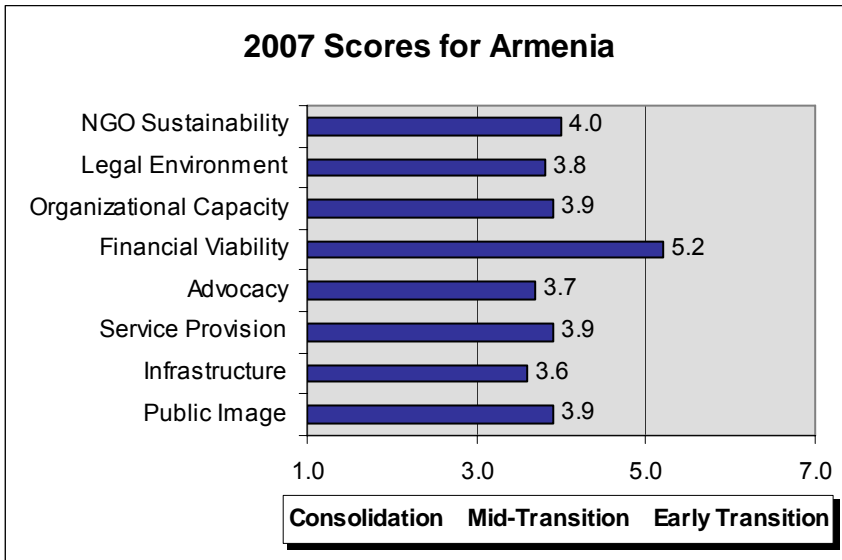


ARMENIA



Capital: Yerevan

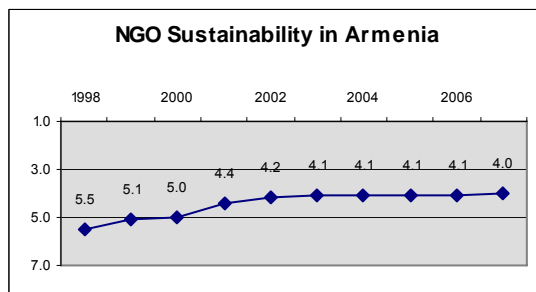
Polity:
Presidential – Parliamentary
Democracy

Population:
2,968,586 (July 2008 est.)

GDP per capita (PPP):
\$5,700 (2007 est.)

NGO SUSTAINABILITY: 4.0

The overall sustainability of Armenian NGOs remained largely unchanged in 2007, although positive developments initiated in previous years are beginning to pay off. There are currently an estimated 4,000 public organizations and foundations registered in Armenia, approximately 10 percent of which are considered active.



Armenia has always been a funding-rich environment for NGOs, but the prospects for easy international funding are dwindling as a result of new demands on foreign assistance and increasing donor insistence on impact. This decrease in funding has led to a gradual weeding out of weaker NGOs and those NGOs focused too heavily on shifting donor agendas, leaving stronger NGOs that are more focused on their

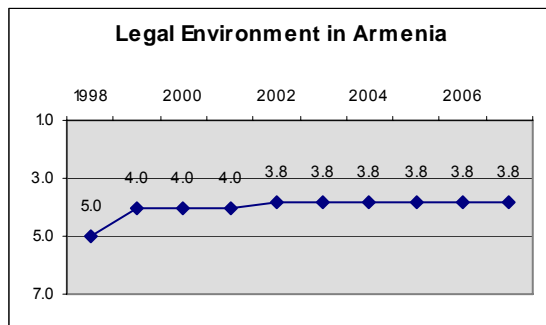
missions. At the same time, civic activism, advocacy and NGO strengthening programs funded by USAID and other donors three to four years ago have had a major impact on the NGO sector's programmatic and administrative capacity. Many NGOs have improved their financial and organizational structures, and reviewed their human resource, financial and programmatic management policies. More NGOs have also developed strategic plans focused on their core missions and competencies.

NGOs are pushing harder on both open and closed doors in the government through focused advocacy initiatives. The draft Law on Lobbying, which had a serious and detrimental potential, was finally removed from Parliament's agenda due to the consolidated efforts of NGOs. In 2007, NGO coalitions successfully lobbied for the continuation of Radio Free Europe/Radio Liberty (RFE/RL) transmissions in Armenia. The public perception of NGOs improved significantly due to their active participation in elections during 2007. NGOs were also more successful at developing cooperative relationships with the Government, especially in the regions.

NGO sustainability is still hindered by the legal framework in which NGOs operate. Across all dimensions in this index, there are weaknesses

that directly result from the legal environment, which lags behind best practice in the region.

LEGAL ENVIRONMENT: 3.8



The NGO sector is regulated by three laws—the Law on Public Organizations, the Charity Law, and the Law on Foundations. The majority of NGOs are registered under the Law on Public Organizations, which requires registration with the Yerevan-based Ministry of Justice. The process is somewhat expensive and burdensome, especially for groups that have to travel from the provinces, and NGOs claim that the registration process is corrupt and difficult in practice. While there are no plans to revise the process, there have been some minor improvements. For example, offices that issue required stamps have been opened in the regions, allowing newly registered organizations to order and receive

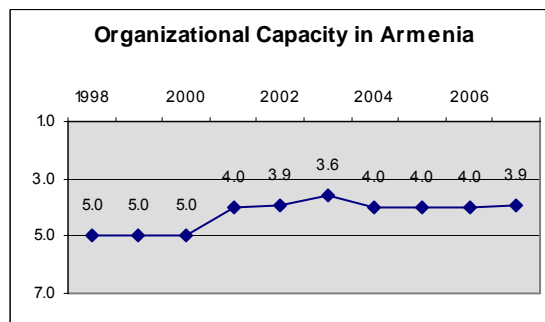
their stamps locally thus reducing the number of trips to the capital. USAID-supported activities are working to identify and address gaps in legislation, including streamlining of the registration process and introducing the right for NGOs to engage in entrepreneurial activities.

NGOs registered under the Law on Public Organizations are prohibited from engaging in direct income generating activities, although foundations may. In addition, the Law on Public Organizations only permits NGOs to register as “general membership” organizations, which is unwieldy and prevents the adoption of organizational structures such as boards of directors or advisory councils.

NGO efforts finally succeeded in getting the draft Law on Lobbying removed from the National Assembly’s agenda. If passed, this bill would have required NGOs and individuals to be “certified” by government officials before engaging in lobbying or advocacy activities, permitting the government to exert unprecedented control over the sector.

ORGANIZATIONAL CAPACITY: 3.9

NGOs increased their organizational capacity this year in response to the increasingly competitive environment created by the overall decline in grant opportunities and the more rigorous organizational capacity requirements by donors. Many NGOs are now engaged in strategic planning and more NGOs are using their missions and strategic plans to guide their activities. NGOs are also making efforts to identify and advocate for their constituents and beneficiaries. There is also progress in NGO staffing. Following donor requirements, a number of NGOs now have clearly defined staff responsibilities and regularly evaluate their staffs.



