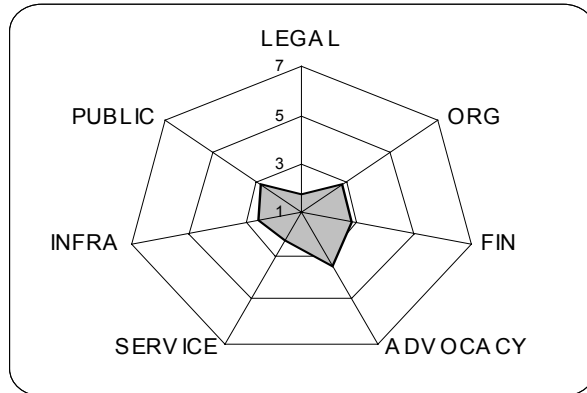
OVERALL DESCRIPTION: 2.6

According to the records of the Central Statistical Office, there were 62,000 registered nonprofit organizations (NGOs) in Hungary in 1999. Of these, between 20-30,000 NGOs can be considered to be active.

A major concern of is that the NGO sector is becoming increasingly politicized. The political elite, including Hungary's governing and opposition parties, is increasingly trying to gain support and legitimacy from the "civil sector", potentially creating a problem of dependency and party bias. Many NGOs have shown their willingness to affiliate themselves with these initiatives, which has resulted in an increase in the influence of the state and political parties on the development of the sector. However, at the same time, the advocacy activities of NGOs are not yet strong enough to have substantial impact on local and national decision-making processes.

The development of local resources, including indigenous grant-making and private individual and corporate giving, is a major long-term challenge for the sector. NGOs must learn to mobilize local resources through the development of professional fundraising and public relations. Meeting this challenge will require that NGOs increase cooperation both within the sector, and across sectors with government and business.

Other challenges that remain for the sector include the development of more effective governance practices and enhanced financial management skills that ensure transparency and accountability.



LEGAL ENVIRONMENT: 1.7

The legal environment in which nonprofit organizations operate in Hungary is generally positive. There are, however, growing concerns about a number of existing regulations that were considered progressive eight, six, or even three years ago, but have become obsolete or difficult to comply with as the sector has matured.

According to an assessment by the Environmental Management Law Association (EMLA), the non-profit law currently in place is sufficient to maintain the status quo, but does not accommodate the further growth and development of the sector. Rather than focusing on substantive issues such as the powers or competencies of organizations, the current law overemphasizes procedures. These highly formalized and bureaucratic processes place an undue burden on less sophisticated, usually local level groups.

Some of the basic regulations remaining in the current legal framework are hindering the transparency and effectiveness of Hungarian NGOs. These are primarily laws that date back ten years, and are related to the founding, representation and termination of foundations and associations. The existing body of tax regulations that govern private giving are also far from encouraging.

In general, the courts have become much stricter in their application of law, as it applies to the granting of registrations to non-profit organizations. At the same time, however, there does not appear to be a set of common guiding principles behind these court decisions.

Clarifying and improving basic regulations, the equality of treatment for non-profit organizations, and improvements in education and training for courts applying NGO law, would be beneficial next steps in making the legal framework truly enabling.

ORGANIZATIONAL CAPACITY: 2.8

In disadvantaged regions NGO skills in strategic planning, management, human resource development, and communications are largely lacking. Many organizations are prone to becoming entirely funding driven.

A small number of well-established organizations have substantial resources and a steady flow of income from either state or EU support. Many of these organizations adopt the strategies of their major funding organization, and are able to apply businesslike management methods in implementing their activities. Regional development agencies and

national youth support networks are typical examples.

Finally, there is a small, but increasing number of capable, professional and accountable NGOs that are starting to develop a diversified and sustainable resource base, and share their "best practice" examples in financial planning and program quality assurance.

The greatest challenge remaining for the sector is the lack of effective governance. Boards of Directors and governing bodies are in the very initial stages of development. There is an almost abso

HUNGARY

lute lack of knowledge and capacity in advanced financial management. Substantial improvement in the accountability, transparency and professional fundraising capacity of Hungarian NGOs will be required to gain the trust of private donors and decrease dependency on state and foreign sources.

Additional challenges are presented by the limited long-term career opportunities available in the nonprofit sector. Often, NGOs are resistant to the idea of employing an “outsider” as a professional manager. Nevertheless, a private college in Budapest launched the first year of a new college-level nonprofit management program during 2001.

FINANCIAL VIABILITY: 2.8

Hungary has been enjoying dynamic and steady economic growth, and is among the first in line for EU accession. Conditions should therefore be favorable for the growth of private financial support and the development of indigenous philanthropy. The sector itself is, however, far from realizing its potential. Although there are a number of outstanding examples of private contributions from individuals and corporations, these remain isolated success-stories. It is essential for the long-term sustainability of the nonprofit sector that it develop a widespread culture of regular giving.

Funding levels vary greatly within the sector. Organizations with larger budgets tend to be dependent upon a limited number of major state sources of financial support. Available resources continue to be controlled primarily by NGOs located in the capital city. Although they comprise only one-third of the NGOs in Hungary, Budapest-based NGOs receive almost two-thirds of the sector's

contributed financial support. Financial viability is therefore intrinsically related to regional economics.

Over the past decade, close to 60% of all the sector's income has been self-generated revenue. Although this is an encouraging sign, there is some disagreement over the validity of this figure, because it includes a high proportion of income from state subsidized services, which many consider to be state support. At the same time, the gradual growth in giving under the One Percent Program continues, with 1.3 million people giving \$15.3 million (U.S.) to 18,500 nonprofit organizations during the past year. This program allows citizens to donate 1% of their income taxes paid to a registered NGO.

An informal group of Hungarian support organizations has begun to discuss possible national strategies for ensuring the long-term sustainability of the sector.

ADVOCACY: 3.5

In many areas, NGOs are proving to be effective at making their positions known to decision-makers and in working for change. NGOs advocating for the rights of the disabled are an outstanding example of successful advocacy capacity.

These efforts can be very effective, particularly at the local level. In general, NGOs advocacy efforts are directed primarily toward the government, rather

than the education, development and mobilization of their constituencies.

Relatively powerful federations exist in some sub-sectors (e.g. youth and pensioners), but they are largely based on

the centralized model of the old socialist interest-representation structures (top-down rather than bottom-up) and are therefore often obsolete and largely ineffective in identifying and representing their constituents' needs and interests.

SERVICE PROVISION: 2.3

The legal environment for NGOs in Hungary supports a wide range of opportunities for the provision of nonprofit services. The 1997 "Nonprofit Law" specifies "public benefit" status for those organizations undertaking contractual services, and both local and central governments provide per capita financial support for most social sector services.

Local governments, however, are still wary of giving funding to NGOs to supply those social services that municipalities are legally mandated to provide. This is not likely to change in the near future. A complicating factor is that contracts signed by municipal governments and NGOs are often abrogated following

a change in party control in later elections.

Approximately 25% of NGOs provide some sort of services, even if they struggle with the constraints of limited resources and low levels professional management capacity. A number of unique, alternative and tailored services are provided by NGOs (e.g. therapeutic horse riding for disabled children and home care for the elderly). In addition, NGOs have launched assessments of the quality of the services they provide and of the ethical standards and user involvement in the design and implementation of services.

INFRASTRUCTURE: 2.5

The Hungarian nonprofit sector has reached a point of maturity where a pool of professionals and institutions exists that are capable of providing consultative services to the sector. This expertise is generally available both regionally and nationally, though the quality of service can vary across regions. It is rare, however, that smaller NGOs are able to afford to pay for these services.

The GOH (Government of Hungary) funds a nationwide network of "Civic Houses" in larger towns that provide

services to local NGOs. This initiative has produced ambiguous results. The quality of services often depends upon the individual people involved. Both the network of Civic Houses and a nationwide network of "Telecottages" have a high level of physical/technical infrastructure. Unfortunately, they are often underutilized. To some degree, the existing level of infrastructure is supply driven and is not likely to be sustainable without continued foreign donor or government funding.

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PUBLIC IMAGE: 2.8

The impact of Hungary's "One Percent" legislation and the 1997 NGO Law are beginning to be felt. NGOs have begun to undertake concentrated efforts to inform the public and local communities about their activities. The "One Percent" law has proven to be popular with the public at large, despite a major scandal revealed last year about the misuse of funds.

However, the majority of citizens remain relatively ignorant about NGOs and their role in a civil and democratic society, and the sector lacks a common and unifying identity that can serve as a foundation for increased public awareness. Organizations raising funds from individuals, such as the United Way/Hungary, have even experienced growing distrust among potential donors towards foundations and associations.

KAZAKHSTAN

Capital: Astana

GDP per capita (PPP): \$5,000 (2000 est.)

Population: 16,731,303 (July 2001 est.)

Foreign Direct Investment: \$1,150,000,000

Inflation: 13.4% (2000 est.)

Unemployment: 13.7% (1998 est.)

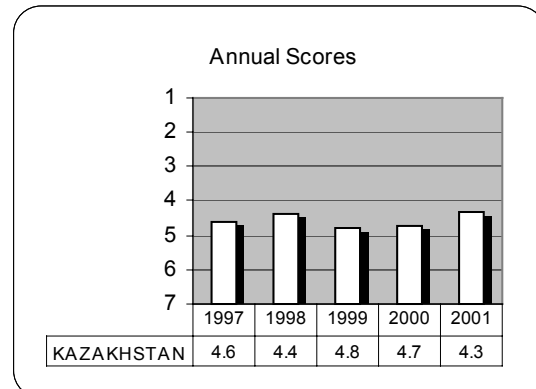
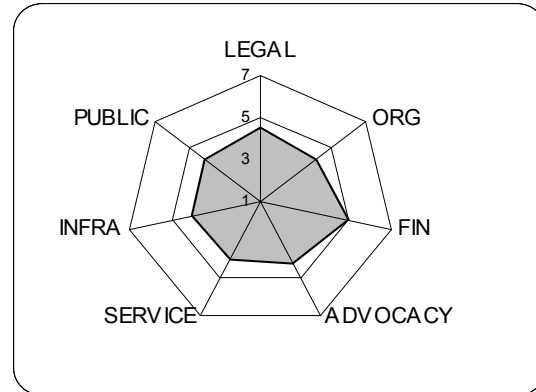
OVERALL RATING: 4.3

The number of officially registered NGOs remains relatively stable, at approximately 6,000 organizations. The vast majority, however, are dormant, quasi-governmental, or otherwise non-existent. Nevertheless, there are approximately 1,000 active NGOs, up from an estimated 800 last year.

During the post-Soviet period NGOs have traditionally been small organizations with narrow membership bases and a relatively elite outlook. In recent years, a few organizations have begun to emerge with a broader membership base and with an increasing focus on establishing links with their communities. Nevertheless, the perception remains that NGOs are elite donor-driven entities, motivated more by outside agendas than by the internal needs of Kazakhstan's citizens. Much work in the sector remains to be done.

The NGO community is diverse, and relatively strong in certain sub-sectors. NGOs focused on environmental issues, for example, are among Kazakhstan's most mature civic organizations, with many having been active since the middle 1980s. NGOs focused on social-service provision are also prominent in Kazakhstan, as a result of the continuing failure of the state to provide adequate health care, education, legal rights and other social services to large segments of the population.

The non-governmental sector has also proven to be a catalyst for women's activism. Women in general continue to suffer from the paradox of being, on average, more highly educated than men, yet women comprise the bulk of the unemployed. Women lead approximately 75% of all Kazakhstani NGOs. This is in contrast to the dramatic underrepresentation of women in political structures, where, for example, approximately only 10% of parliamentarians are women.



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LEGAL ENVIRONMENT: 4.5

Two legislative acts have helped to reshape the legal environment for NGOs over the past year. The first is the Law on Non-Commercial Organizations, passed in January 2001. However, NGO leaders in Kazakhstan perceive this NGO law to be a mixed blessing. While the law was drafted jointly by parliamentarians and NGO leaders in a relatively inclusive and transparent process – a clear departure from previous practices, it has several negative aspects. Among its problems are the banning of foreign or stateless persons (such as refugees) from founding NGOs, and restricting an NGO's activities to those that are specified in its charter. These provisions represent concrete restrictions on NGO activity that did not previously exist.

The second key legislative act was the adoption of a new tax code. The government's original draft tax code had called for broad rollbacks in NGOs' tax exemptions and required international grants to be funneled through the government's Ministry of Press and Social Harmony for tax privileges. With the active participation of international NGOs such as the International Center for Not-for-Profit Law (ICNL) and the Foundation for Tax Standards, many of the most damaging provisions were revised or eliminated from the final adopted version of the tax code. For example, under the new tax code, NGOs will be free from paying taxes on interest earnings

and other forms of "passive" income. Kazakhstan is the first country in Central Asia to adopt this progressive measure. Further, under the new law, NGOs will pay one-tenth the normal rate applied to commercial organizations for land and property taxes, and broad tax exemptions are provided for social service NGOs that, in theory, should allow these organizations to expand their potential to earn revenue.

Despite the passage of these two important acts, the implementation of existing legislation continues to be a problem in Kazakhstan. Government officials often exploit discrepancies in NGO-related legislation to the detriment of NGOs for either rent-seeking or political purposes.

Registration remains a problem. While NGOs face few formal legal difficulties in registering with the government, the process remains complicated, lengthy, and prohibitively expensive for many community and civic groups.

The harassment of NGOs engaged in advocacy or perceived as "opponentist" in character has accelerated in the past year. State security services have used judicial, financial and extralegal means to intimidate, suppress, or bankrupt such organizations, particularly NGOs involved in election monitoring, legal rights education, anti-corruption drives, etc.

ORGANIZATIONAL CAPACITY: 4.2

Many Kazakhstani organizations remain top-heavy, with strong leaders dominating NGO activities at the expense of broader constituency building and membership development. Some NGOs have begun to build closer ties with local

communities, but constituency-building efforts remain rare. There is a rough correlation between training levels (especially in organizational development and community outreach) and an NGOs' willingness and ability to engage in con

stituency building activities.

Much of the improvement in this dimension can be attributed to the continued development of NGOs in Almaty and other main cities. These “top-tier” NGOs generally tend to be more mature than the sector in general, have greater access to foreign donor support (especially

grant and training programs), and occupy a highly-visible niche such as consumers’ rights or the rights of nuclear test victims. As such, they are more likely to boast developed internal management structures, increasingly professional staff, and a suitable technical base with which to conduct their operations.

FINANCIAL VIABILITY: 5.0

Relatively advanced NGOs have shown an increasing ability to establish ties with domestic private and public sector funding sources. The surge in the economy over the past year has also clearly played a role, thanks to record-high prices for oil and metals, products that dominate Kazakhstan’s export portfolio.

Despite incremental progress, as a whole Kazakhstan’s NGOs are not financially viable. The vast majority of NGOs are either entirely dependent on grants from foreign organizations or subsist at a micro-level on grassroots, informal support from local residents and businesses. This continuing dependence on foreign donors is problematic for several reasons. Foreign donors are limited in number, which creates a competitive, rather than cooperative dynamic within the sector. Also, the year-to-year funding cycles of international donors creates a sense of insecurity that hinders NGOs’ ability to plan, much less operate, in the mid- to long-term.

Foreign technical assistance and training has led directly to improvements in the quality of financial management systems used by many NGOs. Ongoing training programs and the training-of-trainers in this field have helped to trigger an increase in financial management skills.

Although the Constitution explicitly forbids government support for non-governmental organizations, the number of government-supported quasi-NGOs continues to rise, and local governments in at least two regions of the country (Kostanai oblast and Ust-Kamenogorsk city), have experimented with establishing grant programs to support NGOs. Discussions continue between leading NGO representatives and government officials as to the possibility of opening state tenders to participation by non-governmental organizations.

ADVOCACY: 4.3

The recent lull in the national election cycle has allowed the creation of some space for the advocacy activities of certain NGOs. The presidential and parliamentary elections of 1999 clearly galvanized NGOs, but also prompted a politically motivated crackdown on organi-

zations involved in advocacy, independent election monitoring, and other activities perceived to be “political” by the authorities. The physical intimidation of activists and their relatives, illegal pressure by tax authorities, and the confiscation of property continue to be a

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problem for "activist" organizations. Despite this, the overall political environment, primarily for service oriented NGOs, has relaxed somewhat.

Cooperation between the NGO sector and local and national governments slowly beginning, reflecting evolutionary growth rather than dramatic change. In regions with a relatively strong NGO presence and a long history of NGO work, non-governmental leaders and government officials have begun to regard one another with less suspicion and distrust. In particular, social service NGOs are gaining the support of local governments where state bodies are hard-pressed to provide services to the population. Nevertheless, much still depends on individual personalities, and NGOs' relationships with the state often reflect the personal relationships or animosities that have arisen between certain bureaucrats and NGO leaders.

Only a few NGOs are engaged in active political lobbying efforts or in public policy advocacy initiatives. A recent media advocacy campaign proved to be a watershed by uniting NGOs, independent

television stations and ordinary citizens in a concerted effort to blunt or block proposed changes to Kazakhstan's media law. Although the amendments were ultimately adopted, the public advocacy campaign forced a degree of transparency and accountability on the proceedings and on the parliament, and did lead to a number of changes in the government's proposals. Over 20,000 citizens were involved in the advocacy campaign, and parliamentarians were "besieged" by hundreds of phone calls from angry constituents. Seven independent television stations staged a 24-hour on-air protest against the media law amendments.

Due to a combination of government pressure and public passivity, most NGOs are politically passive. Those that do engage in the political process (including some involved in the media advocacy campaign mentioned above) are subjected to financial, psychological and physical intimidation by the state. Issue-specific NGOs, however, have increased their advocacy work within apolitical niches such as consumers' rights, women's issues, or tax code reform.

SERVICE PROVISION: 4.0

A large and increasing number of NGOs are engaged in providing basic social services (health, education, and disaster relief) to vulnerable segments of the population. The gradual improvements in the level of professionalism and the cumulative technical support received over the years from foreign donor organizations has increased the ability of NGOs to provide a relatively wide range of services to local populations.

Restrictive and/or ambiguous legislation continues to restrict NGOs' ability to generate earned income, including cost recovery efforts. Furthermore, the fact

that these organizations are often providing services to the most underprivileged layers of society means that NGOs' constituencies are, as a rule, unable to pay the cost of services.

Government recognition and support for NGOs that provide basic social services is noticeably improving in Kazakhstan. In certain areas of the country, local governments have even explored ways of providing financing to NGOs in the form of grant competitions and access to state tender competitions for the provision of social services.

INFRASTRUCTURE: 4.1

Most major cities are generally well served by intermediate support organizations (ISOs), although access remains an issue, due to the geographical size of Kazakhstan. Rural groups in particular have little or no access to technical assistance, training or communications resources provided by ISOs.

Many of Kazakhstan's most mature NGOs have begun to offer training services to other NGOs, encouraging the diffusion of knowledge and expertise across the sector. International organizations have promoted training-of-trainer programs to increase the number and quality of trainers available to the sector. NGO trainers have begun to form an association of trainers, with the aim of standardizing techniques and increasing quality control.

Cooperation among NGOs remains problematic, due primarily to the finite pool of donor resources available. As a rule, networks of NGOs tend to be short-term issue-driven movements, formed in response to specific impulses, such as

legislative encroachment by the government, or the opportunity to shape the draft tax code. A nationwide coalition of NGOs has begun to coalesce, but it remains to be seen whether it can develop into an organization with depth and purpose beyond its leadership.

Inter-sectoral partnerships are rare, but have begun to appear in small numbers. Environmental and consumers' rights NGOs are occasionally able to cooperate with business enterprises and health and social service NGOs are increasingly able to work with the government.

Clearly, the weakest element of the NGO sector's infrastructure is its local grant-making capability. Local community foundations and ISOs have proven unable to either raise sufficient local funds or to effectively redistribute international donor funds. An effort is underway to establish a United Way – Kazakhstan. If successful, this would represent the first local NGO with ability to re-grant locally raised funds.

PUBLIC IMAGE: 4.1

A number of NGO leaders have become semi-regular participants on issue-related television programs and in the pages of Kazakhstani newspapers, raising awareness about the sector. Government officials and business leaders are learning to draw upon NGOs as a source of expertise. This is primarily occurring at the local level, and mostly with NGOs involved in explicitly non-political activities. For example, officials of the Ministry of Ecology and Environment in Semi-palatinsk and Ust-Kamenogorsk have actively involved lo-

cal environmental NGOs in industrial monitoring activities. NGOs with business experience in Kostanai oblast have been engaged by municipal officials to help develop business plans and participate in job retraining efforts in the city. This change in the perception of NGOs is significant, but it is not very widespread. Unfortunately, much of Kazakhstan's ruling elite still harbors deep suspicions of NGOs.

While the third sector becomes increasingly visible, this has not neces

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sarily translated into a more positive image of the sector. Many citizens perceive NGOs to be either fronts for “opposition” forces, or as grant-driven havens for intellectual elites. Further, the Russification of the NGO sector isolates it from the primarily rural, Kazakh-speaking majority. Russians are disproportionately active among Kazakhstan’s NGOs, and Russian remains the primary operational language in the sector.

A small number of NGOs are actively engaged in community outreach programs that increase their visibility among local citizens. Nevertheless, most NGOs in Kazakhstan are only loosely tied to the communities that they serve and traditional efforts to spread information about the sector such as bulletins and newsletters are not widely distributed.

KOSOVO

Capital: Pristina

GDP per capita (PPP): \$2,300 (2000 est.)*

Population: 1,850,000 (approx)

Foreign Direct Investment: \$50,000,000*

Inflation: 42% (1999 est.)*

Unemployment: 30% (2000 est.)*

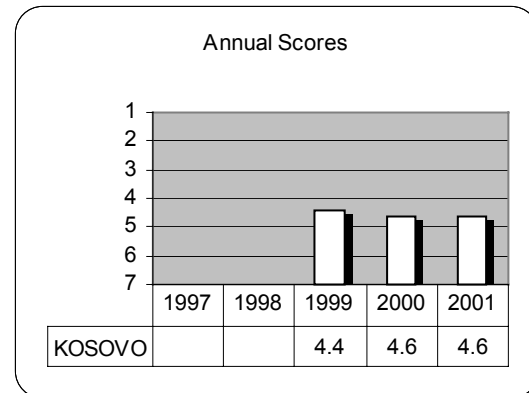
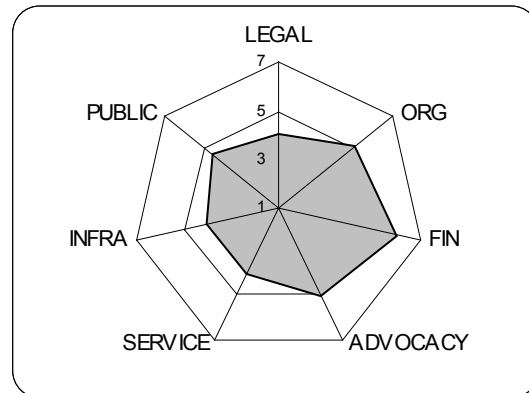
(*) Data is for the entire Federal Republic of Yugoslavia

OVERALL RATING: 4.6

In the third year after the war, Kosovar civil society is still trying to reformulate its role from a mainly service delivery function to becoming an agent of reform, influencing the decision-making mechanisms of the United Nations Mission in Kosovo (UNMIK) and its Kosovar counterparts.

There are currently more than 800 local NGOs registered in Kosovo. However, it is estimated that less than 100 of these are truly active. There is a substantial gap between the few well-established and capable organizations that mostly began operations before the war, and the large number of underdeveloped organizations that have formed since the war, often in response to the availability of donor funding.

NGOs in Kosovo benefit from a strong history of voluntary service provision, an aspect that remains a strength of the sector to this day. The sector's public image is suffering, however, because of the large number of donor funding inspired NGOs.



LEGAL ENVIRONMENT: 4.0

Kosovo has a very favorable registration law. Since November 1999, an average of 380 NGOs, associations and foundations has been registered annually.

The law protects NGOs from unwanted state control, but concerns have been expressed as to the independence of the

NGO registration office. At present it falls under UNMIK's Public Services Department, which is not providing enough funds for this office to operate without constraints. The NGO Registration Office is understaffed and under-financed. The NGO Registration Office is inefficient, slow in providing service, and unable to

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communicate with NGOs in a timely manner. This lack of attention has allowed some NGOs to abuse their public benefit status, which has substantially damaged the public image of the NGO sector in general.

There is very little understanding of the NGO law among both NGOs and Kosovar lawyers. There is only one NGO that provides legal advice in the capital city and none in secondary cities.

ORGANIZATIONAL CAPACITY: 5.0

Out of 800 registered organizations there are only a small number of experienced and sophisticated NGOs. A few NGOs have been operating since before the conflict and a substantial number have formed since, in part to meet the needs of the large community of international development and relief agencies operating in Kosovo. There is a wide gap in organizational capacity between these two groups.

Very few NGOs have clearly defined missions, paid professional staff members, boards of directors and volunteer networks. Most NGOs are comprised of small groups of people, surviving on a project-by-project basis, without consistent links to constituencies. The mission statement of most NGOs is usually broad, to allow for the possibility of a range of donor funding.

Over the past decade, voluntarism was a common feature in Kosovar society, as it was the means by which the Albanian community provided itself with social, cultural, and basic community services. However, the volunteer rate started to fall with the end of the war in 1999. Presently the level of voluntarism has dropped to almost zero.

The internal management structure of NGOs remains weak. Most NGOs remain largely “one-person-show” organizations. In most cases, the board of directors is little more than a nominal body without any function. Leading NGOs manage to keep a small core of paid staff, but continue to face difficulties in recruiting volunteers.

FINANCIAL VIABILITY: 6.0

The financial challenges facing Kosovar NGOs have increased during the past year, as a result of cutbacks from international donor sources and the uncertain economic climate. NGOs remain dependent on foreign donor funding. With Kosovo’s weak economy and with the unemployment rate currently estimated at

70%, it is increasingly difficult for NGOs to pursue indigenous funding. NGOs do not tend to raise funds locally. There are no local sources of philanthropy. Voluntarism has declined precipitously. Most NGOs lack sound financial management systems to track the use of their funds.

ADVOCACY: 5.0

Representatives of Kosovar NGOs have participated in the Kosovo Transitional

Council (KTC). At the local level, NGOs have the right to participate in the meet

ings of the Municipal Assembly, but few exercise that privilege. Despite the fact that direct lines of communication between NGOs and these bodies have been mandated, NGOs have been largely unsuccessful in influencing policymaking. Most commonly, policymaking powers have been reserved for UNMIK, which is mostly unaccountable and unresponsive to the needs of the citizens, and which does not operate in a transparent manner.

There have been a few cases of NGO public education and advocacy campaigns, particularly around the issues of personal safety/crime, corruption, ethnic violence and social security, but their effectiveness did not extend beyond raising awareness. Typical of this type of awareness campaign was "BOLL MA" (ENOUGH), launched by a youth NGO

called "The Forum".

The Interim Constitutional Framework of Kosovo is the best example of NGOs' unsuccessful campaigning efforts. UNMIK wrote the Framework with almost no public participation or Kosovar input. There were a few attempts on the part of NGOs to open up this process, but they were not successful.

With the exception of the few NGOs that are very sophisticated and represent important players in advancing the political process, most NGOs do not understand the notion of advocacy and thus have no clear understanding of its importance. Likewise, local and central governments are apathetic towards NGOs, mostly seeing no threat from their activities.

SERVICE PROVISION: 4.0

The strongest service providing NGOs are those that were functioning before the war. The Council for Defense of Human Rights and Freedoms, Mother Theresa Society, and the Center for the Protection of Women and Children continue to provide basic social services such as health, education, relief, housing, etc.

Goods and services of other NGOs are sometimes donor-driven, but mostly reflect the needs and priorities of their constituents and communities. These goods and services go beyond basic needs and

are provided to a constituency broader than the NGOs' own membership. Some products, such as publications, workshops, or expert analyses, are marketed to a limited number of individuals.

The UNMIK-led government generally regards service provision NGOs as competition instead of recognizing their value and work. There are no established procedures for government structures to provide grants or contracts to NGOs to deliver services.

INFRASTRUCTURE: 4.0

This year the Organization for Security and Cooperation in Europe (OSCE) is heavily engaged in handing off the management of its NGO Resource Centers to local control. The OSCE established these centers in 1999. Five of the nine

established NGO resource centers have survived. This process of "Kosovarization" is being carried out by handing the centers over to local NGOs. The process of selecting local NGOs to take over the centers' management was competitive

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and transparent.

The handing over of the centers to Kosovar NGOs does not necessarily mean that these centers will become financially viable in the long run. The OSCE will continue to provide funding for rent and utilities for a short period, but is looking for other donors to step in to cover these expenses in the near future. The services offered by NGO resource centers are largely limited to access to space for meetings, office equipment and modest libraries. There are few Kosovar administered organizations that provide grants to local NGOs. These organizations rely on international donors for their funds, but there are no NGOs capable of providing management training. Basic NGO management training is not available either in

the capital or in the secondary cities. Training materials are hard to find in local languages.

Immediately following the conflict, OSCE facilitated the creation of a Kosovo-wide NGO Assembly. Unfortunately, the Assembly proved to be premature and never received any buy-in or support from local civil society. After the failure of the NGO Assembly, no central coordination body has formed to that represent the Kosovo NGO community as a sector. However, local NGOs outside the capital have had some success at building structures for sharing information and promoting cooperation within their sector and among businesses and government agencies.

PUBLIC IMAGE: 4.5

In the last couple of years public perception of NGOs has declined. The media at the local and national level do not sufficiently cover the work of NGOs and do not provide positive analyses of the role that NGOs play in civil society. Very few NGOs are able to publicize their activities or promote their public image.

Some NGOs have been discovered abusing their public benefit status to import goods for commercial purposes

without paying customs and other taxes. This has had a negative effect on the sector's image.

Although the public does not completely understand the notion of NGOs, the perception of NGOs remains more positive than negative. In most cases, the public is supportive on the activities of NGOs. The business sector and the local and central government have a primarily apathetic view on NGOs.

KYRGYZ REPUBLIC

Capital: Bishkek
 GDP per capita (PPP): \$2,700 (2000 est.)
 Population: 4,753,003 (July 2001 est.)

Foreign Direct Investment: \$40,700,000
 Inflation: 18.7% (2000 est.)
 Unemployment: 6% (1998 est.)

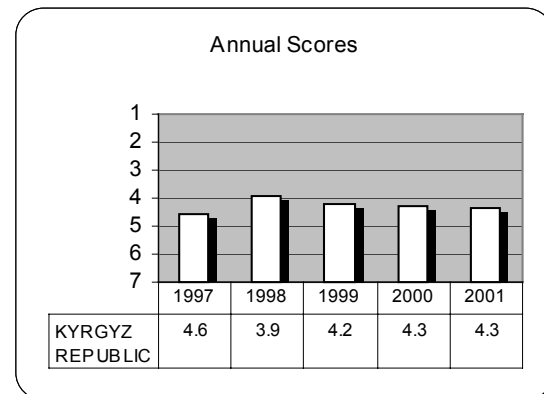
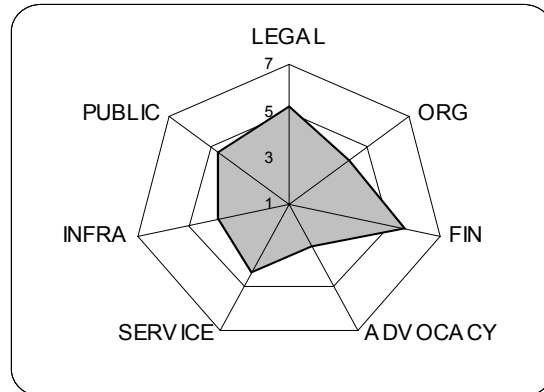
OVERALL RATING: 4.3

The Kyrgyz Republic has over 2,500 officially registered NGOs. In Bishkek alone, there are over 1,000 NGOs registered. Only 500 NGOs are considered to be active by most observers of the sector. The balance are either no longer active or are government organized quasi-NGOs (GONGOs), created by various government ministries and agencies. The NGO community remains relatively diverse, but capacity is unevenly distributed, with those engaged in non-political and charitable activities (health, education, ecology, children's rights and consumer protection) generally stronger than those engaged in policy advocacy activities.

The increased involvement of NGOs in the political arena following the flawed parliamentary and presidential elections in 2000, has created a more highly contested sector that is politicized internally and under constant pressure from the government. This post-election environment has, to some extent, led to greater maturity on the part of NGO leaders. One lasting result of the election has been a politically-driven fragmentation of the sector with NGOs divided into two camps – one independent and one government-controlled.

Nevertheless, the Kyrgyz NGO sector remains the most advanced in Central Asia. Several NGOs, such as the Coalition for Democracy and Civil Society, Interbilim, Counterpart Consortium, and Transparency International, have regional offices that conduct activities that include advocacy, voter education, agricultural and business development, health care, women's support and conflict resolution programming.

Unfortunately, many NGOs are defined by the strong personalities of their leaders instead of the depth of their membership. These strong-willed leaders also tend to be micro-managers of organizations' day-to-day operations and finances. While this leadership ensures short-term coherence and effectiveness in implementing programming and activities, it prevents the organizational development crucial to long-term sustainability.



KYRGYZ REPUBLIC

LEGAL ENVIRONMENT: 5.2

Despite the passage of a new NGO law in October 1999, the legal environment in the country continues to degrade appreciably. In the wake of parliamentary and presidential elections, which were marked by the suppression of opposition candidates and political parties, the operational environment has worsened for those NGOs that are active in political advocacy or electoral issues such as election monitoring and voter education. The government continues to harass NGOs with political agendas that appear to be in opposition to the government.

The politicization of the legal environment has affected many non-political NGOs as well. This is a byproduct of the government's support for a pro-governmental Association of NGOs, and its continued cooling towards the inde-

pendent NGO sector.

Implementation of the NGO and charity laws remain challenging, with the more visible NGOs encountering impediments in both the registration and re-registration processes. In general, however, most NGOs have been able to complete their re-registration with the Ministry of Justice.

A lack of qualified lawyers with specific NGO knowledge continues to be a major problem, and though there are no restrictions on income generation for NGOs, taxation also remains a problem, as the State Tax Inspectorate (STI) does not distinguish between not-for-profit, charity, non-commercial and commercial organizations and companies.

ORGANIZATIONAL CAPACITY: 4.0

Many NGOs have moved beyond grant-to-grant thinking, and are demonstrating an understanding of the need for strategic planning, organizational development and sustainability. While most of the larger and more successful organizations participate in some form of a coalition or network, many smaller organizations are not able to participate in such structures because of the lack of training and finances.

The concept of "volunteers" remains underdeveloped and underused. The development of NGO membership and

constituent-oriented services is also slow. Many small NGOs tend not to have defined missions and goals. Meanwhile, larger, more prominent NGOs often overstep their mandate.

Governance problems continue to hinder the growth and activities of the NGO sector. In particular, the different roles of the Board of Directors, staff and management remain poorly defined. Furthermore, instances of nepotism continue to be a problem in some NGOs, hampering both their growth and the effectiveness of their management.

FINANCIAL VIABILITY: 5.5

Financial viability remains a dilemma for NGOs. The sector has been unable to

develop reliable accounting and budgeting mechanisms, and many smaller

NGOs are unable to obtain sufficient funding to sustain their activities beyond their initial program periods, further hampering their growth. The absence of this basic stability prevents organizations from taking the time and effort to diversify their funding, or to secure financial and in-kind aid from public or private sources. This not only restricts an organization's ability to use the funds at its disposal effectively, but also is an impediment to broader engagement with the international donor community.

The Kyrgyz economy continues to restrict the number of businesses willing to contribute to the NGO sector. While the local business community has shown a willingness to invest in social activities and to provide a certain amount of funding to local NGOs, these contributions remain small and infrequent. One large multi-national corporation, Kumtor, has contributed heavily to the develop-

ment of NGOs on the southern shore of Issy-kul Lake, but this is an exception, not the rule. Improvements in the tax code and NGO legislation are required. For example, the current tax code only allows private companies to contribute up to five percent of income to NGOs tax-free. This effectively limits private-sector contributions to five percent of income by penalizing larger contributions.

Adding to this burden is Kyrgyzstan's small economic base. There are a relatively small number of multinational corporations and very few strong local businesses capable of or interested in funding NGOs. Consequently, donors and grantees remain limited and overwhelmingly international. Another factor is the lack of financial management and administrative training available to NGOs to develop necessary fundraising skills.

ADVOCACY: 3.0

Many NGOs working on specific social issues such as health, the environment, and women's rights have begun to form coalitions and networks in order to play a more active role in public policy. During the last election cycle, these coalitions were instrumental in mounting domestic monitoring efforts throughout the country. Numerous Kyrgyz NGOs have demonstrated progress in developing their capacity and willingness to engage in advocacy work and in particular to promote policy advocacy initiatives. Most recently, a coalition of NGOs worked to repeal a set of government-proposed amendments aimed at restricting the movement and growth of the NGO sector.

Government acceptance of NGO advocacy remains mixed. Outright political lobbying by independent NGOs, and in

particular by those viewed as hostile to the current government, has prompted a concerted and negative government response. This has included administrative pressure as well as attempts to influence the NGO sector through GONGOs. While these attempts to co-opt the NGO sector are ominous, they also show that top policymakers understand the importance and role of NGOs in civil society.

The government has not actively undermined the advocacy and lobbying efforts of NGOs that it considers to be non-political. Organizations such as the Association of Journalists play an active role in advocating for the rights of their members and constituencies. They also achieve results. In one episode, a journalist based in Jala Abad was released after a public advocacy campaign led by

KYRGYZ REPUBLIC

the Association.

SERVICE PROVISION: 4.3

A number of social NGOs are starting to fill the widening gap left by the government's inability to deliver many needed social services. Today, many NGOs provide these services free of charge, with international donor support. As these programs gradually spread across the country, the understanding of local communities and individual citizens about NGO-implemented projects has become more positive.

Cost recovery by NGOs continues to be

limited for several reasons. Many NGOs lack the experience and understanding of market realities to engage in serious cost recovery and income-generation efforts. Without marketing efforts, broader outreach to both local communities and international donors is unlikely. Also, fee-for-service programs offered by NGOs are rarely able to compete with "bad but cheap [or free]" government services in the Kyrgyz Republic's deteriorating economic climate.

INFRASTRUCTURE: 3.8

Kyrgyz NGOs continue to benefit from some of the most highly developed support infrastructure in Central Asia. This support network consists of ISOs funded by various agencies (including UNHCR, Soros, and the European Union), and is centered on the eleven Counterpart Consortium Civil Society Support Centers operating in all seven regions of the country. These resource centers provide access to basic office equipment and space, and to communications technology, such as the Internet. Furthermore, these centers act as nodes for the administration of small community grants

and for the distribution of community information. Some local ISOs and NGO resource centers serve as clearing-houses for local contract trainers who provide NGO management, public relations and membership training.

NGOs have also formed the Coalition for Democracy and Civil Society, which has over 150 NGO members and six regional offices, although it has encountered difficulty in moving beyond mere information sharing and into broader nationwide coordination efforts.

PUBLIC IMAGE: 4.5

NGOs that focus on issues of social importance, including health, education, and youth, usually receive positive coverage in the media. However, in most cases the media does not cover NGOs that it considers weak and ineffective. Some individual NGOs understand the importance of educating the public and search for opportunities to publicize their

programs and activities. Nevertheless, most NGOs are unable to get much publicity for their work, in part because of a lack of access to printing presses and supplies in local communities, and in part due to the lack of marketing skills and training.

While quite a few citizens have a gen

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eral understanding of the role of NGOs, there is often a disconnect when it comes to understanding the concept of policy advocacy and the constituency development efforts of NGOs. Very few NGOs have adopted codes of conduct, and generally only the largest NGOs publish annual reports that allow the public to review and become familiar with their work.

Public perceptions of and confidence in NGOs is heavily sector-dependent. Organizations involved in direct service provision, for example in the health or education sectors, enjoy the most positive public image. In contrast, NGOs attempting to affect public policy are more likely to be viewed unfavorably.

LATVIA

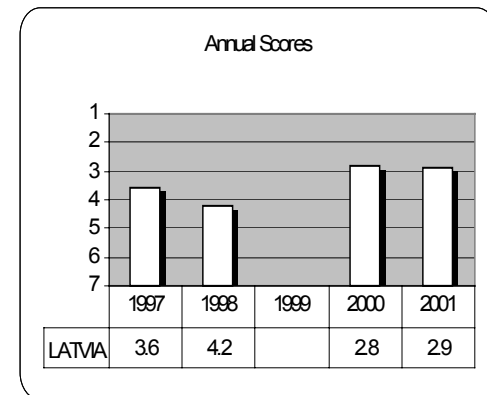
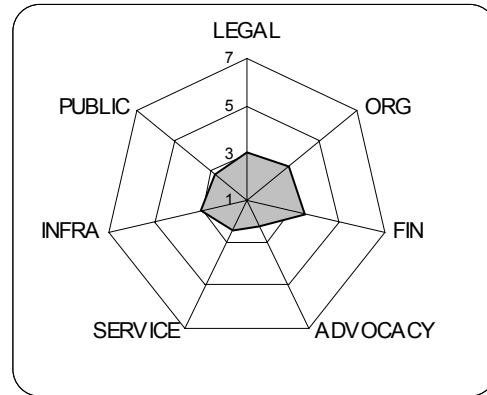
LATVIA

Capital: Riga	Foreign Direct Investment: \$399,000,000
GDP per capita (PPP): \$7,200 (2000 est.)	Inflation: 2.7% (2000)
Population: 2,400,000 2,385,231 (July 2001 est.)	Unemployment: 7.8%

OVERALL DESCRIPTION: 2.9

The NGO sector in Latvia is quite diversified. NGOs operate in all regions of the country, support all demographic groups, and undertake a wide range of missions. According to research conducted by the NGO Center in Riga, of the 5,000 NGOs registered in the country, only about 1,500 can be considered active. Of those, only about 800 can be considered truly viable. The NGO sector in Latvia has evolved into a two-tier system in which perhaps 50 of the most professional leading NGOs receive most of the support and resources, while the majority remains weak and lacks resources. Only the strongest organizations are likely to survive for any length of time.

While the NGO sector is gaining in strength overall, a decline in financial support from international donors threatens the long-term sustainability and organizational capacity of most NGOs. International donors are transferring their resources to other countries, but domestic sources of NGO funding have not yet developed. The future existence of a strong and independent third sector in Latvia depends upon the development of support from a variety of governmental, private, and international sources. Philanthropy, or charitable giving, has not yet taken root in the country and contributing to positive change and community development is not yet seen as a duty of every citizen.



LEGAL ENVIRONMENT: 3.0

The registration process for NGOs is relatively easy but costly. Registration fees are deemed to be quite high and, in some instances, restrictive for smaller organizations. Also, all registration must be done in Riga, so organizations must

travel to the capital to complete their paperwork. In addition, while registration is easy, the current legislation is somewhat vague and does not provide sufficient guidance to prepare organizations for what is required of them.

The capacity of the local legal community to support the NGO sector is negligible at best. There are some lawyers available in Riga, but very few serve the regions. The NGO Center provides basic legal advice on issues relating to registration or drafting statutes, but does not provide specific legal advice to NGOs with particular legal questions or problems.

The granting of tax-exempt status is not entirely transparent. Only five organizations have been granted special status that permits 90% of the donations they receive to be tax deductible; all other registered NGOs are entitled to only an 85% deduction. The certification process for tax deductibility must be completed annually, but can take months. This means that organizations may not

receive their tax-exempt certification until late in the year. The issue of tax deductions for businesses is largely irrelevant because only 25% of businesses pay taxes; the others report no profit and, therefore, do not pay taxes.

A new law governing NGOs has been drafted with direct involvement of sector leaders. It is hoped that the new law will be passed by Parliament by the beginning of 2002. The draft law proposes several changes in the legislation that currently regulates the NGO sector. It will clearly identify the difference between mutual benefit and public benefit NGOs, specify that only public benefit organizations are entitled to receive tax relief for donations, and develop an easy mechanism for individuals to receive tax credits for donations to public benefit NGOs.

ORGANIZATIONAL CAPACITY: 3.3

NGOs are beginning to understand the importance of raising the level of awareness of their activities within the community.

The organizational capacity of NGOs in Latvia is still relatively weak. All NGOs have a mission statement in their statutes, as required by law, but few actually engage in any form of strategic planning based on this mission statement.

Only the largest, most sustainable NGOs have a board of directors that exercises real oversight responsibilities over the organization and a division of the governance function from staff. In the majority of organizations, the same individuals perform both board and staff responsibilities, increasing the potential

for conflicts of interest. Only the most established NGOs have any paid staff, while the majority of organizations operate with only one or two volunteers fulfilling staff functions.

Most NGOs do not have basic office equipment. Those that do generally received their equipment as part of a grant from an international donor. Most organizations also do not have the resources to purchase equipment, or to upgrade or replace existing equipment. The sector is not developed enough to have comparable levels of influence that NGOs enjoy in fully developed countries. Even though there are strong NGOs in the capital and, to some extent, other large cities, many organizations outside of Riga have lost funding and are struggling to survive.

LATVIA

FINANCIAL VIABILITY: 3.5

Foreign donors have begun to reduce their funding in Latvia, and this trend is expected to increase in the coming years. Previously, the Latvian NGO sector received 80% of its funds from foreign donors. Domestic funding sources have not yet developed sufficiently to replace this declining foreign donor support.

The national government does not provide financial support to the sector and local government assistance is limited, due to limited resources. Further, local governments are afraid of losing control over specific functions that they perceive to be their responsibility.

Support from local businesses is rare, particularly in the countryside, because the rural economy is not sufficiently developed. Some in-kind support is occasionally available from local sources, but

rarely exceed 10% of organizational needs.

For the most part, NGOs have implemented proper and basic accounting techniques and do not abuse their funding. However, independent audits are rare and few NGOs produce annual reports. Most are unable to engage in serious financial planning because they do not know the real costs of running their organization.

Earned income is not a significant part of NGO revenue although some NGOs are working to find ways to generate income. Earning income is difficult as the current Law on Public Organizations only allows organizations to earn income if it is not "systemic", without clarifying what is considered to be systemic.

ADVOCACY: 2.2

While the government has not overtly blocked NGO advocacy efforts, it also has not created a supportive environment or encouraged the sector's development. Mechanisms for lobbying are in place, but NGOs do not have sufficient experience to effectively use their collective strength and the government does not know how to appropriately respond. The government rarely seeks the opinions of NGOs on topical issues, and does not clearly understand how to appropriately consider the opinions of the sector when they are offered.

The most successful example of advocacy in the NGO sector is the draft NGO law, which was drafted with the involvement of sector leaders. At the end of 2000, the Minister of Justice and the Director of the NGO Center reached agreement on the need for a new NGO law based on the Center's extensive research of the sector and its subsequent recommendations.

Some issue-based coalitions have formed, as NGOs are beginning to understand that there is strength in numbers.

SERVICE PROVISION: 2.4

NGOs are generally responsive to the needs of their communities, but are more sensitive to the interests of foreign donors. In other words, most NGOs are more interested in attracting funds than meeting the needs of their constituents.

NGOs are rarely able to recover more than a small percentage of the cost of their services. The public believes that NGO staff should work for free, and that their services should be provided for free. Furthermore, most organizations are uncomfortable asking for a fee to cover their costs.

Complicating the development of cost recovery strategies is the fact that

many international donor grants bar their grantees from charging for the services provided under the grant. Such a policy tends to defeat the NGOs' drive towards sustainability and makes the organization dependent on donors for their existence.

Local governments often undervalue NGOs, because they perceive them as competitors for limited resources, and as a threat to the prestige associated with being the designated service provider. Furthermore, local governments have limited financial resources to give to NGOs. Meanwhile, national government support for the sector is almost nonexistent.

INFRASTRUCTURE: 3.0

Latvia has a network of 14 Regional NGO Support Centers throughout the country that encourages the sharing of information and provides access to basic services, such as computers, copy machines and fax machines. These centers do not, however, provide technical assistance. They are largely self-financed, on a fee-for-service basis, but do not recover the full cost of the services they provide.

Latvia has few grant-making organizations, which are limited to the capital, Riga. The NGO Center is currently working with the Baltic American Partnership Program on a pilot project that could lead to the first community foundation in Latvia. Before this can happen, however, legislation must be written to allow for the existence of community foundations.

Latvia has a large number of trainers and training opportunities, although the majority of training is at a basic level. Some organizations do offer more advanced training for those NGOs that have proven their sustainability and need a more sophisticated level of skills. Most NGOs, however, cannot afford to pay for training, and certainly cannot afford the true market value of training courses, so they are usually offered as part of a project subsidized by international donors.

A major positive development in the NGO sector in Latvia is the increase in intersectoral partnerships. There is a clear trend of more and more NGOs being asked to submit project proposals by businesses and local governments.

LATVIA

PUBLIC IMAGE: 2.7

The NGO sector enjoys relatively extensive coverage in local media, with articles about NGOs and their activities appearing daily. Unfortunately, the sector receives little coverage in the national press. Media in Latvia do not provide free-of-charge public service announcements.

NGOs are learning to hold the government and businesses accountable by asking questions and working together for full transparency in the political system. While NGOs may enjoy government support at the ministerial level, the civil service is less supportive of the sector, as many civil servants see NGOs as competitors.

NGOs do not have organizational capacity to undertake public relations activities such as preparing materials or mounting publicity campaigns, although they do realize the importance of promoting their work through the media. Many NGOs have developed good relations with journalists at the local level.

NGOs do not have a printed code of ethics, but they are required to adhere to transparent norms of operation by international donors. As a result of the expenses involved, only a few of the leading NGOs publish annual reports.

LITHUANIA

Capital: Vilnius

GDP per capita (PPP): \$7,300 (2000 est.)

Population: 3,610,535 (July 2001 est.)

Foreign Direct Investment: \$355,000,000

Inflation: 1% (2000 est.)

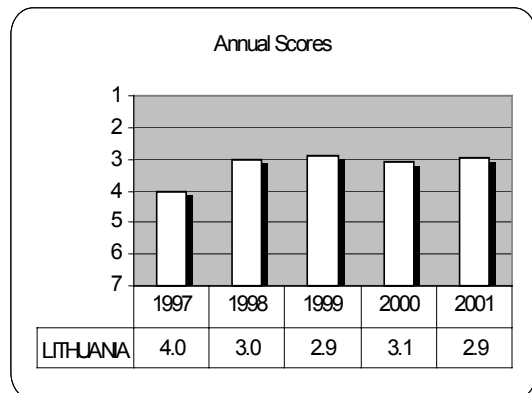
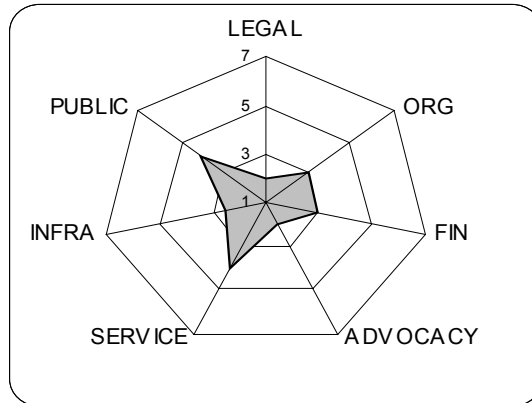
Unemployment: 10.8% (2000)

OVERALL DESCRIPTION: 2.9

There are approximately 7,000 active NGOs in Lithuania. The basic legal and capacity building framework for the development of a healthy and sustainable NGO sector has been established.

NGOs continue to strengthen their organizational capacity and have access to a mature NGO infrastructure which has helped them to increase the scope and quality of their services. Intersectoral partnerships have started to form and NGOs are becoming more conscientious of their constituencies and their relationship with the government.

Much work, however, remains to be done. Financial sustainability is still a major constraint. Local financial resources for NGOs are sparse, and many NGOs still rely on a narrow base of funding.



LEGAL ENVIRONMENT: 2.0

Lithuanian law recognizes four separate types of NGOs: membership-based societal organizations and associations; and property-based public institutions and charity and support foundations.

Registering an NGO is a straightforward, transparent process throughout the country. The dissolution and liquidation of an NGO is provided for in the law, but remains administratively difficult to implement. A large number of "inactive" NGOs may in fact be organizations that have chosen to discontinue

their activities, but due to the bureaucratic process involved in the liquidation of the organization have not resolved their status legally. Overall, the laws that regulate the NGO sector clearly state the scope of permissible activities for each type of NGO and establish basic procedures for internal management and financial reporting. The law protects NGOs from unwanted state interference.

Only public institutions are legally allowed to participate directly in commer

LITHUANIA

cial activities. Societal organizations, associations, and charity and support foundations may establish subsidiaries to carry out income-generating activities. In practice, however, the distinction between non-profit commercial activities and for-profit activities is unclear, making it difficult to reach a consensus regarding which commercial activities NGO are allowed to implement.

NGOs are not subject to taxes on donations, but revenue earned from commercial activity is taxed at the same rate as for-profit entities. Commercial activities of registered public institutions, however, are taxed at a preferential rate of 5%.

Individuals and corporations may deduct financial and in-kind donations to NGOs from their income taxes — up to 15% and 40%, respectively. While income tax deductions are provided for in the law, the administrative process necessary to declare such deductions is cumbersome and not clearly established.

Local legal capacity has improved slightly. The number of lawyers familiar with NGO law has increased, and courses on NGO law are more widely available in universities. In larger cities, NGOs are generally able to access qualified advice from legal professionals, but they remain prohibitively expensive for most NGOs.

ORGANIZATIONAL CAPACITY: 3.0

Organizational capacity and management skills among Lithuanian NGOs have steadily improved. Increasing numbers of NGOs understand that efficient project administration and good management will be key factors in achieving their mission. Well-organized internal management structures that clearly state staff responsibilities, follow established procurement guidelines and set regular planning meetings are becoming more common in Lithuanian NGOs. Leading NGOs have permanent paid staff and are recruiting and making use of volunteers. Many NGOs have, or have recognized the need for, a clearly defined mission statement. This is especially true among the newer generation of NGOs. Most Lithuanian NGOs have received strategic planning training, but uncertainties about Lithuania's long-term economic performance limit most planning time horizons to two to three years.

NGOs have made noteworthy progress in constituency building, and the visibility of NGO work among the Lithuanian public has increased. NGOs more regularly communicate with their local constituencies through local media channels (e.g. local newspapers, newsletters), varied fundraising events, and by involving local stakeholders in project activities. Regional NGOs, whose activities often address a range of community problems, have begun to focus more on constituency building initiatives.

The lack of fully functioning boards of Directors remains a serious constraint for most NGOs. Of the NGO boards that do exist, most staff and board representatives have limited understanding of board roles and responsibilities or their effect on the organization's sustainability.

FINANCIAL VIABILITY: 3.0

The limited financial viability of Lithuanian NGOs continues to threaten the long-term sustainability of the sector. Government and international funding sources have continued to decrease over the past year, with many grant-making agencies scaling back their presence in the Baltic States. Local funding sources remain sparse and vary significantly by region. However, NGOs do manage to raise some support from local contributions. Such support provides NGOs with only short-term viability and consists mostly of voluntary, monetary and in-kind assistance.

NGOs earn little revenue to supplement income from products and services. Lithuanian law permits only one type of organization to have commercial activities. This limitation restricts approximately half of Lithuania's NGOs from engaging

in such activities. As a result of legal limitations on NGO commercial activities, most support from government, business and other sources is provided under grant agreement rather than under a contract for services.

A culture of local philanthropy is slowly developing, with leading NGOs turning to business and government to raise interest in and demonstrate the benefits of giving. NGOs have realized the need to expand fundraising strategies to focus more on local fundraising efforts. Some NGOs raise funds from membership fees or local constituencies, but such amounts are largely symbolic. As a result, NGOs continue to suffer from a lack of diversity in funding sources. Most organizations are dependent on a narrow base of primary donors.

ADVOCACY: 2.0

Advocacy still remains an abstract concept for many NGOs, despite the fact that the necessary channels of communication and political access at national and local levels all exist to make effective advocacy campaigns possible. The fact that advocacy activities are infrequent constrains legal reform and restricts important policy dialogue that would benefit the constituencies that NGOs represent.

In 1998, much excitement surrounded the first legislative open hearing in Parliament concerning the Law on Charity and Sponsorship. NGO coalitions and interest group associations began to form close contacts at the municipal level. Unfortunately, the momentum gained during this period was not fully taken advantage of and advocacy efforts have stagnated. Much of the difficulty lies in the organizational capacity of existing NGO coalitions

and associations. Partnerships are often formed for reasons of convenience, with less attention paid to the strategic advantage of such relationships. In the absence of a clear strategy, it is difficult for these organizations to produce a clear set of objectives that adequately represents the majority of interests among their members.

NGO advocacy capacity is also constrained by a narrow perception of lobbying activities. Lobbying still carries a negative stigma and many organizations view the activity as the pursuit of financial interests, rather than a dialogue to promote specific changes in policy or legislation. Several specialized NGOs (based in larger cities) follow legal reform issues and disseminate this information broadly to the NGO community. Local advocacy for legal reform is less frequent as most

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regional NGOs perceive effecting legal

reform as beyond their capacities.

SERVICE PROVISION: 4.0

NGO goods and services now include basic social services, economic development and environmental services. The increasing demand for diversified services indicates that NGOs are able to meet the general needs of their constituencies, as well as produce specialized goods and services that meet the needs of subgroups within their communities. Leading NGOs have expanded their services to meet the needs of clients beyond their own membership, serving business, academic and government clients.

Government contracting to NGOs

remains uncommon. While existing legislation does allow NGOs to bid for government contracts, the process is complicated and many NGOs do not take advantage of such opportunities. Few organizations recover their costs of goods and services. This is primarily due to the limited purchasing power of their clients and a predominant culture that equates non-profit services with services that are "free-of-charge." Most municipalities allocate some budget resources for NGOs, but these amounts vary substantially from region to region.

INFRASTRUCTURE: 2.5

NGO resource centers and intermediary support organizations (ISOs) exist in most large cities. In smaller regional centers, local government institutions are better prepared to assist NGOs with administrative issues and technical assistance. It is now common for municipalities to appoint an officer responsible for local NGO concerns. Where local agencies cannot meet the needs of NGOs, larger resource centers provide adequate technical, training and technology assistance.

Increased access to information technology has made information and training materials widely available on the Internet. As the number of NGO support centers has grown, so too has the number of qualified NGO management trainers. Training is now readily available on a va-

riety of general NGO topics including advanced skills such as: strategic planning, board development, project design and management, financial management, and fundraising. The increased supply of NGO trainers has made it cost-effective to organize training events outside major cities to serve the needs of NGOs in regional communities. Training literature is available in the local language.

Intersectoral partnerships have begun to emerge, involving NGOs, local businesses and government. Partnership efforts focus on efficient allocation of local resources in addressing community development problems. Successful initiatives have founded small community foundations and resulted in joint projects implemented in partnership with NGOs.

PUBLIC IMAGE: 4.0

Media coverage of NGO activities in both national and local press has increased the visibility of NGOs with varied results. The media has made more government officials aware of NGO initiatives, and their value as partners. Media attention has also helped reduce public misconceptions about the role of NGOs. But misunderstandings in the press continue to occur, sometimes to the detriment of the sector's image. One very positive development that has helped increase public understanding of NGO activities has been a weekly broadcast about NGOs aired on Lithuanian National Radio.

Many NGOs lack public relations skills, and are unable to receive credit for their successes because of inadequate media contacts or because of poorly organized public relations efforts. Training in the organization of events and writing press releases is needed to better promote the sector's public image.

To date, an accepted code of ethics does not exist in Lithuania. Transparency within the sector is improving, but increased cooperation among NGOs to demonstrate a more open means of conducting business is needed.

MACEDONIA

MACEDONIA

Capital: Skopje

GDP per capita (PPP): \$4,400 (2000 est.)

Population: 2,046,209 (July 2001 est.)

Foreign Direct Investment: \$169,000,000

Inflation: 11% (2000 est.)

Unemployment: 32% (2000)

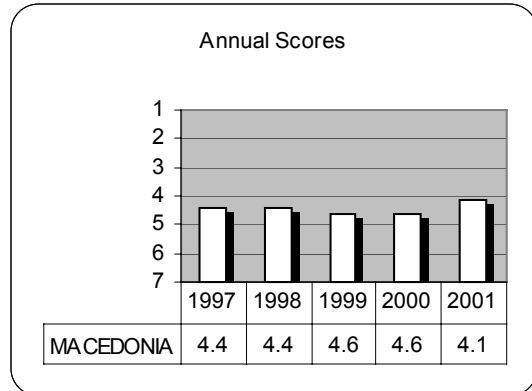
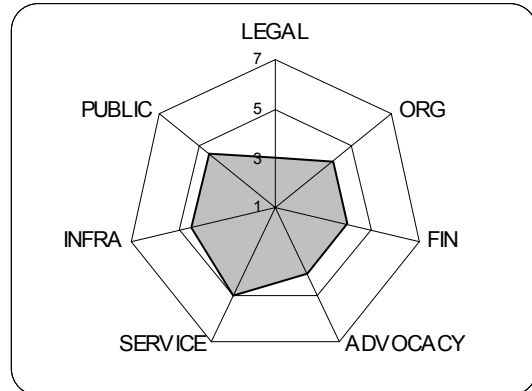
OVERALL RATING: 4.1

As of September 2000, approximately 4000 NGOs were officially registered in Macedonia. Of these, approximately 2500 can be considered active.

The sole former Yugoslav Republic unaffected by the Balkan wars in the 1990s, Macedonia was drawn into a serious crisis in February 2001 when ethnic Albanian rebels clashed with the Macedonian government in the northwestern part of the country. Open conflict has continued sporadically since then, resulting in numerous casualties and more than 100,000 refugees and internally displaced persons. On August 13, 2001, the four largest political parties signed a 'Framework Agreement' for constitutional changes. Brokered by the international community, the agreement was ratified by the parliament, though tensions continue in parts of the country.

The outbreak of conflict had a deleterious impact on the NGO sector. It polarized society, heightened interethnic tensions, and prompted travel restrictions, which combined with a failing economy have made it harder for NGOs to operate, and forced many NGOs to either reduce activities or cease them altogether, particularly in zones close to the conflict.

There are, however, some encouraging developments in the NGO sector. In response to the conflict, a number of NGOs carried out activities to support peace efforts. Led by the Foundation Open Society Institute - Macedonia, the largest effort organized more than 120 NGOs in a campaign called "Enough is Enough." The inability of these efforts to coalesce into a broader peace movement and the limited impact of these efforts on political and policy leaders demonstrates the continuing weakness of the country's NGO sector.



LEGAL ENVIRONMENT: 3.0

No substantive changes in the legal framework occurred over the past year. The registration process, though, has been simplified and improved. Court delays and excessive caseloads that resulted from most NGOs being re-registered in 1999 no longer pose a problem during the registration process. Some smaller towns have assigned judges specifically for NGO registration. Judges have become more proficient in managing the registration process and more knowledgeable about NGO legislation issues as a result of training

seminars provided in previous years.

Excessive taxation remains a concern. There have been no positive improvements with respect to VAT, income tax, or customs taxes on imported goods. Moreover, NGOs are now burdened with the newly introduced war tax of 0.5% on each payment transaction. NGOs have not yet shown any willingness to take joint action in resolving these taxation issues. As before, the government is not sensitive to the need for tax relief or benefits for the sector.

ORGANIZATIONAL CAPACITY: 4.0

According to a sector assessment commissioned by the Institute for Sustainable Communities (ISC), 40% of Macedonian NGOs are not effectively communicating with their constituencies. Constituency building remains one of the weakest areas in NGO development. Its importance is perhaps not sufficiently understood by the not-for-profit sector.

The donor community has provided training in strategic planning, but the sector has shown little improvement in this area over the past year. Few NGOs have developed long-term strategies, though many express an interest in learning how to prepare project proposals

and in improving their skills in grant application. Training on internal management is still lacking. Many organizations do not operate in a transparent manner, raising suspicions about the appropriate use of funds.

On average, Macedonian NGOs are suitably equipped and have the basic capacity to operate. Human resources issues pose a bigger problem, as personnel with experience in NGO project design and implementation are in short supply. The root cause lies in the absence of appropriate education in the area of civil society and NGO management.

FINANCIAL VIABILITY: 4.0

The financial situation of NGOs in Macedonia remains unstable. Conflict and economic collapse have seriously disrupted the overall NGO environment. Precarious economic circumstances coupled with burdensome taxes and extremely high unemployment prevent NGOs from obtaining funding from a variety of local sources. Most NGOs conse-

quently remain dependent on funding from international donors.

A small but growing number of organizations now engage in income-generating activities. Such activities include hair-dressing and cleaning services, designing computer layouts for books, preparing studies for government institutions and

MACEDONIA

offering their services to publishing companies. More than 20 NGOs had sales stands with books, drawings and handicrafts during a recent NGO Fair. A number of NGOs have also been involved in fundraising activities such as humanitarian concerts, exhibition sales and auctions this year. The environmental group "Izgreva" from Sveti Nikole organized an auction for the renovation of the largest primary school in the region.

The NGO sector has become more aware of the importance of revenues from services, products and other types of supplemental income. A recent assessment that included a group of 53 NGOs

showed that the need for training in self-financing and fundraising is a top priority among 85% of the organizations. Although indigenous philanthropy remains at a nascent stage of development, there is some evidence of a foundation for building such a culture.

Financial transparency and accountability is problematic. Many organizations are not willing to disclose financial information with their membership or the general public. The NGO president, vice-president or accountant usually has sole responsibility for managing the finances.

ADVOCACY: 4.0

The eruption of conflict in February 2001 forced the Macedonian government and parliament into a crisis management mode that left few opportunities for NGO advocacy initiatives. Despite the extraordinary circumstances, there were a number of advocacy efforts during the past year. For example, citizens and governments of six municipalities joined forces with local NGOs and businesses to adopt a Local Environmental Action Planning (LEAP) process, establishing a model for environmental priority setting and problem solving. The LEAP and Community Action Planning (CAP) activities promote communication between NGOs and local authorities. Most other endeavors are ad hoc, focused on a single problem. Another environmental NGO established a national lobbying effort and set a list of priorities designed to encourage the authorities to implement the Aarhus Convention on the rights of access to information, public participation in decision-making, and access to justice in environ-

mental matters. NGOs also formed issue-based coalitions on solid waste management and consumer protection issues. After years of effort, a local NGO's national advocacy efforts yielded a draft "Juvenile Penal Code" that will be presented to the Macedonian government for approval.

The Foundation Open Society Institute-Macedonia (FOSIM) initiated a civil action campaign called "Enough is Enough" in response to the conflict and the sense that a weak civil society had contributed to the conflict.

Communication between NGOs and local authorities has improved, but cooperation with national government representatives and parliamentarians has deteriorated. Despite limited progress, many NGOs have yet to develop strong advocacy skills and need training about the importance of advocacy and lobbying.

SERVICE PROVISION: 5.0

Despite growing interest in providing services in exchange for fees, the recent economic decline has prevented most groups from substantially recovering their costs. The type and quality of services has seen only limited growth, since many organizations are still developing their capacities. The services that NGOs provide include: SOS telephone lines, shelter centers for victims of domestic violence, kindergartens, language courses, hair-dressing, and conflict resolution courses for political parties. Services are mainly project-based.

Local NGOs played an important role in providing services to the victims of the recent conflict. For example, the Macedonian Center for International Cooperation (MCIC) was involved in a number of projects such as the Citizens' Initiative for Peace, which organized appeals and

meetings of religious communities. They also assisted in the provision of first aid and humanitarian assistance to regions with restricted access and restored the water supply to medical centers in Kumanovo and Aracinovo.

The implementation of public administration reforms have begun to have a positive impact on government official's recognition of the role that NGOs can play in taking over activities previously performed by state institutions. Substantial work is still required in terms of providing skills, such as market analysis and accounting, to NGOs that will enable them to provide their services more effectively. Furthermore, government, business, and the not-for-profit sector need a better understanding about the role that NGOs can play in the provision of public services.

INFRASTRUCTURE: 4.5

Basic infrastructure in the NGO sector has improved compared to last year. Among the improvements are the establishment of four NGO Support Centers, in four smaller towns, by the Swiss Agency for Development and Cooperation (SDC) and the Foundation Open Society Institute – Macedonia (FOSIM). The project's main goal is to strengthen NGOs by supporting service delivery and building better relationships with other organizations and authorities. The first two NGO Support Centers in Veles and Prilep became operational in February 2001. Two more centers will open in Stip and Kichevo in early 2002. Each center will provide different services, depending on the region's NGO structure and expertise. The centers will offer technical assistance, training, equipment, facilities, consultations and small grants.

In addition to the four centers above, the European Center for Minority Issues (ECMI) will establish six regional NGO centers in 2002. These centers will be located in Skopje, Kumanovo, Tetovo, Stip, Bitola and Gostivar. The Skopje center will also serve as ECMI's local headquarters. These Regional NGO Centers will work to improve interethnic tolerance, respect for differences, and facilitate a dialogue among all communities living in the country. The ECMI NGO Network now consists of 40 indigenous NGOs representing all ethnic communities in the county.

With some exceptions, NGO coalitions and networking remain weak. Partnerships develop mainly in response to donor community requirements, and project proposals show repetition among many organizations, indicating a need for

MACEDONIA

greater cooperation and information sharing.

Although local training capacity is available, international organizations frequently use foreign expertise when organizing training events. There is a lack

of training opportunities on a regular basis and lack of training on advanced and specialized topics. Furthermore, many NGOs are unaware of the educational opportunities and other resources available in the sector.

PUBLIC IMAGE: 4.5

Increased media coverage of NGOs during the past year, combined with greater efforts by NGOs to publicize their activities, has boosted the profile of the sector. A number of major newspapers now have reporters specifically assigned to cover NGO issues, with the result that more material about NGOs is publicly available compared to last year. The 2001 NGO Fair, and the public interest in this event, served to improve the public's perception of the NGO sector.

In May 2001, 53 NGOs drafted a national code of conduct for NGOs and formed a working group to bring the process to completion. The development of a code of conduct indicates that NGOs are interested in improving their operating practices and raising ethical standards.

Public awareness of NGOs in Macedonia is still in need of improvement, however. The not-for-profit sector is of secondary importance for most citizens due to the armed conflict, the desperate economic situation and high unemployment. The public regards both indigenous and international organizations with suspicion. They are seen as tools for foreign influence, not organizations that are representative of local needs.

The Framework Agreement between the Macedonian and Albanian communities divided much of the country between those for and against its ratification, with much of the ethnic Macedonian community generally against ratification. As a result, donor-supported NGOs that engaged in activities to endorse the agreement received a great deal of public criticism in the majority ethnic Macedonian community.

MOLDOVA

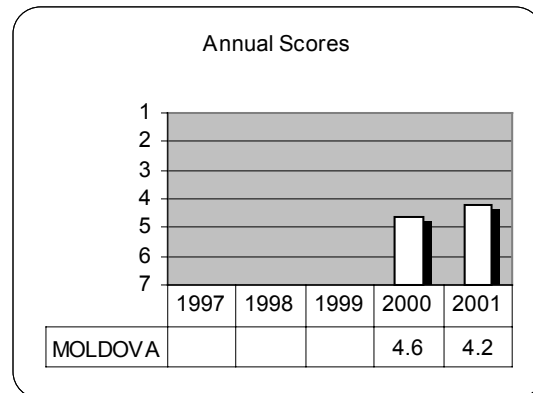
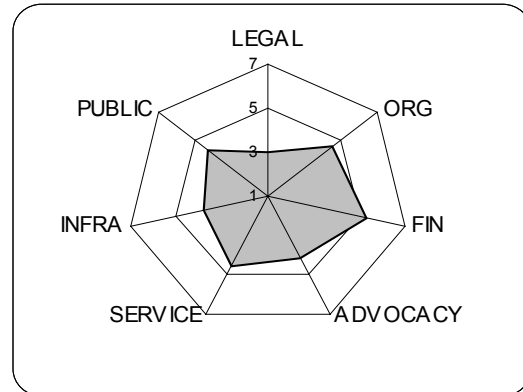
Capital: Chisinau	Foreign Direct Investment: \$100,000,000
GDP per capita (PPP): \$2,500 (2000 est.)	Inflation: 32% (2000 est.)
Population: 4,431,570 (July 2001 est.)	Unemployment: 1.9% (November 2000) (includes only officially registered unemployed)

OVERALL RATING: 4.2

The Republic of Moldova is one of the poorest countries in Europe with 53% of population living on less than one dollar per day. The World Bank Annual Development Report for 2000-2001 ranks Moldova 167th out of 206 countries in the world, based on GDP figures. The economic crisis in Moldova is one factor in the return of the Communist Party to power in the 2001 elections.

Approximately 2,500 NGOs are registered at the Ministry of Justice (national – 65%, local - 35%), though only 20% of these organizations can be considered to be active, either permanently or periodically.

Most NGOs are located in the capital, Chisinau, and most national organizations concentrate their activities within the Chisinau municipality. Growing centers of NGO activity exist. However, in Balti (North), Soroca (North - East), Comrat (South - East), Cahul (South) and Tiraspol (East).



LEGAL ENVIRONMENT: 3.0

NGO activity in Moldova is regulated by the Law on Public Associations (1996), The Law on Foundations (1999), The Law on Sponsorship and Philanthropy (1995), and the Civil Code. In 2000-2001, a Bill on Non-profit Organizations was drafted, but to date has not been debated in the Parliament.

The legal framework allows for the timely registration of initiative groups. At

the national level, this procedure takes approximately one month. At the local level the process may take as long as three months, because local councils, as the authorized bodies to register local NGOs hold their meetings every three months. The costs incurred in registering an NGO total 640 MDL (\$50), and can be very steep relative to the local economy. An average salary, as of July 2001, was \$41.07 a month.

MOLDOVA

Financial reporting requirements are confusing and generally unfavorable to NGOs. NGO accounting standards are currently under development. State legislation adequately protects NGO activity, and there have been no reported cases of NGOs being liquidated by state authorities on political or arbitrary grounds. There are currently no attorneys trained and proficient in NGO legislation in the Republic of Moldova.

However, the CONTACT network of resource centers provides legal assistance to NGOs.

The legal framework permits financial contributions to public benefit organizations and provides for tax deductions, as long as the donation does not represent more than 7% of revenues in the given year. Public associations are exempt from income tax.

ORGANIZATIONAL CAPACITY: 4.5

Leading NGOs are aware of the need to involve citizens in their activities and programs. Most NGOs do not have a clear mission statement or a formal strategic plan. In theory all registered NGOs have a management structure as stipulated by law, but in practice these structures do not generally support a clear division of responsibilities between the Board and staff. Boards are generally only a formality. The principles of transparency and the clear division of responsibilities between Board and staff

are observed only in the most well developed organizations. Some NGOs are able to employ paid staff, and the presence of volunteers in these organizations is becoming an increasingly common practice. Those NGOs with substantial financial support from international foundations are able to maintain offices with modern equipment. Most NGOs, however, lack basic office equipment, and therefore, the network of NGO resource centers is crucial for their operations.

FINANCIAL VIABILITY: 5.3

While there are limited examples of local contributions to community organizations, a large number of NGOs would be unable to operate without the assistance of international donors. NGO funding sources are not sufficiently diversified, with the largest share of financial assistance coming from international donor organizations. Few NGOs have sophisticated financial management systems. Periodically large NGOs undergo auditing procedures, but most NGOs do not use the services of auditing firms. Nor do most NGOs publish their annual activity and financial reports, because most organizations do not have the

necessary funds to conduct an audit, and there is no culture of financial transparency.

There are very few examples of Moldovan NGOs that are able to recover even a small portion of the cost of their services by charging fees. Most services are provided free of charge, because few clients are able afford the cost of fees. Some organizations collect small membership fees, but they rarely represent anything more than token revenue, because so few members can afford to pay. The legal framework does not allow NGOs to compete as equal participants in competition for state contracts.

ADVOCACY: 4.2

Cooperation between NGOs and the central and local public administration authorities continues to improve. NGOs, however, find that it is much easier to establish partnerships at the local level, rather than with the national government. One example of a coalition established for the purpose of policy advocacy was started by the Organization of Mayors in response to a proposal of the parliamentary Communist faction to proceed with the new administrative-territorial reforms. These reforms reverted to the old raion system (the for-

mer Soviet administrative-territorial division). While the old raion system was re-instituted, the coalition helped local mayors and other parties to open the issue for active public debate.

The Regional Forum campaign is another example of important partnership building between NGOs and local government. During this campaign, NGOs worked closely with their local administrations to propose improvements in the conditions of NGO activity.

SERVICE PROVISION: 4.5

Moldovan NGOs provide services in the following areas: health care, education, psychological assistance, family planning, assistance to victims of family violence, agricultural and small business development support. In most cases, these services are only available to residents of cities and regional administrative centers.

The goods and services offered by NGOs usually reflect the needs of the community, however, they do not cover the breadth nor scope of services the community currently needs.

Active NGOs regularly publish reviews, informational bulletins, and electronic bulletins. Seminars and training sessions are well attended, not only by NGO members, but also by state officials, business people, teachers, etc.

There are few, if any, indigenous NGOs in Moldova that are capable of surviving solely on the revenues generated by the services that they provide. In the case of large organizations, the income that they are able to earn from service fees varies, but generally constitutes no more than between 5%-10% of total budget.

As a result of decentralization, a large share of the responsibility to provide social services has shifted from villages to the jurisdiction of local mayors. NGOs are often seen as an alternative means of providing necessary services. However, in virtually all cases, social service provision is underwritten by grants from international donor organizations.

INFRASTRUCTURE: 3.8

A number of organizations provide technical assistance, information, consulting, training services and financial support to nongovernmental organizations and initiative groups in Moldova. These include

the network of CONTACT centers, CreDO, the Centre for Participatory Democracy, the Centre for Non-Commercial Law, the National "S.I.P.F." Centre, as well as regional Environ

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mental Centers. Qualified, well-trained personnel provide these services.

Revenues earned from NGO services are minimal, and most training and support NGOs are not able to cover their expenses from the fees that they are able to charge. Since summer 2000, several local projects have been supported by local Intermediary Support Organizations (ISOs) through the re-granting of international donor funds. These ISOs include CONTACT Centre, SIEDO, the "Pilgrim" Youth Centre, C.I.A.D.C., and REC- Moldova. Several NGO publications emerged following publication of the second edition of the "NGO Forum of Moldova". In addition, the Forum Council for Coordination has been established to maintain a perma-

nent information flow among NGOs. NGO coalition efforts at a local level are now being coordinated through regional forums. Information flow and the exchange of knowledge and experience among Moldovan NGOs are facilitated by umbrella organizations covering a wide array of fields, including women's and youth issues.

Currently there is a network of trainers from the NGOs resource centers. During training sessions, trainers use materials developed by the network, as well as materials translated and adapted to Moldova's conditions. Romanian and Russian language handbooks and practical guides have been published for use in training.

PUBLIC IMAGE: 4.3

NGOs have begun to receive positive coverage in local mass media. The majority of the public has a generally moderate opinion of NGOs, though they are often confuse NGOs with political parties, religious organizations, and businesses.

State authorities and the private sector are beginning to view NGOs as a resource for their experience and their information networks. Local public administrators are increasingly interested in the resources that NGOs are able to contribute to solving community problems, but don't generally consider NGOs as full partners.

NGOs are seldom able to attract broad coverage of their activities. NGOs do not fully appreciate the importance of public relations and rarely employ public relations specialists. They do, however, often publish booklets, leaflets and posters, and are also opening web-sites to spread information about their work and about the sector.

The Second NGO Forum of Moldova (1999) discussed the need for a NGO code of ethics. The NGO Council has developed a draft Code of Ethics, but to date it has not yet been distributed for public review and discussion.

MONTENEGRO

MONTENEGRO

Capital: Podgorica
 GDP per capita: \$1,277 (2001)*
 Population: 650,000*

Foreign Direct Investment: \$9,000,000*
 Inflation: 26% (2001)*
 Unemployment: 41% Official Rate (2001)*
 29% taking into consideration the gray economy (local est.)
 (*) Statistics provided by USAID/Montenegro

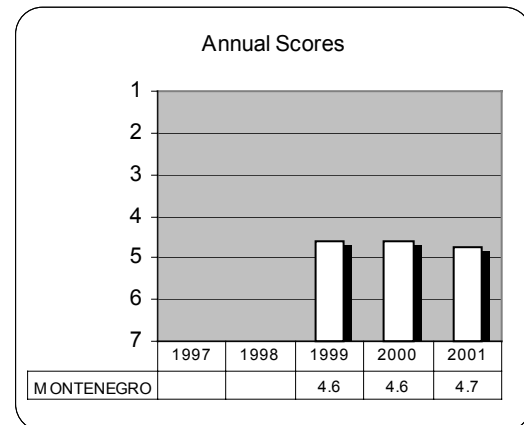
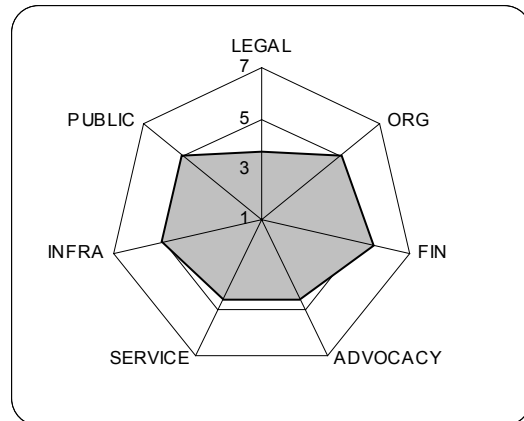
OVERALL RATING: 4.7

The Montenegrin NGO sector can be characterized by its nascent stage of development. While the new NGO law adopted in 1999 liberalized registration procedures, administrative bottlenecks in the registration process have surfaced as the number of NGOs registering soared to 1,550 as of February 2002.

While there are limitations in the Montenegrin NGO sector, it is important to note the strengths as well. During the various Balkan wars, when government agencies could not sufficiently address community needs, a number of NGOs were established to carry out significant activities and services – particularly with regard to services for refugees. This experience provided these NGOs with a relatively high level of confidence, though to some extent, a limited understanding of their role in a democratic society.

Some NGOs have succeeded in obtaining support from municipalities, including both office space and invitations to participate in local public forums. Still others have been successful in receiving funding from the government of Montenegro. Although not widespread, a few NGOs can claim a significant level of volunteer membership.

A number of NGOs focusing on youth issues have successfully emphasized regional networking and collaboration, often involving large numbers of participants in their activities. Although most NGOs do not have a high level of confidence in local government, many local officials believe that NGOs can play an important role in providing training to local government representatives in a variety of issues. A group of ten leaders and representatives from various NGOs participated in a training of trainers (TOT) program over a six-month period that provided a range of information on NGO development and train



ing. Under coordination of the Center for Development of NGOs, these 10 trainers are committed to provide periodic training sessions on a variety of topics to the NGO sector over the next three years.

LEGAL ENVIRONMENT: 3.7

The 1999 NGO Law created an open and simple registration procedure that has made it possible for many new organizations to register. However, administrative overload, as a result of the large number of NGOs attempting to register and bottlenecks in the registration process that were not apparent in the previous years, have had a significant impact on the NGO sector.

To date, there are 1,550 NGOs officially registered in Montenegro. In reality, less than 10 per cent are actively engaged as NGOs. Some of these registered organizations are, in reality, government associations and other groups that distort the statistical profile of the NGO sector.

The Ministry of Justice (MOJ) is responsible for overseeing NGO registration procedures. Unfortunately, registration problems with respect to assigning name domains are not uncommon, because of personal bias regarding the meaning of organization names in the

MOJ. For example, an NGO using the word "national" in its name is often misunderstood by the MOJ as intruding into government jurisdiction.

Montenegrin legislation is not sufficiently clear with respect to the distribution of NGO property upon dissolution of a registered organization. Presently, NGOs are able to control this through their statutes, otherwise the government is entitled to decide who receives the organization's property upon the dissolution of an NGO. Also, Montenegro's NGO Law continues to lack a conflict of interest provision.

Tax legislation affecting domestic donations to NGOs is quite liberal. Corporate donations are tax deductible up to 3% of the corporation's total income. Individual donations are tax deductible up to 10% of taxable income. A new Tax Law recently adopted by Parliament provides NGOs with an exemption from profit taxes, up to 4,000 Euros.

ORGANIZATIONAL CAPACITY: 5.0

Most NGOs in Montenegro are not concerned with operating consistently with the principles of democratic governance. Few have independent governing boards, and the division of responsibilities between those boards that do exist and the staff of these organizations is practically non-existent. Most NGOs do not have permanent full time staff, though some have an impressive number of volunteers. Administrative authority and responsibility in most NGOs are

unclear. Many organizations have only one individual with sole decision-making authority.

Most NGOs either lack an established mission statement, or have poorly defined missions. Even those NGOs that have developed a clear set of goals and objectives often continue to be involved in activities and services that are clearly outside their designated mission. Long-

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term strategic planning is almost non-existent among Montenegrin NGOs.

Some NGOs are capable of identifying important community needs and formulating ideas for addressing these needs in an effective manner. However, most NGOs still face significant limitations in attempting to plan, organize, obtain funding, and implement programs.

The vast majority of NGOs and NGO programs are focused on the capital, Podgorica. Montenegrin NGOs have limited capacity, and lack important skills in strategic planning, program de-

velopment and proposal writing. Most NGOs have little experience in lobbying, cross-sectoral collaboration, or in developing support among their constituents and communities. Organizations outside of Podgorica, particularly those in Northern Montenegro have even greater development needs and have less access to financial support and training.

NGOs rarely review the effectiveness or impact of their programs and services, which limits the ability of the sector to replicate or learn from successful programs.

FINANCIAL VIABILITY: 5.5

Montenegro's economic situation has had a direct impact on the NGO sector and its hopes for local sustainability. Corporate and individual philanthropy are not common traditions in Montenegro, and individuals and businesses do not generally have enough discretionary income to support charitable donations. The average salary in Montenegro is approximately \$90 per month.

NGOs are particularly weak in their ability to identify alternative financing sources such as membership fees, fees-for-services, income generation activities, in-kind contributions, and government and business contracts. In addi-

tion, most NGOs do not have sound financial planning techniques, accounting systems or financial management and reporting policies and practices.

Montenegrin NGOs are primarily project driven, and often alter their missions to conform to donor interests. Many Montenegrin NGOs were created specifically to respond to available donor funding.

Some support, both financial and in-kind, is available from both municipalities and the Government of Montenegro, but the process for applying for and obtaining support is not consistent, nor transparent.

ADVOCACY: 4.5

A growing number of NGO advocacy initiatives have begun to take root in Montenegro, but NGOs still face some resistance from local authorities. NGOs need training and technical assistance in institutional development and advocacy in order to take on larger community issues. A recent sector assessment by American ORT noted that most NGO leaders do not identify civic education

and participation in policy debate or legislation development as important functions for NGOs. NGO leaders believe that it is necessary for their organizations to focus primarily on activities and services that target the immediate and physical needs of their communities.

A number of NGO leaders appear to have a genuine spirit for policy advocacy and public participation, but as the American ORT assessment states, "There is general consensus among Montenegrin NGOs that they have not yet affected public policy, nor do they fully understand their potential role in influencing policy decision-making."

There are, however, a number of well-established advocacy NGOs in Montenegro, including the Center for Democracy and Human Rights, the Center for Transition, the Consumer Protection Center, and the Center for Democracy and Transition. Montenegro also boasts a number of human rights, women's rights and interethnic tolerance NGOs.

SERVICE PROVISION: 4.0

In economic terms, conditions in Montenegro are poor, with high unemployment in most areas. The NGO sector has had a limited impact on the economy.

Montenegrin NGOs provide services in a wide range of issue areas, from consumer rights to anticorruption. NGOs are active in women's and children's issues, human rights and legal aid. Some local NGO programs are promoting em-

ployment opportunities and provide employment training. Available NGO services in this area include job training in fields such as computers, sewing, secretarial skills, and English language. Most of this training is focused on women and youth. Although numerous professional and business associations have been established, they generally have few members, and are not programmatically active.

INFRASTRUCTURE: 5.0

Since many of the NGOs were established to serve needs that arose from the Balkan wars of the past decade, few are presently carrying out well-designed and effective programs – or if they are – lack accountability through monitoring and reporting. Even fewer NGOs show signs of sustainability.

Although many NGOs have succeeded in carrying out some level of joint activity, collaboration among NGOs is rare, largely because of the high level of

competition for limited donor support and because of organizational jealousies.

The overall support system for NGOs is in its early stages. NGO Resource Centers and intermediary support organizations are only just beginning to develop. Indigenous Montenegrin training capacity is limited, and most NGOs are reliant on training resources from international and regional donors.

PUBLIC IMAGE: 5.0

NGOs exist, to some extent, in most areas of Montenegro, but the general public remains ill informed about their role in society. Several NGOs include in-

creasing public awareness of the sector in their missions, but few have been successful in creating effective strategies to address the limited public under

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standing of civil society organizations, and few organizations have developed the skills necessary for successful collaboration with the media.

When there is media coverage of NGO activities, it continues to be generally positive. A growing number of people are beginning to see NGOs as a part of Montenegrin society, but a recent sur-

vey by the Center for Development of Nongovernmental Organizations showed that 28% of the public believes that NGOs are partisan and mercenary, and controlled by the State. Many people believe that NGOs are little more than tools for gaining money and influence from the West.

POLAND

Capital: Warsaw

GDP per capita (PPP): \$8,500 (2000 est.)

Population: 38,633,912 (July 2001 est.)

Foreign Direct Investment: \$9,299,000,000

Inflation: 10.2% (2000 est.)

Unemployment: 12% (1999)

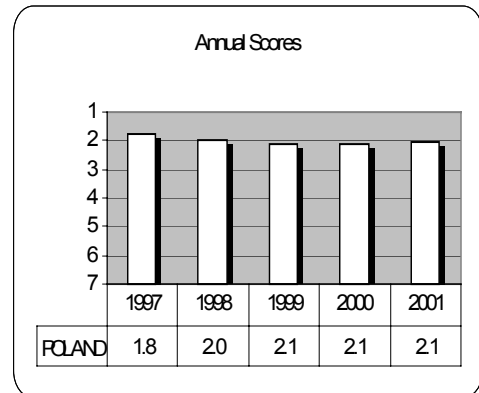
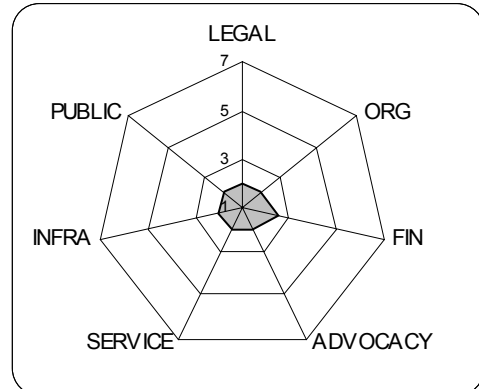
OVERALL DESCRIPTION: 2.1

There are nearly 45,000 NGOs in Poland, approximately two-thirds of which are active. Almost one-fifth of these are based in Warsaw. The NGO sector is still quite young; 25% of NGOs are less than four years old, and 80% were founded after 1989. It is estimated that the third sector accounts for approximately 1.1% of total non-agricultural employment in the country.

NGOs actively provide valuable services to their constituents, as well as advocate on their behalf. The majority of NGOs work in the fields of health care, social assistance, education, and culture. NGOs have successfully advocated on issues ranging from children's rights to environmental protection to the legal framework under which NGOs operate.

Local support for the NGO sector is increasing. 24% of Poles report that they work with at least one NGO in their spare time and 87% of NGOs utilize the services of volunteers. 77% of NGOs consider funding from local and central government bodies to be significant sources of funding. Financial support from businesses and individuals is also growing.

Despite these advances, NGOs continue to face serious problems: financial viability remains elusive for many organizations; relationships with the government require strengthening; and the general public still does not have a solid understanding of the role of NGOs. However, there is a well-developed network of organizations dedicated to addressing these problems and advancing the development of the sector in the future.



POLAND

LEGAL ENVIRONMENT: 2.0

NGOs in Poland can register either as associations or foundations. In 2001, new registration procedures for both forms were introduced, requiring all NGOs to re-register. As a result of strict procedures, many NGOs have been denied registration, thereby discouraging the establishment of new organizations and disrupting the work of many active organizations, particularly small ones located outside of Warsaw. In particular, the new registration procedures require NGOs to have an office, which poses serious problems for NGOs just beginning to operate. Furthermore, fifteen members are required to set up an association, which is considered to be too high by many leaders. At the same time, it is almost impossible to unregister an organization. As a result, there is almost no movement of NGOs in to or out of the sector.

Grants and donations received by NGOs are tax exempt. Polish law also provides tax exemptions for individual and corporate donations that support certain aims. However, there is a need to better define what constitutes a public benefit purpose. There are also problems with the regulation concerning endowments.

The court recently set a dangerous precedent by ruling that resources used to increase the endowment of a foundation do not directly support the organization's statutory goals and therefore should be taxed.

NGOs are required to submit financial statements to the tax authorities. Foundations are also required to present narrative annual reports to the relevant Ministries, although many neglect this obligation.

A draft law on NGOs and volunteers is being formulated within the third sector. This legislation will regulate access to public funding, introduce the concept of Public Benefit Organizations, and regulate the status of volunteers. NGO leaders hope to submit the law to Parliament during the present term.

Both NGOs and the government need to improve their understanding of current legal regulations. NGOs often have legal problems because they misinterpret the law. Additionally, there are very few lawyers with sufficient legal expertise on NGO issues, despite significant demand for such advice.

ORGANIZATIONAL CAPACITY: 2.0

While NGOs are increasingly skilled at defining missions and developing strategic plans, this is still far from common. NGOs often change their missions statements in order to increase their chances of securing funding.

In 1996, the National Forum of Non-Governmental Initiatives adopted a Charter of Principles as a self-regulatory measure. The Charter calls for management and supervisory functions to be separate and precludes members of the supervisory body from receiving

remuneration. The Association for the Forum of Non-Governmental Initiatives (FIP) is helping organizations to operationalize these values.

Volunteerism is becoming increasingly more common; 87% of Polish NGOs report utilizing volunteers. There is an active network of 18 Volunteer Centers that organizes numerous activities, including volunteer data systems and an inter-sectoral coalition for the International Year of Volunteers.

There is a growing understanding in the sector that quality is more important than quantity. A number of public awards are made to NGOs such as the government's "Pro Publico Bono" award and the "Quality Outside Government" award granted by the Stefan Batory Foundation.

It is estimated that the Third Sector accounts for approximately 1.1% of total employment in Poland. The NGO sector has difficulty attracting and retaining employees, due to the lower salaries and lack of stability in funding. Nevertheless, leading NGOs generally have paid staff, usually well-trained and skilled professionals. Many organizations, however, operate without any outside funding, and therefore can not afford to have any paid staff. 46% of NGOs do not employ any staff.

Polish NGOs increasingly cooperate with and support the development of the Third

Sector in Belarus, Ukraine, Lithuania, and the former Yugoslavia. Polish NGOs are also actively engaged in EU accession issues. Since 2001, Poland's leading NGOs have had a representative office in Brussels to improve communication between Poland's NGO community, NGOs in the EU member states, European network NGOs, and EU officials and parliamentarians.

NGOs in the major cities are fairly well equipped technically, although NGOs in smaller cities are generally cut off from online resources. To some extent this situation is caused by the fact that many elderly people, who are not computer or Internet savvy, are engaged in the third sector. One fourth of NGOs have email and 15% maintain their own websites. The NGO portal maintained by KLON/JAWOR (www.ngo.pl) is becoming popular: the number of visitors rose from 1,745 in January 2001 to 47,087 in October 2001.

FINANCIAL VIABILITY: 2.5

NGOs are increasingly raising funds from local sources. Models of consistent and transparent funding of NGOs by local government are slowly developing, but still insufficient. Access to local public funds depends on particular interests and political ties. Additional work is needed to develop a consistent, nationwide mechanism for local governments to fund NGOs and devolve responsibilities for service delivery through contracting. Budgetary constraints also limit local governments' ability to support NGOs.

Statistics show that one-fifth of NGO revenues come from individual and corporate donations. In 2000, small and medium companies donated an average of 5% of their gross profits to charities.

Over the last three years, several initia-

tives have been developed to generate local sources of funding for NGOs. The Academy for the Development of Philanthropy in Poland develops and promotes philanthropy through its "Benefactor of the Year" competition a program aimed at creating and developing community foundations. A pilot program for the contracting of services to NGOs by local government has been initiated in selected municipalities.

Poland has good training programs and consulting services available in fundraising. As a result, fundraising skills are fairly well developed in the sector. Although still limited to a small group of NGOs, many innovative techniques of fundraising - including modern Internet technologies, telethons, and lotteries - have been tried in Poland.

POLAND

Many NGOs are beginning to charge fees for their services, but some NGO activists remain concerned about the need to maintain a clear separation in the minds of the general public between not-for-profit organizations and businesses.

Many organizations have problems managing their finances and are not able to afford professional advice and assistance in this regard. Furthermore, the number of accountants with knowledge of NGOs is limited. As a result, financial reporting practices are weak.

ADVOCACY: 2.0

The number of public advocacy activities being initiated by NGOs continues to increase. There are a number of coalitions and umbrella groups working on issues such as children's rights, the rights of the disabled, human rights, environmental protection, cooperation between NGOs and other sectors, and the legal framework for NGO activities. FIP is working with existing federations to build a stronger national coalition of NGOs to address sector-wide problems. FIP also provides the Parliament with information on the Third Sector and with input concerning the proposed law on public benefit activities.

There remains a need to legitimize the organizations that represent the interests of the third sector. To date, organizations such as FIP have played this role as the result of a tacit agreement, rather than a formal mandate.

Cooperation with local administrations exists more on paper than in reality. Local governments usually do not have a policy regarding interaction with NGOs, so there is limited opportunity for NGOs to influence local decision-making.

SERVICE PROVISION: 2.0

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

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

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

In essence, NGOs are stuck in a vicious cycle: NGOs do not get contracts for services because of their poor standards, but they are unable to improve their standards until they begin contracting services. There is a great need to build mechanisms for the contracting of services for all three sectors.

INFRASTRUCTURE: 2.0

NGOs in Poland benefit from a well-developed infrastructure. The "SPLOT" network, consisting of 11 NGO support centers located in major cities, provides information, training and advisory services in fund-raising, NGO management, cooperation with local government, and promotion and cooperation with the media. Some of the achievements of the network include creation of a national information bank on NGO directories; numerous publications, including NGO directories, guidebooks and newsletters; Internet services for NGOs; and, centers promoting volunteer work. Most of the support centers in the network have sub-networks operating in smaller towns.

Another network, Centers for Local Activity (CAL), was created in 2000 to encourage activism within local communities. Network members include NGOs, schools, cultural centers, social clubs, and others. There is also a network of Citizens' Advice Bureaux (BPO) providing information and counseling to individuals and Volunteer Centers to encourage volunteerism in NGOs and public institutions. Finally, community foundations often provide technical support to NGOs as partners in the SPLOT sub-networks.

Over the last four years, NGO support centers have substantially increased their capacity to serve NGOs. However,

financing continues to be a problem. The centers are largely dependent on donors, primarily foreign funders. Local funding only accounts for 20% of budgets and the resource centers generally provide their services for free. There are serious concerns that indigenous sources of funding might not develop quickly enough to fund the centers before foreign funding disappears.

NGOs increasingly understand the importance of coalitions. There are currently coalitions of NGOs working on children rights, the rights of the disabled, human rights and environmental protection. Furthermore, in every big city there is an NGO council or similar structure.

NGO trainers are professional, but both access to training and the scope of training is limited, especially outside of Warsaw. A further problem is that foreign support for NGO training has ceased, and NGOs rarely participate in training if they have to pay for it out of their own funds.

Inter-sectoral partnerships are developing with foreign and local business, local government and the media. The Academy for the Development of Philanthropy in Poland and FIP both work to develop links between the third sector and business.

PUBLIC IMAGE: 2.0

Media coverage of NGO activities continues to improve. Many articles are written about NGOs and there are three TV programs and several radio programs that cover NGO issues. Local media covers NGOs more closely than national media. Press coverage has also become more favorable. Whereas coverage used

to focus on scandals in the NGO sector, now there are often articles portraying people involved in public benefit activities. Unfortunately, these individual positive stories about NGOs do not seem to influence the image of the whole sector, whereas negative stories do.

POLAND

Although coverage has improved, the general level of understanding of NGOs by journalists remains low, and there are few journalists who specialize in third sector issues. To address this need, NGOs organize training programs and conferences for local journalists and inform them about activities in the sector. There is a very successful NGO Internet press agency, "Fipress", which prepares and distributes information among NGOs and the media.

The general public still does not have a solid understanding of the non-profit sector and often has a negative image of NGOs. Foundations are generally perceived as suspect, if not dirty, businesses, although individual well-known organizations are recognized as trustworthy and necessary. Research con-

ducted in 2001 indicated that 41% of the population considers the influence of associations and foundations on solving important social problems to be small, and only 29% responded that these organizations solve problems in their neighborhood. However, 73% of Poles believe that NGO activities are more important now than they were five years ago.

The third sector tends to be perceived narrowly as involving charitable activities, and less frequently as conducting lobbying or representing particular interests. Politicians have been "trained" to consult with NGOs, but do not necessarily do so in practice. NGOs still need to develop more effective ways to publicize their activities and promote their public image.

ROMANIA

Capital: Bucharest

GDP per capita (PPP): \$5,900 (2000 est.)

Population: 22,364,022 (July 2001 est.)

Foreign Direct Investment: \$1,000,000,000

Inflation: 45.7% (2000 est.)

Unemployment: 11.5% (1999)

OVERALL RATING: 4.0

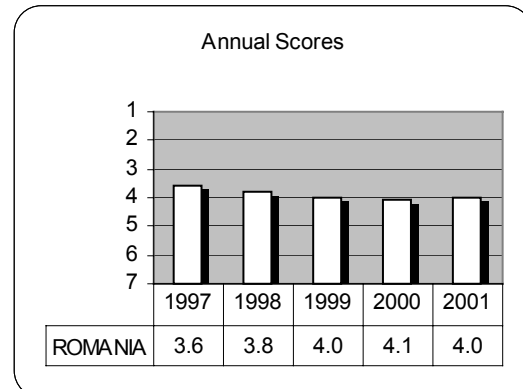
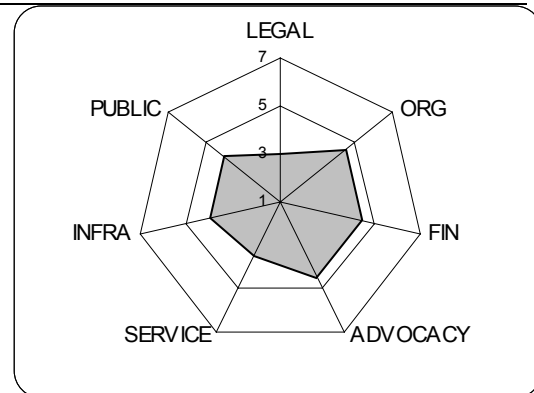
Despite improvements anticipated as a result of the recent passage of Government Ordinance 26/2000 (G.O. 26/2000), the Romanian NGO sector made little progress over the past year. The sector continues to need further develop in institutional capacity and in the relationship between NGOs, government, and the private sector. Nevertheless, more local authorities are establishing partnerships with community-based NGOs and NGOs now have increased access to local media.

Recent data indicates that there are approximately 25,200 NGOs in Romania, an increase of approximately 2,000 over last year. The Romanian nonprofit sector remains predominantly urban, with only 14% of all NGOs located in rural areas. Geographic distribution in the country also remains uneven, with counties in southeast Romania, for example, showing very low levels of associational life.

NGO social service delivery continues to expand in both geographic scope and range of services, reflecting the need for such services in Romania's difficult economic and social environment. Organizations working in the social services sector are also drawing public attention to social problems, particularly child welfare issues.

Financial resources for NGOs continue to be scarce. While donor funding and individual and corporate contributions are decreasing, NGOs are beginning to successfully raise money from local and central governments. Staffing continues to remain a problem, with many organizations unable to develop and retain core full-time staff.

While NGOs have lobbied for legislative and policy changes in various sectors, including discrimination against Roma and other minorities, and public access to information, such actions have not yielded expected results. The overall legal and fiscal environment for NGOs and the low level of public recognition of NGOs have not changed. NGO constitu



ROMANIA

encies remain weak, and opinion-makers, media, and the business sector remain skeptical of them. Nevertheless, some media and business groups have begun to partner with NGOs in public education campaigns about important social issues such as family violence, child abandonment, community health, and education.

LEGAL ENVIRONMENT: 3.0

G.O. 26/2000 governs the registration and activity of associations and foundations. Although the government ordinance attempted to simplify registration and the conditions under which NGOs can earn income from business activity, several problems remain. A list of desired amendments to G.O. 26/2000 is currently being advanced by NGOs. Specifically, improved legislation is needed regarding the tax treatment of individual contributions and corporate sponsorship, the registry of NGOs at the Ministry of Justice, and more consistent enforcement of the provision eliminating required approvals by individual government ministries based on initial NGO registration at local courts.

G.O. 26/2000 created a distinction between “direct” business activity, under which NGOs may sell products or services related to their non-profit purpose without setting up a company, and “indirect” business activity, under which business activity is done through a

company. Profit, in the latter case, if not reinvested in the company, must be used to fulfill the NGOs’ purpose. In addition, the ordinance enabled NGOs to compete for government contracts and procurements at both the local and central government level. However, many NGOs still find this system too difficult to navigate. For example, procedures used for awarding public benefit status remain unclear, with a lack of uniform criteria across different government ministries. Many local NGOs have chosen to ignore these provisions and have established partnerships with local governments to provide services in spite of the unclear enabling environment.

The legal treatment of sponsorship also remained a concern for non-profits. Law No. 204/2001 established new rates of tax deductions for individuals and legal entities that donate to NGOs, with the maximum deduction dependent on the type of organization.

ORGANIZATIONAL CAPACITY: 4.5

Most NGOs have limited capacity to increase the populations they serve or diversify their activity. There are often gaps in communication between service providers and recipients. Among the exceptions are associations created by parents of disabled children that are active in developing NGO capacity to maintain specific programs. Some NGOs are less concerned about being accountable to their beneficiaries than to donors, reflecting a lack of constituency-

building capacity.

NGOs aim to respond to various needs of communities, but often fail to establish clear mission statements. Strategic planning is not commonly used, and NGOs are less interested in receiving training or assistance on strategic development topics than on fundraising and project writing. However, Romanian NGOs are gradually starting to look at internal factors that impact

sustainability, addressing the need for organizational management, internal controls, permanent staff, and financial accountability.

Financial accountability remains a critical issue. Information on NGOs' financial status is not generally made available to the public. However, some NGOs that raise money locally understand the long-term strategic importance of building trust in local communities, and have begun to show greater openness and transparency. A positive example is Community Support Foundation – Bacau in northeast Romania, which provides information to local sponsors and community leaders on its community services.

NGOs are aware of the importance of having qualified human resources and acknowledge the need for at least two

permanent paid staff in order to ensure and develop institutional capacity. However, difficulties in raising funds for salaries force many NGOs to reduce permanent staff or to hire personnel on a project-by-project basis.

Volunteers are an important resource for NGOs, especially in light of a new law that creates a framework for employing volunteers. The law provides the following legal definition for volunteer services: "an activity of public interest undertaken by individuals called volunteers within the framework of certain legal relationships, other than a legal or civil labor relationship for carrying out a paid activity". Even with these provisions, many organizations cannot take full advantage of working with volunteers, as they are not prepared to manage them, assign adequate tasks, schedule their activities, etc.

FINANCIAL VIABILITY: 4.5

During 2001, the number of major grants programs for Romanian NGOs declined, with many ceasing activity altogether. Despite this, grants remain the principal source of funds even for NGOs which have diversified their funding base to include state subsidies, contracts, membership fees, donations, corporate sponsorship, and business activities. Local support is growing, but varies by field of activity: education, social services and sports are still the most attractive to potential donors and sponsors.

NGOs are increasingly raising money from the local and central government. Individual and corporate contributions as well as membership fees decreased over the past year as a potential source of funding for NGOs given the economic downturn which has affected both companies and individuals.

G.O. 26/2000 raised expectations in terms of public support and economic activities. It stated that some public benefit organizations "may be granted subsidies," but NGOs understood it as "will be granted subsidies." In practice, public funding is available only through select ministries with special programs, including the Ministry of Labor and Social Protection, Ministry of Youth and Sports, Department of Ethnic Minorities, and the State Secretariat for Disabled. Local governments have been more active in developing procedures through which in-kind donations (such as office space) and cash support can be provided to NGOs.

Advanced fund-raising techniques are being developed, with some NGOs beginning to organize TV and other fund-raising events. For example, "SMILE," a

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project established by Health Aid that works with HIV-infected children, successfully raised approximately \$50,000

through a TV fund-raising campaign in 2001.

ADVOCACY: 4.5

After the change of government in 2000, the Office for Government–NGO relations (under the Directorate for Protocol of the General Secretariat of the Government) was reorganized as the Department for Institutional and Social Analysis headed by a Secretary of State under the Prime Minister. The Department (DAIS) has worked since February 2001 to provide information on NGO activity, support their initiatives, and facilitate NGO consultations with government and has co-sponsored NGO events, supported NGO proposals to the Government, and served as a channel of communication between NGOs and policy makers.

Although the Office of Public Information and Relations with Civil Society in the Romanian Chamber of Deputies (lower chamber of Parliament) was nearly dissolved at the beginning of last year due to rising pressure for the Chamber to reduce personnel costs, it survived and continues to provide effective services to the NGO community. A group of hu-

man rights NGOs have demanded similar access to legislative documents in the Senate, but have been refused so far.

A successful lobbying campaign led by a well-organized coalition of media groups, think tanks and human rights NGOs resulted in the passage of a widely praised Law on Free Access to Public Information. Another positive example of collaboration between NGOs and the government was passage of the law on human trafficking, which was produced by a legislative working group established in part by the Center for Legal Resources. Another effective campaign was developed by ACCEPT, an association for sexual minority rights, that resulted in removal of discriminatory provisions from the penal code.

Despite these successes, lobbying activities for the sector as a whole lost momentum, and some initiatives were not finalized, including the “one percent law” – a tax incentive for sponsors modeled on a Hungarian law.

SERVICE PROVISION: 3.5

Romanian NGOs provide mostly social, educational, cultural and recreational services. NGOs have displayed their efficiency in complementing the state in domains such as higher education or child welfare, where the state is unable to meet demand. Goods and services offered by NGOs increasingly reflect the needs and priorities of communities. While NGOs are slowly becoming more sensitive to community needs, the sector has a volatile public image. Although

beneficiaries still generally expect NGO products and services to be free, NGOs have started to introduce fees in an attempt to get partial cost recovery.

Social service provision is improving especially in the area of child welfare, as NGOs develop solutions for the public sector related to preventing child abandonment, supporting family education, offering legal advice, promoting “foster” care, and organizing baby sitting. By the

end of 2001, the Government had issued a draft framework law on social assistance to address relations with NGOs for providing social services. The underlying principle of the draft law is

that the state should organize and provide financial and logistic support for a social services system through promotion of partnership with local community organizations.

INFRASTRUCTURE: 4.0

Few of the many NGO resource centers initiated with donor support over the years have survived. Often, such centers failed to become sustainable because the NGOs that took on the provision of these services lacked the capacity to maintain their core activities for which they had built community support. There are some positive examples, however. In Cluj, a local NGO network functions as a resource center, and a special NGO resource center was created for NGOs active in social work. A new program to develop five regional NGO resource centers was recently launched by Centras and seeks to incorporate these lessons learned.

Training activities are supported by a number of local resource centers, including CREST Satu Mare and the Resource Center Galati. The NGO sector has a core group of professional trainers, and training materials adapted to Romanian NGOs are widely available in the Romanian language. Training providers are looking for ways to develop sustainability, such as charging small fees, but such income remains insufficient. While university programs in non-profit management exist, they are

generally not of high quality or based on practical Romanian realities.

The Executive Group of the annual National NGO Forum (GIR) continues to represent the interests of the NGO sector, acting as a rapid reaction group on issues of concern to the sector as a whole. The national forum is organized following county level meetings throughout Romania each year. Topics on the agendas of county forums have included: resources for NGOs, legal framework, public benefit status, public image, and partnerships with local government and among NGOs. NGO representatives are looking at network and federation structures to increase their strength.

In recent years, some local funders started to provide small grants to NGOs. Funders such as Princess Margarita of Romania Foundation and Foundation for Community Partnership mostly distribute funds raised abroad, but rely on local decision-makers. NGOs consider them well-positioned to make small grants because of their knowledge and understanding of rapidly changing local needs.

PUBLIC IMAGE: 4.0

NGO leaders still regard a media campaign against NGOs in 1998 – which targeted the misuse of foundations, for example, using them for tax-free import of personal vehicles – as having had lasting negative impact on the public

image of the nonprofit sector. Negative reports on NGOs in the fields of international adoption and animal rights recently brought more negative attention to the sector. Despite these problems, NGO relationships with local mass me

ROMANIA

dia have improved on the whole.

Publication of achievements and annual reports has not yet become regular practice for most NGOs. Although the National NGO Forum approved a code of ethics for NGOs, uniform ethical practices have not yet been developed. Public awareness of NGOs remains limited. According to surveys, 78.4% of the population does not know the acronym "NGO". This lack of awareness and confidence in NGOs affects the level of voluntary activity. However, a slowly improving understanding by local government and the business sector, as earlier

noted, has helped NGOs to play a role in developing new laws and policies at the local level.

Professional media campaigns organized by NGOs to promote their causes are new. Positive examples include a campaign against domestic violence by the Community Safety and Mediation Center in Iasi, following the release of a study by Save the Children Romania, and a similar campaign by the Association for the Promotion of Women in Timisoara.

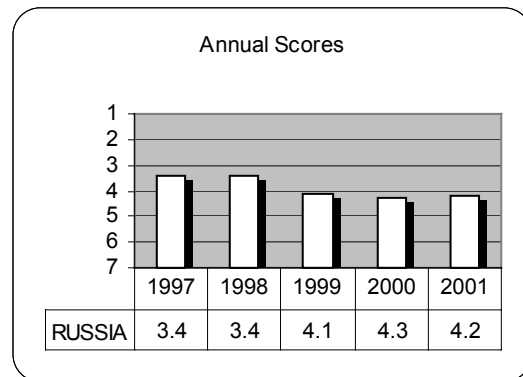
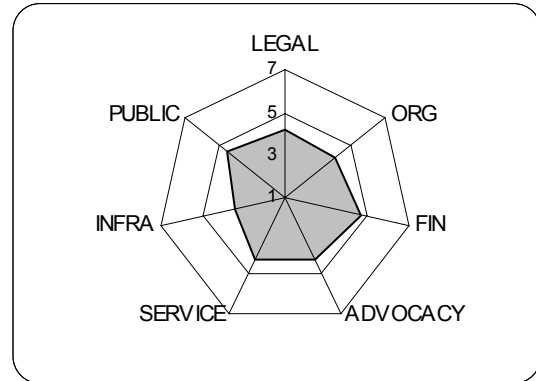
RUSSIA

Capital: Moscow	Foreign Direct Investment: \$2,000,000,000
GDP per capita (PPP): \$7,700 (2000 est.)	Inflation: 20.6% (2000 est.)
Population: 145,470,197 (July 2001 est.)	Unemployment: 10.5% (2000 est.) plus considerable underemployment

OVERALL DESCRIPTION: 4.3

By early 2001, there were approximately 450,000 NGOs registered in Russia. It is estimated that about 60% of these are independent civic associations; the remaining 40% are other types of non-commercial organizations, including political parties, labor unions, representatives of international organizations, and post-Soviet NGOs. More NGOs are registered in Russian central districts than in the regions. There are approximately 150,000 NGOs in the Central District and 70,000 in the Ural region. The Volga, West Siberia and Northern Caucasus have about 50,000 NGOs each. Experts believe that only between 15 and 20 percent of these are functioning NGOs. There are about one hundred issue-oriented NGOs that are leaders in their field and whose activities are known across Russia.

NGOs are highly regarded at the municipal level, but less so at the regional level. Federal authorities show a keen interest in the third sector, as evidenced by their establishment of a Charitable Organizations Union, a Civil Chamber, and a Civil Forum for NGOs. Recent government attempts to co-opt and coordinate NGOs are viewed, alternately, as a threat to NGO independence and as long overdue government recognition. Federal authorities and NGOs have yet to identify an effective way to channel public opinion on national policy matters. For example, despite significant public opinion on the matter, a referendum was not allowed on the banning of imported nuclear waste and neither the Duma nor the President heeded public opinion before signing three nuclear bills into law. Larger, urban NGOs have been forced to endure tighter controls, obstacles to registration and economic hardships imposed by Part Two of the Tax Code.



RUSSIA

LEGAL ENVIRONMENT: 4.2

The legal environment for NGOs in the Russian Federation developed unevenly over the last year. Despite progress in the regions, federal legislation governing NGO activities showed a disappointing lack of improvement. Strong advocacy by local NGOs led to the passage of laws favoring NGO development and participation in community life in many provinces at the regional and municipal levels.

There was a lack of legislative progress at the federal level, however. A recently-passed federal Law On Political Parties passed this last year allows for separate

legal registration between NGOs and political parties, setting a precedent for federal involvement in thematic NGO activities. Part Two of the Tax Code, passed in 2000, created additional bureaucratic barriers for NGO accounting without creating conditions favorable for local philanthropy and corporate donations. In addition, the Duma failed to pass several laws critical to the sustainability and effectiveness of Russia's third sector, including the laws On Separating Core and Business Activities and On Foundations. Finally, registration of NGOs has become a more complicated process.

ORGANIZATIONAL CAPACITY: 4.4

Organizationally, there is increasing disparity within the NGO sector. Only 10 percent of working NGOs can be considered structurally and programmatically advanced. The remainder continues to struggle for institutional sustainability and impact. Many organizations do not have clearly formulated missions and their technical equipment is of poor quality. The lack of professional skills among NGO staff members is acute. Many NGOs lack appropriate management systems and governing structures such as boards of directors or trustees. While NGO management training is available, the existing training system is unable to cope with demand. Furthermore, there is a lack of stan-

dardized systems for information exchange and the sharing of best practices in service provision. As a result, many NGOs are ignorant of cutting-edge technology in the provision of some social services.

The NGO sector varies in its ability to defend clients' interests. Many NGOs lack the skills needed to incorporate client feedback and expand services to cover new clients. NGOs established a decade ago to meet community needs have not adjusted to new realities or adopted new approaches. Furthermore, this focus on a narrow client base has hampered the development of coalitions.

FINANCIAL VIABILITY: 4.7

The economy has finally begun its recovery from the financial crisis of 1998. As a result, new opportunities for local fundraising, including local corporate philanthropy and intersectoral social partnerships, have developed and are

being used more widely. However, opportunities in this regard have been hampered somewhat by legislation which does not create favorable conditions for philanthropy.

Cooperation has increased among NGOs and regional and municipal governments. More local administrations now offer NGOs a direct mechanism for participating in the provision of social services to local populations, either in the form of competitive procurements or grants programs. For example, in November 2000 the Volga Federal Administrative district conducted a \$1 million grant competition for NGOs and municipal structures to promote innovative and effective social welfare programming. This type of development increases both the financial sustainability and service delivery capacity of regional NGOs. However, while municipal funding is increasing, the sector still needs to learn how to take full advantage of these new opportunities.

There have also been advancements in corporate and individual philanthropy. As a result of increased prosperity and lobbying by local NGOs, local businesses have begun to engage in local philanthropy. Programs like the Ros-

bank Student Stipend Program and the Togliatti and Tyumen community foundations show that businesses have become more receptive to making contributions to NGOs. However, as long as a significant percentage of the population continues to live under the poverty line, the potential for private philanthropy remains limited.

The well-publicized entry of Russian oligarchs to charitable giving has provoked two different responses. On the one hand, many Russians regard contributions made by oligarchs such as Berезovsky and Potanin with suspicion and as the tainted byproduct of illegally acquired funds. On the other hand, NGOs recognize that the emergence of philanthropy will have a positive impact on the long-term sustainability of the sector.

Most NGOs have limited financial management skills, which negatively affects their ability to raise funds from new sources.

ADVOCACY: 4.9

The third sector stepped up its advocacy efforts in 2000-2001. For example, the Campaign for Fair Taxation continued throughout the last year and successfully resulted in the adoption of some minor amendments to the Tax Law.

NGOs have been increasingly effective at garnering public support for advocacy initiatives. For example, environmental organizations collected 2.5 million signatures to support a national referendum against the import of nuclear waste. Unfortunately, a referendum was not allowed and both the Duma and the President ignored public opinion when they passed three unpopular laws on nuclear issues. Broad public support was also given to NGOs lobbying for

refugee and migrant rights.

While there are some national successes, NGO advocacy efforts have been more successful at the regional and municipal levels. Coalitions and interest groups have succeeded in lobbying local governments to consider citizen opinion in the formulation of local social policy. In particular, there has been increased activity of "territorial self-governance organizations" and other similar community-based organizations, particularly in areas such as local construction, waste management, potable water, and public safety. As regional coalitions and NGOs increase their professionalism and successfully complete initiatives, their image among local

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authorities has improved. As a result, such groups are able to more effectively provide expertise on local policy issues.

One of the most significant events within the Russian NGO sector in 2001 was the Civic Forum held in Moscow in November. President Putin opened the meeting of 5,000 NGO representatives. This was the first time that government officials and NGO representatives from throughout Russia met to discuss the development of civil society in Russia. Although it is too early to identify concrete results, a foundation for future dialogue was laid. Of discussion in-

cluded the state's responsibility to nurture civil society, the transparency of government activities, the social and economic potential of the third sector, charitable giving and controversial topics such as Chechnya and prison and military reform. President Putin mentioned in his speech that the government is ready to initiate legislation to encourage effective cooperation between the state and the third sector. Initial feedback from the participants indicates that the Forum was an encouraging step, but the long-term development of civil society continues to be a challenge in Russia.

SERVICE PROVISION: 4.3

Two trends have emerged in service delivery over the past year. First, local NGOs have increased the range, volume and quality of the services they provide as a result of greater efficiency and utilization of volunteers. Nevertheless, social and economic needs in the country far outweigh the services NGOs provide. Second, larger NGOs have begun to provide more training and information services directly to other NGOs as opposed to directly serving citizens, thereby drifting farther away from their grassroots support. While some fear that citizens are being deprived of the professionalism and experience of these larger NGOs, others consider this a

positive development in the infrastructure of the third sector.

Russian NGOs are still limited in their ability to provide services in a professional manner. Among the explanations for this shortcoming are an absence of specialists, lack of know-how, and insufficient resources. This is exacerbated by the fact that NGOs do not effectively share best practices among themselves. Equally important is the communication barrier between local government and NGOs that tends to generate unrealistic expectations and hinder cooperation. NGOs also have poor understanding of municipal procedures.

INFRASTRUCTURE: 3.4

A network of regional resource centers (RC) and NGO support centers (NGOSC) has developed across Russia which provide a variety of services to their NGO clients including information services, technical support and training on different aspects of NGO development and management. These centers are located mostly in large cities with weaker contacts in small towns and ru-

ral communities.

RCs and NGOSCs have also spearheaded intersectoral social partnership models and mechanisms and have been the driving force behind the development of NGO networks. RCs and NGOSCs also play an important role in promoting the idea of socially responsible businesses.

Since 2000, there has been a tendency towards transforming universal RCs and NGOSCs into issue-based NGOs that act as leaders in particular sectors as a result of financial realities. Resource centers tend to be capital intensive and highly dependent on foreign donor support. As a result of decreased foreign funding, several resource centers ceased to operate in 2000. For-profit organizations began filling this niche actively.

The federal government has shown great interest in NGOs over the past year, as witnessed by the establishment of an NGO committee under the Duma Chairman, a Civil Chamber, and an umbrella Union of Russian Charitable Organizations. While some view this attention as recognition of the influence of NGOs, others are cautious that the government might begin to exert pressure on NGOs by attempting to “coordinate” them.

PUBLIC IMAGE: 4.5

The public’s perception of NGOs across Russia remains lackluster despite earnest attempts by NGOs to improve their image. Despite this, public relations and marketing are considered luxuries within the NGO sector. As a result, most NGOs have poor public relations skills and, in fact, there are few public rela-

tions specialists in the NGO sector. The quality of NGO publications also remains low. Efforts to encourage journalists to cover the NGO sector have had few successes. NGO leaders have been unable to adapt to the media environment and are considered aloof in working with local and national press.

SERBIA

SERBIA

Capital: Belgrade

GDP per capita (PPP): \$2,300 (2000 est.)*

Population: 8,227,290 (July 2001 est.) **

Foreign Direct Investment: 50,000,000*

Inflation: 42% (1999 est.)*

Unemployment: 30% (2000 est.)*

(*) Data is for the entire Federal Republic of Yugoslavia

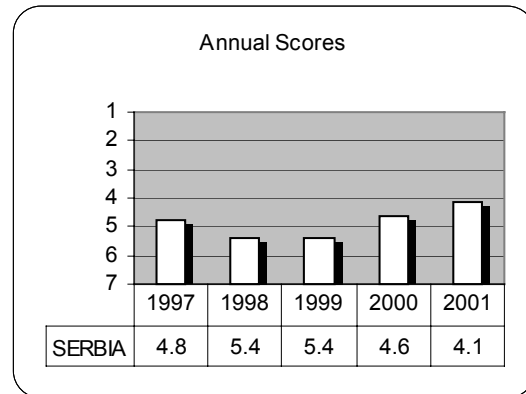
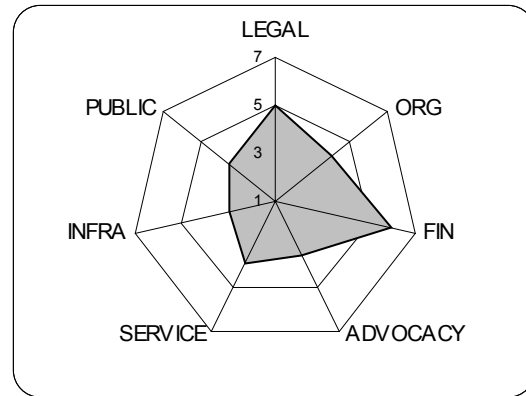
(**) FRY population minus approximate populations for Kosovo and Montenegro

OVERALL DESCRIPTION: 4.1

In October 2000, Serbian NGOs greeted the dawn of a new political era. The third sector had been instrumental in effecting a watershed political transition that brought about the end of Slobodan Milosevic's oppressive regime and the rise of an 18-party coalition, Democratic Opposition of Serbia (DOS). Popular movements and NGOs such as OTPOR and CeSID, working hand-in-hand with opposition parties, free media, and independent trade unions, brought thousands to the polls, monitored elections, and increased the flow of objective information to citizens. At times, these efforts were nothing less than heroic – NGO members risked jail or worse, groups had their premises ransacked, and the outcome of the September – October process (and therefore the third sector's future) was far from assured.

One year later, the NGO landscape looks quite different. No longer defined by polar opposition to government, NGOs are working to reshape themselves as citizen watchdog groups, crusaders against corruption, advocates for policy change in any number of areas, and service providers. Hundreds of new NGOs have formed. Most are small groups dedicated to a single issue or service. Some of these new groups are affiliated with political parties, including those on the far left and right.

NGOs are now looking to take on activities that will strengthen both individual organizations and the sector as a whole. The NGO Policy Group, formed in January 2001, conducted a study of 821 NGOs that provided a wealth of information regarding the sector and its needs. Talk of building more formal NGO coalitions to complement issue-based collaboration is taking on greater momentum. A network of new NGO resource centers has been established. NGOs now look to government for action on key issues, and are developing relationships and partnerships with authorities at all levels.



Much remains the same, however. Indigenous funding sources are virtually nonexistent, in large measure due to the sluggish state of the economy. The public still has little knowledge of NGOs and their activities, with some high-profile exceptions (OTPOR's current anti-corruption billboards and TV spots, for example). Media may report on NGO events, but give the most airtime and print to government officials present. NGOs, with the exception of urban, policy-oriented groups, typically rely on a single source of donor funding. Constituencies are underdeveloped, and NGOs see themselves as accountable primarily to donors. The legal framework for NGOs remains weak. Boards remain underdeveloped as sources of sound NGO governance.

LEGAL ENVIRONMENT: 5.0

The legal environment is largely unchanged from last year. NGOs generally register under the federal 1989 Law on Foundations, which establishes a more favorable, less restrictive framework for NGOs than does the 1982 Serbian law that is still in effect. A government-NGO partnership has drafted more favorable Serbian (republican) legislation, but it is unclear whether this will be passed in the near future. NGOs are also concerned that the current drafts of proposed fiscal and labor legislation could impact their activities negatively. They feel generally under-consulted by government on legal reform issues.

There have been disturbing developments of late that bear out this perception. In September 2001, the FRY parliament passed a confiscatory law on

donations that would tax charitable work heavily and otherwise burden NGOs with restrictions on how they do business. This law may affect local governments and other institutions as well. It is too early to determine exactly how this development will impact the sector.

For guidance regarding registration and other legal matters, NGOs can turn to two organizations – the Center for the Development of the Non-Profit Sector (CDNPS), which is participating in the republican legislation drafting group, and the Yugoslav Lawyers' Committee for Human Rights (YUCOM). Both groups serve NGOs across Serbia, but it is unclear how familiar NGOs outside of the largest urban centers are with their services.

ORGANIZATIONAL CAPACITY: 4.0

Most NGOs still have a long way to go to build strong constituencies, plan strategically, govern themselves effectively, staff appropriately, and put technologies to use. There is a growing awareness, at least among urban organizations, that improvements in organizational capacity are necessary. Indigenous training organizations report that NGOs are increasingly asking for

training in board development, for example.

The 2001 CDNPS survey of Serbian NGOs reported that 50% of organizations polled do not have even one computer, and 77% have no paid staff. NGOs have boards of directors, but do not necessarily put them to effective use in governing their operations. Training capacity in board development is

SERBIA

somewhat underdeveloped. Some organizations use volunteers very effectively – CeSID, for example galvanized an enormous corps of volunteer monitors prior to the September – October 2000 elections, and continues to utilize volunteers for its current activities, such as monitoring local government activities and elections.

Draft NGO and labor legislation may affect the way that NGOs are staffed, not necessarily for the better. Under the proposed labor code, NGOs would owe the state an exorbitant 43% of staff salaries for taxes and social insurance.

FINANCIAL VIABILITY: 6.0

Virtually no change has taken place since last year. NGOs remain reliant on donor funding as their sole source of support. Many NGOs do, however, use volunteer labor very effectively. Larger, better-established groups may have funding from more than one donor. Contributions to NGOs will be taxed heavily if the recently passed federal law on donations is enforced.

Financial management systems remain underdeveloped. The draft republican

NGO law, if passed, could help to improve this. Fundraising is also not very well developed. NGOs are hindered in attracting members by “membership fatigue” – for decades, people were used to compulsory docking of wages and participation in party-affiliated organizations. They are therefore skeptical about the benefits of membership in private organizations. The few organizations that charge members dues (e.g. trade unions) have trouble collecting them due to the economic situation.

ADVOCACY: 3.5

The third sector’s lobbying power has increased since last year. As reported in the 2000 index, the advocacy picture has changed considerably, because the post-Milosevic government is not overtly hostile to NGOs and their interests. In fact, many government officials have third sector backgrounds.

There are some examples of productive NGO-government partnerships, such as a working group made up of NGOs and Ministry of Justice representatives that is engaged in drafting the new republican NGO law. Further, Republican Prime Minister Djindic has led some high profile consultations with NGOs on key social issues, including civic and religious education.

Partnerships with local government are less well-developed, but appear to be on the rise, and are strong in a few municipalities. Increasingly, government at all levels is interested in cooperation. This interest is driven primarily by a perception that NGOs have resources that governments can tap into by working with NGOs.

Government receptivity to NGO advocacy efforts varies widely by issue. As mentioned above, NGOs perceive that government frequently leaves them out of the discussion on key policy issues and draft legislation.

SERVICE PROVISION: 3.8

NGOs are beginning to get more involved in service delivery, as government at all levels lacks the resources to maintain the extensive network of public services historically provided free of charge. Civil society is increasingly stepping in to serve those who have fallen through the social safety net (e.g. the disabled). There are a few prominent groups, most notably G-17, that are providing economic development consulting services to Serbian communities. Many groups provide publications, workshops, and expert analysis that are distributed widely to key policy actors.

Cost recovery is still low. Few NGOs engage in fee-for-service activities, as their clientele lacks resources. Volunteer labor and donated materials help to compensate somewhat for this. Government receptivity to NGOs as service providers is mixed. As mentioned above, governments sometimes see NGOs as donor-funded “cash cows” who can be engaged as service providers, though they are not yet in the habit of engaging NGO services through transparent public procurements. NGOs report that government expectations that NGOs will take over social service provision are at times unrealistically high.

INFRASTRUCTURE: 3.0

There is an impressive range of training now available to NGOs across Serbia, from a well-developed network of local trainers. Civic Initiatives is the key player in this area. Other positive developments include CDNPS’ recent establishment of a network of seven NGO resource centers.

There are some local organizations making sub-grants, but these are all programs that re-grant donor funds.

Coalitions are forming around specific issues, and there is strong interest in developing more permanent coordination mechanisms. This was high on the agenda at a major NGO conference organized by CDNPS in November 2001. Information sharing among NGOs is not particularly strong at present. Government-NGO partnerships, as discussed in the previous section, are few in number.

PUBLIC IMAGE: 3.5

2000 marked a watershed in NGO public image. In the period proceeding the October and December 2000 elections, an overtly hostile state media painted the sector in very negative terms. Following the elections and the change in government, NGOs now receive much more favorable treatment by a somewhat more diverse media sector.

But both print and broadcast media still give much more airtime to public officials, but NGO activities are occasionally featured prominently. YUCOM, for example, has received front-page coverage in a number of newspapers, and many NGO leaders often appear as panelists or commentators in broadcasts on policy issues.

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Public awareness of NGO activities is still quite low, with the exception of a few high-profile NGO public education campaigns on “hot” issues, such as crime and corruption, conducted by OTPOR and others. Nevertheless, public awareness is growing. A sharp rise in the number of new party-affiliated NGOs has created some confusion in the public mind, making it difficult for

many people to separate NGOs from political parties.

NGOs do not yet issue annual reports as a matter of standard practice. Other reporting is generally directed at donors rather than at customers. NGOs view themselves as more accountable to their donors. The republican NGO law, if passed, could strengthen NGO reporting.

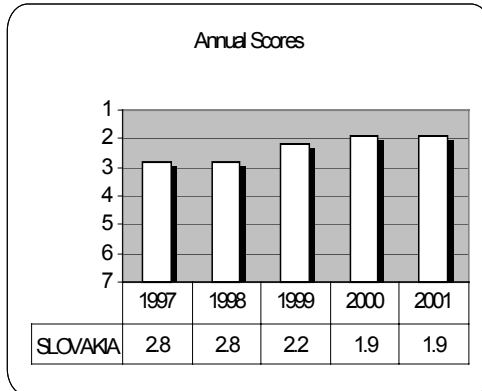
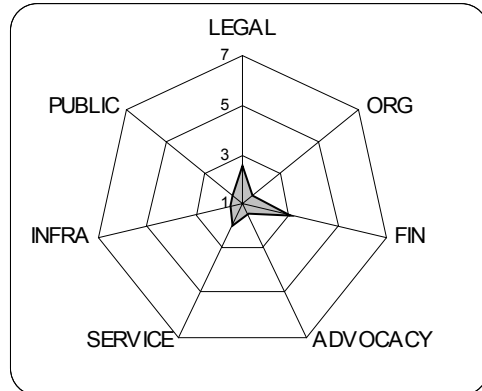
SLOVAKIA

Capital: Bratislava	Foreign Direct Investment: \$1,500,000,000
GDP per capita (PPP): \$10,200 (2000 est.)	Inflation: 12.2% (2000 est.)
Population: 5,414,937 (July 2001 est.)	Unemployment: 17% (2000 est.)

OVERALL RANKING: 1.9

NGOs are gaining acceptance as agents of change in Slovak society. Of the 16,849 NGOs registered in Slovakia, the most common type are civic associations, which represent 95% of the total, followed by foundations (3%), non-investment funds (2%), and non-profits (0.6%). NGOs operate in all regions of the country, but are more numerous and more active in urban areas. Despite its growing size and activity, the third sector accounts for only 1% of total employment in Slovakia.

NGOs are active in a broad spectrum of issues, including government decentralization and regional development, as well as EU accession and NATO integration. Slovak law makes it difficult for NGOs to compete for government service provision contracts. NGO financial resources are limited, but public funding may soon be available if the recently passed "1% Law" is successful and if privatization proceeds are allocated to an endowment that benefits NGOs.



LEGAL ENVIRONMENT: 2.5

Freedom of association is constitutionally guaranteed in Slovakia, but this right does not extend to political parties, religious organizations, or businesses. Laws also regulate professional and non-professional associations, the Slovak Red Cross, Matica Slovenská, hunting and fishing associations, and international organizations. The legal system does not specifically define non-profit entities or non-governmental organizations, nor is there a law that lays out the framework of

their activities and relations with other legal entities. The recently passed "Transformation Law," which regulates the transformation of state institutions into non-profits, and the "1% Law," an amendment to the Income Tax Law enabling citizens to donate 1% of their income tax to NGOs, will have direct implications for the strength of the sector. The Free Access to Information law, passed in January, was the result of a campaign led by a small coalition of NGOs and has

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become a tool for citizens to monitor public spending.

NGOs continue to push for improved tax conditions and better exemptions and

deductions. Non-profit organizations are income tax exempt, but subject to value added taxes, import duties, and wage taxes. Laws on business activities of NGOs tend to be vague.

ORGANIZATIONAL CAPACITY: 1.5

Most NGOs operate with part-time staff or volunteers. Leading NGOs usually have clearly defined mission statements in their charters, and incorporate strategic planning techniques in their decision-making processes. Smaller NGOs tend to act more-or-less spontaneously, with defined short-term goals, rather than a strategic mission statement to guide their planning and development.

The NGO sector has a sophisticated internal structure, with numerous umbrella and service organizations, and a variety of both formal and informal platforms to respond to different NGO needs and reflect various societal issues. These groups usually have paid staff in the form of at least one coordinator.

Most leading NGOs and major foundations recognize the need for a division of responsibilities between the board of di-

rectors, executive management, and the staff, but sound governance is not deeply rooted in the organizational culture of most Slovak NGOs. Also, greater attention is being paid to recruiting and effectively managing volunteers, including incentives such as awards for outstanding volunteers. NGOs are increasingly devoting greater attention to transparency in their work. In keeping with the ethical codes developed for the sector, annual reports are becoming an important tool for presenting activities and disclosing sources of income and spending.

NGOs continue to be engaged in international activities and programs. Regional and cross-border cooperation, especially within Visegrad countries, is increasing. Slovak NGOs also continue to share their experience with countries going through similar developments.

FINANCIAL VIABILITY: 3.0

As in other Central and Eastern European countries, non-profits in Slovakia have been financed by diverse sources, though many are primarily dependent on foreign sources of financial support. Section 48 of the Tax Law now enables taxpayers to donate 1% of their income tax to the support of public interest activities. This new law is expected to encourage the development of a culture of philanthropy. Inspired by the Czech model, a group of Slovak NGOs has also started a dialogue with decision-makers about using privatization revenue to support civil

society, by allocating privatization proceeds in the form of endowments. Such endowments would create a stable source of funds for the third sector.

In 2000, the International Visegrad Fund was created to promote regional cooperation among Visegrad (Northern Tier) countries by supporting the development of common cultural, scientific, and educational projects; exchanges between young people; and examples of cross-border cooperation. All member states contribute to the Fund equally.

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In 2001, the Ministry of Foreign Affairs earmarked 13 million SKK (\$270,000) for NGO projects to raise public awareness about NATO membership. The Donors' Forum, an association of major grant-makers that focuses on streamlining grant distribution and boosting NGO financial support, is now registered to provide professional services to the donor community.

Voluntary contributions continue to play a role in sector funding. Notable efforts include the Children's Foundation of Slovakia, which collected nearly 13,5 million

SKK (\$278,000) from over 200,000 individuals. Slovak charities also raise money to support charitable causes outside of Slovakia. For example, the Movement of Christian Children's Societies raised nearly 8.5 million SKK (\$175,000) for developmental projects in Africa.

Continuing dependency on foreign funding is one of the major constraints to the financial viability of the NGO sector. Only five foundations in Slovakia have endowments over 1 million SKK (\$20,500) and only three have endowments of 10 million SKK (\$205,000) or more.

ADVOCACY: 1.5

Over the past year, Slovak NGOs continued to build their capacity to mobilize individuals and participate in public policy debates. They have proven to be adept at forming issue-based alliances. For example, the Council of Government, which consists of representatives of NGOs and government institutions, continues to advise the Government with respect to NGO legislation, status, and financing. NGO representatives have been invited to become members of a variety of forums, committees, and roundtables formed by government institutions. NGO advocacy efforts are particularly strong with regard to decentralization and regional development is-

ues, as well as EU accession and NATO integration. Advocacy campaigns continue to be a major focus of NGO umbrella groups and intersectoral forums such as the Gremium of the Third Sector and its associated regional gremia, Ecoforum, the Donors' Forum, and the Rural Parliament.

NGOs often create small coalitions to lobby for legislative changes and had some major successes in 2001, including a new law on waste, highway construction, the establishment of the Office of the Ombudsman, and a broadly supported campaign against racial discrimination.

SERVICE PROVISION: 2.0

NGOs in Slovakia offer a wide variety of services. The NGO sector is often called upon to fill the gap in services no longer provided by state institutions, or where the quality of state services is low. In fact, NGOs are often able to provide high quality services at lower cost than state institutions.

The sector is increasingly seen as a reliable source of expertise in environmental protection, regional development, education, and social services. NGO specialists have participated in creating and amending legislation, developing public information and education campaigns, and facilitating public discussions on a variety of issues. NGO

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experts have been appointed by the Government to perform public sector audits, which have in turn been used to push for reforms to streamline public administration. NGO representatives have assisted the Government in public education campaigns about various EU and NATO integration issues. NGOs

have produced a wide variety of issue-related papers and studies, produced television programs, organized polls, and monitored mass media. They provide educational services, such as training seminars and consultations on regional development and pre-accession EU funds.

INFRASTRUCTURE: 1.5

The NGO sector has become increasingly professional due to the creation of associations like the Gremium of the Third Sector (G3S) and its associated regional gremia. Additionally, the activities of the Donors' Forum are aimed at improving communication and cooperation in grant making among its members. Umbrella organizations, such as the Youth Council, the Slovak Humanitarian Council, the Slovak Catholic Charity, among others, play an important role in promoting member interests, offering their members training opportunities, and disseminating information.

Several well-established NGOs continue to provide a broad scope of services to other, more nascent NGOs, including information sharing, capacity building, and networking. NGO development, training, and consulting services are

also provided by the Slovak Academic Information Agency – Service Center for the Third Sector (SAIA-SCTS), which has decentralized its structure to meet the needs of local clients. More recently established organizations include the Center for Education of Non-profit Organizations (CVNO), which is working in cooperation with the University of Matej Bel to open a distance learning class on NGO Management. The first Slovak Non-profit Service Center has created a network of advisory centers throughout Slovakia, and now publishes information on taxes, legislation and accounting on its website. Specialized publications and geographic databases designed to “map” segments of the NGO community in Slovakia are now available from the Information Center of the Forum Institute and InfoRoma Foundation.

PUBLIC IMAGE: 1.5

The third sector is becoming more widely accepted as a component of a healthy society, due largely to its humanitarian work, public advocacy, and community mobilization activities in political, economic, and judicial reform. According to research conducted by the FOCUS agency in March 2001, the public now has a generally positive perception of NGOs. The research indicates that citizens consider NGOs working in the areas of health, social care, and

education as the most "useful."

Government is generally open to NGO input and consultation in a variety of fields, particularly environmental protection, regional development, education, and social affairs.

Media treatment of the third sector has varied. There has been significant and positive coverage of NGO legislative activities and campaigns on public admini

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stration reform, as well as on charitable fundraising for refugees, victims of floods, children in Africa, oncology patients, abused children and women, ill-treated animals, etc. A number of successful NGOs now even use advertising agencies in their media campaigns.

Most NGOs publish annual reports, and the sector has adopted an ethical code that has improved transparency and boosted the sector's image and public

stature.

Publicity about the misuse of funds by certain NGOs continues to affect the image of the sector as a whole, but NGOs are generally perceived in a positive light, and are often believed to be more capable than they in fact are. This creates an expectation gap that may eventually weaken the sector's image.

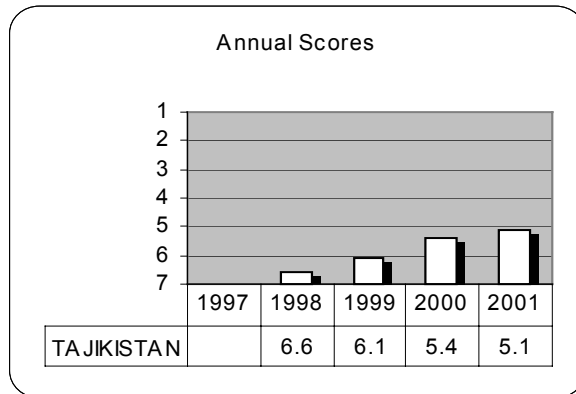
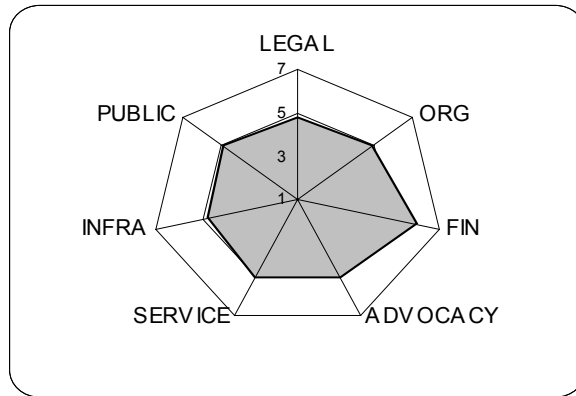
TAJKISTAN

TAJKISTAN

Capital: Dushanbe	Foreign Direct Investment: \$19,000,000
GDP per capita (PPP): \$1,140 (2000 est.)	Inflation: 33% (2000 est.)
Population: 6,578,681 (July 2001 est.)	Unemployment: 5.7% (December 1998) (includes only officially registered unemployed)

OVERALL RATING: 5.1

NGOs in Tajikistan have developed to the point where they are beginning to enjoy some recognition by the government as a significant phenomenon in society. The continuing economic crisis and the inability of the government to resolve problems in the social sector have helped NGOs get established and provided favorable conditions for NGOs to demonstrate their ability to solve minor community problems. At best, the attitude of the government toward NGOs remains neutral: authorities do not actively assist NGOs in their development and activities, yet at the same time they welcome NGO initiatives and collaborate, especially at the lower levels of the state structure. NGOs have succeeded in having a policy impact in several cases where decisions of city authorities directly or indirectly affected the interests of their beneficiaries. One significant example was the proposed closure of a Dushanbe market, in that would have undermined the small credit program of an NGO. The NGO applied to the city government and persuaded it to postpone the closure until the small credit program had ended.



LEGAL ENVIRONMENT: 4.8

An important positive change since the last year came in the form of a reduced fee for the registration of NGOs - \$25 for a local NGO and lower fees for national and international NGOs. Also, NGOs do not have to apply for registration to

Ministry of Justice in Dushanbe – they can register at regional and district Departments of Justice. Tajik government officials at various levels are slowly acquiring a familiarity with NGOs, their work, and the possible benefits of their

activities for society and the state. With this evolutionary rise in familiarity comes an easing of the automatic confrontation and hostility toward NGOs that has generally been the hallmark of Soviet-style bureaucratic structures. This can in part be attributed to the work of Counterpart Consortium Civil Society Support Centers, which have been working with officials at the local, regional and central government levels to bring about changes in the government's attitudes toward NGOs.

However, the legislation's definition of NGOs is not perfect. The law does not distinguish between political parties, religious, charitable and other organizations. Political parties, for example, are included by the state in the same list with NGOs, nor does the legislation provide clear regulations for NGO finances. Some activities of NGOs are currently regulated by presidential decrees, rather than by legislation. The state has not yet

banned or closed any NGO, but there is no law to protect NGOs from such action.

While the current Law on Public Associations is not restrictive, NGO activities are nevertheless censored and constrained. NGOs can criticize the state at high levels (the government, politicians, parliamentarians, etc.), though criticism of the President is not tolerated. Often such criticism would be understood and taken into account. Similar criticism of lower-level authorities, however, will often result in administrative repression and punishment, such as numerous inspections by tax and other structures.

There are very few lawyers familiar with NGO law. Most of those lawyers who are familiar with the operations of civil society organizations are associated with law-related NGOs (concentrated in Dushanbe).

ORGANIZATIONAL CAPACITY: 5.0

Strategic planning by Tajik NGOs is virtually non-existent. The goals and objectives of most NGOs change according to the priorities of potential donors. Many NGOs define their mission in rather vague terms, which allows them to be very flexible and increasing their chances for funding by appealing to a broad spectrum of funder interests. The management structures of many NGOs is nominally democratic and professional, but in reality management boards frequently consist of relatives, and decisions are authoritarian. With few exceptions, there is little transparency in decision making and in accounting practices. The number of

NGOs that can afford permanent staff is growing but the majority hire personnel on a project-by-project basis. Leading NGOs have a permanent core staff (5-10% of all NGOs). Most NGOs cannot afford to access the Internet due to the high cost of logging on. The price of equipment, communications and technical services is beyond the reach of most NGOs. However, improving relationships with state authorities has led, in some cases, to at least moral support from the government, making it easier for NGOs to lease premises and establish communications, such as getting phone numbers, etc.

TAJKISTAN

FINANCIAL VIABILITY: 6.0

The economic depression in Tajikistan makes NGOs dependent on international donors. Local resources are extremely limited. Offers of non-financial assistance are common, but not necessarily always sought by NGOs. Free local support in the form of volunteers is more widely available during summer months when students are on vacation, but volunteerism as a concept is just beginning to gain acceptance among NGOs. The government is willing to contribute to NGO activities with non-financial resources – sometimes a significant portion of a project's resources are offered by the authorities.

Proper accounting systems need to be introduced. To date, no public reports have been published by Tajik NGOs.

This lack of transparency is explained by a combination of factors including security, traditional societal norms, etc.

A law on audits was recently adopted, but the professional level of local auditors is low. NGOs welcome audits by international auditors, but are cautious with regard to the skills and professionalism of local auditors.

Potential support from local private sources is hindered by the lack of appropriate legislation. Very few NGOs are able to survive without international donor grants. Overall, prospects for sustainability in the Tajik NGO sector are very low. Service fees cannot provide enough income, because of the utter destitution of the population.

ADVOCACY: 5.0

NGOs have been somewhat successful in influencing public policy in social sector legislation such as registration procedures for NGOs and government gender policy. Local authorities are in close contact with NGOs and usually respond to the needs of NGOs by providing free premises, contributing to their project activities, etc. Coalitions sometimes form among NGOs, especially women's NGOs. They are mostly issue-based. No long-term coalitions exist in Tajikistan.

Discussions are underway to establish an NGO forum for the expression and protection of common interests. Legal NGOs are more accustomed to working with local and central authorities, and have initiated public discussions with the government. This is despite the fact that there is no law asserting the right of NGOs to take part in political activities or in public life. At the same time, some NGOs are reluctant to become involved in politics.

SERVICE PROVISION: 5.0

NGOs are often effective in providing basic social services, but can not afford the research projects and surveys necessary to determine their constituencies' most urgent problems and needs. As a result international donors determine activities, services and areas of focus.

The degree of duplication of services among NGOs is high. Many organizations try to design their proposals to match the priority spheres of potential donors, and their projects usually are limited to holding numerous seminars

and conferences. This results in a very low opinion of their work by their constituencies, because such activities have very limited impact and are not visible to the general public.

The inefficiency of Tajikistan's banking system limits NGOs' ability to provide services to the population. Cost recovery, for example, is minimal because of the inability of potential buyers (in both

public and private sectors) to pay for their services. Still, the range of services and goods provided by NGOs is increasing.

Some local authorities are beginning to appreciate the role of NGOs involving social sector programs. The central government is generally reluctant and non-cooperative regarding NGOs.

INFRASTRUCTURE: 4.8

Five Civil Society Support Centers (CSSCs) have now opened in Tajikistan, serving different regions of the country. These centers offer training, organizational development assistance, information and technical support to local NGOs. During the past year, for the first time, the CSSCs took steps toward coordinating their activities in a nationwide network. Communication among NGOs, and access to information technology has increased as a result of the cooperation of these Centers. Clearly, however, work needs to be done to advertise the work of the CSSCs and other resource centers, as many NGOs remain poorly informed about their existence and the services and support that they make available.

Resource centers outside of major cities do not often provide adequate access to information, technology and new methodologies. Their services should be better targeted, delivered and promoted.

There are no local grant-making organizations, and often NGOs subsist on

grants that continue previous activities, leading to a degree of programmatic inertia. NGOs maintain information exchanges, and there is an active network to support this exchange through electronic mail and printed documents. Links among NGOs are very weak but there is increased appreciation that coalitions are important, not only to facilitate the search for grants, but also to protect NGOs from interference from the state.

There is substantial need for NGO training. There are few available sources for basic training, despite the high demand. NGOs are forced to travel to Russia or Kyrgyzstan for available training sessions.

In general the media is not interested in cooperating with NGOs, or in publishing information related to them. State restrictions on information dissemination and/or reporting by the media continue to be a problem, especially for NGOs whose activities are perceived to be political in nature.

PUBLIC IMAGE: 5.0

Government-run mass media outlets do not cooperate with NGOs, though independent media do maintain limited

commercial relations with them. To improve public perceptions of the sector, NGOs need trained press officers to

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work with independent media and create a more positive image. They do not however possess the strategy or planning skills necessary to positively interact with the media.

Public perception of NGOs is primarily negative, and based upon limited information, understanding and experience. Those individuals who are direct beneficiaries of NGO services have much more positive perceptions, but it has been estimated that ten percent of beneficiaries still view NGOs as implementing organizations for foreign agencies. The concept of "non-governmental organizations is still new and unfamiliar

to the Tajik general public, and the poor performance of many NGOs does not help to improve and strengthen the image of the sector.

Few NGOs have developed a Code of Ethics, and most believe that publishing their annual activity or financial reports is not possible for security and economic reasons, since it may invite scrutiny from state organs, tax authorities, or even informal armed groups. To improve cooperation, greater transparency and openness is needed in relations among NGOs.

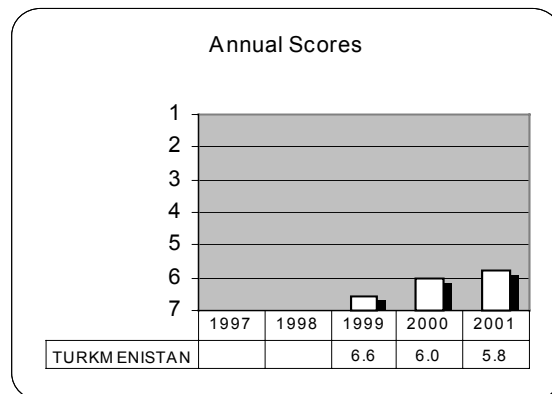
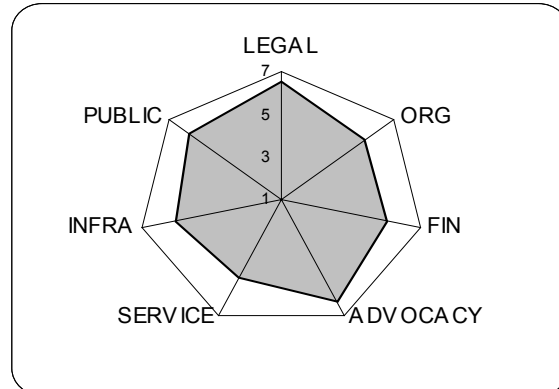
TURKMENISTAN

Capital: Ashgabat
 GDP per capita (PPP): \$4,300 (2000 est.)
 Population: 4,603,244 (July 2001 est.)

Foreign Direct Investment: \$100,000,000
 Inflation: 14% (2000 est.)
 Unemployment: n/a

OVERALL RATING: 5.8

Turkmenistan has the weakest civil society sector in the Former Soviet Union. According to Counterpart Consortium database, there are only 156 active NGOs and unregistered initiative groups as of August 2001, which is a significant drop from the 200 NGOs reported in 2000. Registration remains the largest obstacle for public organizations, so most of them continue to work without the benefit of registration. Not a single independent citizens group was able to obtain registration as a public organization over the past year. The only groups able to successfully register were those registered as affiliates of one of the handful of pro-government quasi-NGOs or as commercial entities. For instance, the Dashoguz Water User Association was finally registered as a “commercial partnership with limited liabilities.” The Ministry of Justice continues to provide written explanations for refusing NGOs registration. However, these explanations are usually inconsistent and unreasonable. Often, the Ministry simply does not register receipt of the application, thus freeing itself of the obligation to provide a written explanation of the application’s rejection.



In addition to continuing problems with registration, there has been increasing pressure by local administrations and the Committee for National Security (KNB) on public organizations. After an NGO from a Turkmen region organized a conference on social partnership and invited several international organizations, the indigenous participants of the conference received phone calls from a “KNB staffer” and were summoned to the local KNB office for questioning. Moreover, a few environmental groups were called to the Ministry of Justice and questioned about the legality of their activities as unregistered NGOs. This is an ominous sign, as environmental groups are historically the strongest in the country, the most active, and are usually perceived by the government as politically neutral and thus allowed to exist.

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In some cases, NGOs attempt to advocate for their constituencies' needs or for limited community-based and social issues. However, political lobbying or advocacy is not tolerated at the national or local government level. Civil society represents a vibrant arena for women's participation. Women lead approximately 80% of Turkmen NGOs, and female staff dominate most organizations. Many of their program activities target women and their specific needs.

LEGAL ENVIRONMENT: 6.5

On paper, the legal environment in Turkmenistan is favorable for NGOs, but is probably the worst in the former Soviet Union in terms of implementation. The Civil Code, which is considered to be the legal basis for NGO operations, is not enforced and there are serious administrative impediments that constrain NGO development. A new Law on Public Organizations has been expected for over a year and until it is adopted there is little evidence that the national government will allow the registration of new civic groups. However, many initiative groups are active and will continue to operate without registration, though at the pleasure of the local or national government. Therefore, their activities represent a form of ad hoc favoritism from individual government officials, rather than their legitimate right to exist.

NGOs continue to be harassed by the government. Over the past year the pressure on NGOs has become even stronger and has begun to have an impact even on previously tolerated groups such as environmental NGOs.

A few organizations, like the Water Users' Associations, have managed to register as commercial entities and some organizations have been offered

inclusion in quasi-NGOs, such as the Union of Women. However, if the inability to register means that NGOs will not be able to enjoy tax benefits as non-for-profit organizations and may not even be able to receive grants from international donors, absorption by a quasi-NGO implies the lack of financial and institutional independence.

For the most part, NGOs lack sufficient knowledge of relevant legislation and their legal rights. For example, some NGOs are not aware of their right to be officially informed of the reasons for being denied registration. There are no lawyers in Turkmenistan who specialize in NGO law, though there are a few NGOs that cover civil society issues and provide other NGOs with relevant legal advice.

NGOs officially enjoy some tax benefits, and there were no reports that taxes had been levied on any of them during 2001. Besides, most NGOs are unregistered, which prevents the government from imposing any relevant or irrelevant taxes. At the same time, this inability to register affects an NGO's ability to generate income through legal activities.

ORGANIZATIONAL CAPACITY: 5.5

Constituency building efforts remain weak in Turkmenistan, although some progress has occurred in developing

technical capacity and the professionalism of staff. Only a few organizations, such as the Water Users' Association

and the Organization of Invalids, have Boards of Directors or membership fees. Most NGOs show little readiness to institute the principles of democratic governance.

The scarcity of donors and a lack of local funding sources impede the development of organizational capacity. Since many donors do not work with unregistered initiative groups, such groups suffer from the inability to ensure appropriate staffing, management structures, and advanced technical capacity. Volunteerism seems to have continued to

increase over the past year, but it is still not institutionalized.

NGO offices rarely include even relatively new computers, and the necessary software and accessories to run an efficient office are usually limited to those organizations that have received grants from donors and intermediary support organizations. The ability to use modern means of communication (Internet and e-mail) is very limited in the regions due to the low quality and high cost of telephone lines.

FINANCIAL VIABILITY: 5.5

With the exception of a very limited number of NGOs and quasi-NGOs, most organizations continue to be dependent upon international donors. International donors generally support only registered groups, due to political and other reasons, although this trend seems to be changing. The limited availability of funds often creates a competitive, rather than cooperative, environment.

There are a limited number of local sources of philanthropy, because economic difficulties continue to force indigenous businesses to focus their resources primarily on their own survival. Intersectoral partnerships usually take the form of the government or business partner providing free office space, or bartering it in exchange for the use of an NGO's computers and Internet connec-

tion. Despite these difficulties, some organizations, especially those in the regions and those representing environmental and marginalized population groups, continue to exist without donors' support.

Since NGOs are for the most part not registered, their financial activities cannot be transparent and open to public. There is no evidence of even a single independent NGO publishing an annual report. In addition, such publications might attract the unwanted attention of the national government and KNB. The lack of legislation and mistrust from the government side prevent NGOs from concluding service contracts with local governments and from generating regular legal income.

ADVOCACY: 6.3

The tradition of advocacy is practically non-existent in Turkmenistan. It is dangerous for NGOs to advocate for any changes in government policy, and such policy discussion that does occur is

usually limited to softly advocating for resolution of minor community-based problems. One NGO, for example, managed to force its local government to clean the streets of trash that had ac

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cumulated over many years. A consumer rights group managed to lobby for the reimbursement of costs to some of its constituents, because of bad-quality products. With a few exceptions, even environmental NGOs, the strongest in the country, have little incentive to advocate for their constituencies' needs. Real advocacy could cause a strong reaction from the government or Mafia-affiliated commercial structures. For ex-

ample, an environmental NGO that tracked the illegal activity of an oil-refinery's management and published the story in their newsletter had numerous problems with law-enforcement agencies, was de-registered, and then re-registered again thanks to continuing lobbying efforts. The limited opportunities to advocate seem to be better in the capital, and when reinforced by the participation of international organizations.

SERVICE PROVISION: 5.0

Despite the fact that NGOs are still not officially recognized by the government as potential partners, NGOs continue to provide limited social services to different groups such as marginalized individuals, invalids and the disabled, refugees, consumers, etc. Available NGO services also include education and training in environmental and health issues. Initiative groups are often unable

to recover their expenses for service provision, or generate income, and are therefore dependent on international donor funds. Public relations and marketing of the sector are very weak. A few organizations, such as the Water Users' Association in Dashoguz, effectively work with local communities to identify their needs and provide services accordingly.

INFRASTRUCTURE: 5.5

There have been some improvements in terms of infrastructure over the past year. After several months of bureaucratic and political obstacles a resource center was opened in Lebap with the authorities' permission. This is in addition to a few existing resource centers that operate throughout the country. These resource centers provide invaluable support to NGOs and initiative groups by sharing information and offering training programs and technical assistance, including those in the regions. There are a number of local trainers capable of providing training on basic issues for newer NGOs. At this stage, however, these resource centers do not have any additional funding resources and are solely dependent upon international donors.

A general lack of funds and experience prevent NGOs from creating and maintaining coalitions. A consumer rights organization that tried to establish an issue-based coalition failed due to the unwillingness of other organizations to get involved. Many NGOs fear that the greater visibility associated with building coalitions will invite government pressure and harassment. One coalition, the Association of Ecological NGOs, Ecosodrujestvo, established in 2000, continued to be active and provides space and equipment to a broad range of NGOs. Intersectoral partnerships are not sufficiently developed and are constrained due to mutual distrust by the government and NGOs, and a lack of maturity in the business community.

PUBLIC IMAGE: 6.0

Relations with the media have worsened during the past year. There have been only a few articles in local newspapers that mention NGO activities and even these articles tend to omit references to the NGOs themselves, or fail to acknowledge their non-governmental status. In other words, media outlets tend to misrepresent NGOs' activities under the veil of quasi-NGOs or state structures.

One Turkmen NGO, the Pensioners' Club, did receive some positive coverage in several newspapers, after which the Club lost its office space (previously provided by the quasi-governmental Red Crescent) and began to experience government harassment. This goes along with a continuing lack of any independent sources of information in the

country, except for a few scattered Internet sites.

Despite this, local communities are occasionally aware of NGOs. This is particularly true when it relates to groups providing services to their constituencies, such as consumer rights groups or the Water Users' Association. National and local officials often perceive the term "NGO" as meaning "anti-governmental". As a result, NGOs do not attempt to become more transparent in their operations.

Unless the government's negative and aggressive stance towards NGOs changes, it is unrealistic to expect much improvement in the third sector's public image.

UKRAINE

UKRAINE

Capital: Kyiv

GDP per capita (PPP): \$3,850 (2000 est.)

Population: 48,760,474 (July 2001 est.)

Foreign Direct Investment: \$594,000,000

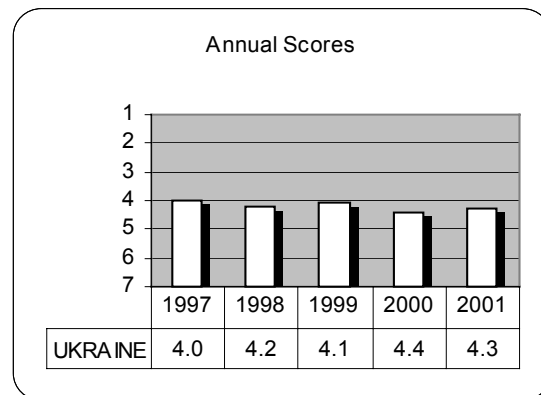
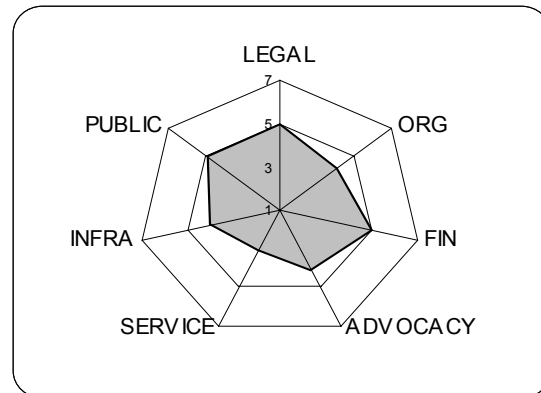
Inflation: 25.8% (2000 est.)

Unemployment: 4.3% officially registered;
large number of unregistered or
underemployed workers (December 1999)

OVERALL DESCRIPTION: 4.3

The Third Sector in Ukraine continues to show incremental signs of improvement, despite the considerable obstacles that block progress towards sustainability. Of the approximately 30,000 registered NGOs, local experts indicate that about 4,000 are active. Ukrainian NGOs work on a variety of issues from cultural and political to social services and public policy. There are NGOs to represent every demographic group. NGOs in Kyiv and major cities remain more developed than their rural counterparts, but recent efforts by donors to focus on NGO capacity building in rural areas have had some impact. Approximately 16 resource centers around the country provide technical and informational support and training to nascent NGOs. A Ukrainian training organization based in Kyiv also provides capacity building training to NGOs around the country.

NGOs, particularly politically inactive ones, are generally free to go about their daily business. Yet, the national government does not openly support the NGO sector. Moreover, some NGOs experience harassment or limitations on their activities. This may originate from corrupt local officials operating with or without specific "guidance" from the central or regional governments. NGOs in Ukraine, especially those involved with policy or advocacy, are still heavily dependent on foreign funding, hampered by clumsy and restrictive regulations, and frustrated in their fundraising by an unsupportive legal environment and a declining economy throughout most of the 1990's. A few NGOs in the social sector have been able to improve their prospects for sustainability by winning contracts from local governments to provide social services to the broader population. Others have launched social enterprises to fund some of their work.



LEGAL ENVIRONMENT: 5.0

The legal environment in Ukraine remains a challenge to NGO sustainability. The registration process for NGOs is subject to numerous varying interpretations by local officials, that sometimes prolong the procedure by six to eight months. Once registered, however, dissolution of an organization is next to impossible, leading to the ever-increasing numbers of NGOs registered in Ukraine. Grants are not taxed in Ukraine except on salaries paid to staff or consultants from these funds.

A draft law on non-business corporations that would benefit the third sector passed a first reading in the Ukrainian parliament in October 2000, but three new draft laws on this topic have since been introduced that will compete with the ICNL draft in the next reading.

Many NGOs, especially political and advocacy groups, experience some harassment. This is especially true in smaller cities where the efforts of active NGOs are subject to more scrutiny by local government authorities. Visits by the tax authorities or other government inspection bodies to NGOs are not uncommon.

This year, 28 specialists from around Ukraine were trained in NGO legal issues to enable them to provide more qualified legal advice to NGOs in their regions. Legal advice is available, often pro bono, from interested lawyers at local advocacy clinics (such as one run by an NGO of local lawyers in Vinnitsya and several consultation centers at CVU local branches) and from free clinics attached to law schools.

ORGANIZATIONAL CAPACITY: 4.0

The majority of NGOs in Ukraine are small local organizations, often isolated, and not eager to cooperate with other community groups that they view as competitors in the quest for funds or attention. There are a number of elite groups that do not have a wide outreach and few organizations in Ukraine actively recruit members or volunteers. The recent USAID assessment of the Third Sector noted this lack of outreach to the larger public and a general lack of targeted constituency building. Over the past year, there have been some improvements in the internal management structure of NGOs in Ukraine, but many NGOs continue to operate without a division of responsibilities between the board of directors and staff members. Highly centralized and personalized leadership structures remain the norm.

All NGOs in Ukraine have a clearly defined mission, because it is required as part of the registration procedure. Yet strategic planning is almost never practiced. Of the NGOs that have strategic plans, most have created plans because of donor pressure – rarely are these strategies consulted as a planning tool. Due to the difficult economic situation in Ukraine, planning is usually more reactive than strategic – NGOs plan as they learn about available resources. Leading NGOs do have small professional staffs and volunteer management capabilities have improved within these groups over the past year. The thirst for computers and Internet access is high, and is always the first item on the list of requests to donors. Donors are happy to comply, and most NGO grant-recipients now have basic office equipment. Without donor support, however, most or

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ganizations would not have the re- sources to purchase equipment.

FINANCIAL VIABILITY: 5.0

The overall economic situation in Ukraine leaves the vast majority of the population with little money to contribute to charity work, professional associations, advocacy groups, or community projects. Dependence on international donor funding remains heavy, though donors that require a cost-share component from NGO grantees find that requirements are often exceeded. Admittedly, this amount often includes a large percentage of in-kind contributions, such as office space provided by local authorities. Some leading NGOs have been successful in diversifying their funding base, though it is still comprised mainly of foreign donors. A few groups working on charitable causes have been able to raise large amounts from the public, but often they are unable to use any of these funds to cover their admin-

istrative expenses. Social sector organizations are more likely to be successful in raising funds in a way that will not negatively impact their activities. The same cannot be said for political/civic action groups for whom acceptance of local funds in many instances means a loss of political independence or jeopardizes the public perception of political independence. Some social service NGOs earn a limited amount of income to support their charitable activities through social enterprises. All active NGOs are under pressure to show accountability and careful record keeping - not just by foreign donors, but also by the tax authorities. Independent financial audits and publication of annual reports that include financial statements are extremely rare.

ADVOCACY: 4.0

NGOs increasingly understand the importance of advocacy, but are still hesitant to undertake public policy campaigns for fear of political repercussions. Think tanks have been very successful in communicating with government on the national level and at effecting policy change. Some professional associations, such as those of taxpayers, libraries, and businesses, have also been successful in their advocacy efforts. Overall, NGOs are often more successful at conducting awareness campaigns to raise the visibility of their issues than at national-level advocacy.

On the local level, almost all NGOs are at least somewhat effective at communicating with government and initiating policy change. Local government even occasionally turns to well-known and effective local NGOs for policy advice.

There is a general lack of awareness among Ukrainian NGOs regarding the need to build coalitions to promote NGO issues, and advocate for changes to the legal and regulatory framework. Currently, no widespread NGO advocacy effort exists to promote legal reforms to benefit NGOs or local philanthropy.

SERVICE PROVISION: 3.0

The majority of active NGOs in Ukraine provide some form of service across a variety of sectors: education, environmental protection, legal consulting, training, empowerment, job training, health services. The range of services provided is still partially dependent upon what donors are willing to fund, but this is changing as an increasing number of NGOs provide services based on constituent need.

Cases of cooperation between NGOs, or between NGOs and government are common but, with the exception of think tanks, NGOs rarely reach out to academia, and even more rarely to churches. Cost recovery remains problematic – a demand exists for the services NGOs provide, but a restrictive legal environ-

ment does not provide an easy, transparent and simple system for NGOs to charge for services. Some social service NGOs operate social enterprises, which allow for some of the business' profit to go to support the NGO and the services the NGO provides, but this is a complex and little understood practice – by both NGOs and government officials. Some NGOs have successfully won contracts from local government to provide social services to the wider population. This process, however, is not regulated by any national legislation, and the few cities in Ukraine that have initiated such programs (Odessa, Kyiv, Rivne, Lviv, Donetsk) have not standardized procedures for providing grants or contracts to NGOs.

INFRASTRUCTURE: 4.0

NGOs in Ukraine have access to high quality support services thanks to the maturation of some excellent Ukrainian resource centers supported by various international donors. Training expertise is well developed for basic level training, but advanced training is lacking in NGO development topics and sector-specific topics. Local grant-making capacity is very limited; community foundations do not exist. Two examples of local organizations that award funds based on local needs and priorities are “Yednannya,” which re-grants international donor funds, while “AVEK” (Kharkiv) grants corporate funds raised locally, mainly for cultural and charitable projects. One other local organization, Counterpart Creative Center, re-grants funds from

the US Embassy, but priorities for the grant competitions are determined by the Embassy.

NGOs increasingly understand the need to exchange information and cooperate more with one another, but much work remains to be done in this area. In large part, this unwillingness to cooperate stems from competition for limited donor funds. Some informal partnerships do exist between government and NGOs or business and NGOs, but many of these are of limited quality. Moreover, such partnerships almost always arise out of the interest and initiative of the NGOs – business and government rarely approach NGOs with proposals of partnership to achieve common objectives.

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PUBLIC IMAGE: 5.0

Media in Ukraine continues to be heavily politically restrained. The lead-up to the March 2002 elections will likely negatively influence the amount and type of coverage that NGOs receive. Some leading NGOs, mostly those based in Kyiv, are often featured in national media, but NGOs generally have much more success cooperating with the media at a local level. At this level, NGOs do a good job at self-promotion and often are able to cultivate relationships with local journalists.

Public awareness about the role of NGOs is very low – the average Ukrainian does not understand the need for such organizations. Government and business generally have a negative perception of NGOs, though often the ac-

tivities of social service NGOs help to offset an entirely negative impression. In a few cases, business seeks out NGOs as a local resource. For example, local businessmen regularly look to Winrock-supported NGOs that conduct business training for women when they are interested in hiring employees.

Self-regulation of the NGO sector is lacking – no code of ethics that encourages NGOs to demonstrate transparency exists and NGOs are not eager to adopt one. There is still some fear associated with transparency of operations and finances. Very few NGOs publish annual reports, and many fewer include budget amounts into those reports.

UZBEKISTAN

Capital: Tashkent
 GDP per capita (PPP): \$2,400 (2000 est.)
 Population: 25,155,064 (July 2001 est.)

Foreign Direct Investment: \$73,000,000
 Inflation: 40% (2000 est.)
 Unemployment: 10% (1999 est.)
 plus another 20% underemployed

OVERALL RATING: 4.6

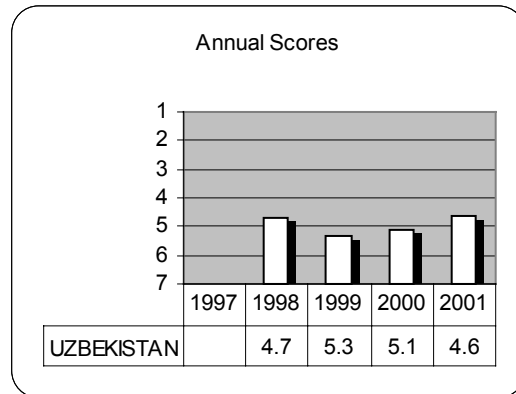
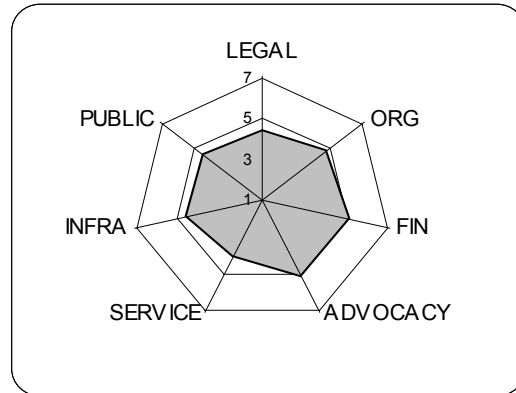
The ability of non-governmental organizations to promote their activities throughout the country improved modestly in 2001. The absence of truly sustainable organizations and influx of donor grants, however, led to friction and increased competition among civic organizations.

During 2001, the Government of Uzbekistan made a concerted effort to educate regional Ministry of Justice (MOJ) officials about appropriate implementation of the progressive 1999 NGO Law. Despite this effort, many NGOs and regional MOJ officials remain woefully ignorant about this new legislation.

During the past year, civic organizations have increased their capacity to work effectively in rural areas. For the first time truly rural NGOs have been established to tackle problems in neglected and isolated regions. NGO leaders note that the ability of organizations to operate in rural areas is considerably easier than in Tashkent, where there is greater political pressure and government monitoring of NGO activities. NGOs outside of the capital are freer of government control and have more developed constituencies.

That said, organizations that are active in politically sensitive issues are not permitted to register or function effectively. Human rights organizations, such as the Human Rights Society of Uzbekistan (HRSU), have been denied registration for the past five years. The Union of International Press Correspondents and the Association of Independent Journalists have also been denied registration.

Elements within the government still wish to control or “coordinate” NGO activity, although some progress in understanding the role of NGOs in democratic societies has been made. Some less educated groups within the government, who view foreign financial support for Uzbekistani NGOs with suspicion, often suspect NGOs of working for



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outside intelligence agencies. Earlier in 2001, the national Women's Committee (a Soviet-era, quasi-governmental holdover) attempted to compel women's NGOs to join a national coalition controlled by the government. Most women's NGOs saw this artificial coalition as another government attempt to tacitly control their activities, and refused to participate.

Due to the limited nature of macro-level democratic reform in Uzbekistan, NGOs have a limited ability to influence policy or lobby for or against government decisions. In the past year, however, NGOs have taken a more active role working with the "Parliamentary Committee for Democratic Institutions and NGOs" on the creation and implementation of association legislation.

LEGAL ENVIRONMENT: 4.4

The 1999 NGO Law brought many positive changes to Uzbekistan's third sector. It allows individuals to establish new types of non-commercial organizations. The law establishes a framework of simple registration procedures for foundations and civic organizations, but subsequent implementing legislation to enact these reforms has not yet been passed. Many NGO and international donor organizations have noted the ease with which many civic organizations are now able to register.

Tax breaks for NGOs exist, but are limited to certain activities of women's and environmental organizations. These limited tax breaks are small and insufficient to contribute to the sector's sustainability. The government often considers grants from international do-

nors as profit, and often attempts to tax these funds. GONGOs are exempt from taxes, but grassroots NGOs created by local civic initiative are not. Fear of taxation and harassment by the tax police are permanent sources of stress for service provision NGOs.

Despite the changes introduced by 1999 NGO Law, the ability of NGOs to register ultimately depends on geographic location, or the mission of the organization. For many years, the local government in the region of Qashqadaryo arbitrarily refused to register citizen initiatives and created barriers to their work. Similarly, NGOs working in the fields of human rights or media advocacy have great difficulty successfully registering.

ORGANIZATIONAL CAPACITY: 4.8

Few organizationally sophisticated NGOs exist in Uzbekistan. The missions and goals of local organizations are generally based on the objectives and missions of the international donor community. NGOs are, however, working more effectively, especially with the assistance of an expanding nation-wide network of civil society support centers that emerged this year.

The organizational structures of many civic organizations remain weak. Most NGO leaders do not understand the concept of a Board of Directors, and are not interested in understanding the separation of authorities between a Board and staff, or differences in their roles within the organization. Most NGOs continue to be founded and led

by dynamic personalities who consider the NGO their own personal domain. Democratic principles are rarely reflected in the leadership or management of civic organizations. The level of paid

staff in leading NGOs is adequate, but volunteers are not recruited in sufficient numbers, nor engaged effectively in activities.

FINANCIAL VIABILITY: 5.1

The international donor community is the largest source of support for community based organizations. Recently, private business interests have begun providing resources and materials for the completion of community projects, but there is little if any direct financial contribution coming to NGOs from the private sector.

The lack of convertibility of Uzbekistani currency is a serious constraint to the financial viability of NGOs. It inhibits organizations from maintaining their finan-

cial records in a transparent manner, because most foreign donor grants are denominated in dollars, even though the practice is technically illegal.

In accordance with the 1999 NGO Law, organizations can be contracted by government or local business for services. Unfortunately such contracts are virtually nonexistent due largely to weaknesses within the government procurement system.

ADVOCACY: 5.1

There is virtually no NGO advocacy in Tashkent, due to the limited political space allowed for open policy dialogue at a national level. Most policy advocacy is limited to the local level. The government is still wary of NGOs and views them with suspicion. Due to a lack of both donor and local resources, extreme competition among NGOs exists, hampering their ability coordinate their ef-

forts into a single voice on issues vital to the interests of their constituents.

A number of NGOs are now working to form a coalition, to work together to draft and lobby the government for favorable changes to the legal and regulatory framework to enhance NGO effectiveness and sustainability.

SERVICE PROVISION: 4.0

Civic organizations have strengthened their ability to provide quality services to their clients. As NGOs become more engaged in rural communities and mahallas (neighborhoods), they have become increasingly responsive to the needs of their communities, and learned to plan their activities strategically to meet the needs of constituents.

Local government acceptance of NGOs as service providers has dramatically improved. Local authorities have begun to realize that community based organizations ultimately strive to improve the lives of citizens, and are increasingly listening to NGOs' analysis of community problems and proposals for com

UZBEKISTAN

munity programs. One example of local government contracting for NGO expertise occurred in the city of Qarshi, where the Hokim (mayor) tasked a women's

NGO to carry out an assessment of gender issues in four key regions of the city.

INFRASTRUCTURE: 4.6

An informal and national network of NGOs emerged during 2001. While this network is not a formal coalition, it has facilitated NGO communications throughout the sector. Additionally, a national network of civil society support centers has emerged. This burgeoning network strives to tackle organizational and developmental issues of civic groups in various regions through the provision of training and other in-demand services.

The number of trainers working with NGOs has increased considerably during the past year, as a result of a large donor driven women's legal education program and the expansion of a network of NGO support centers. The previous shortage of Uzbek language trainers has been alleviated because more international donor supported training of trainer programs are targeting Uzbek speaking communities.

PUBLIC IMAGE: 4.5

Civic organizations have been able to significantly improve their public image by focusing their outreach efforts at the community level.

During 2001, media coverage of the sector continued to expand. Media outlets are no longer hesitant to highlight the activities of community organizations. This is a substantial change from

just three years ago. For example, a partnership between the NGO community and a local television station in the city of Kokand has resulted in the production of numerous public service announcements and talk shows devoted to social causes, as determined by civic groups.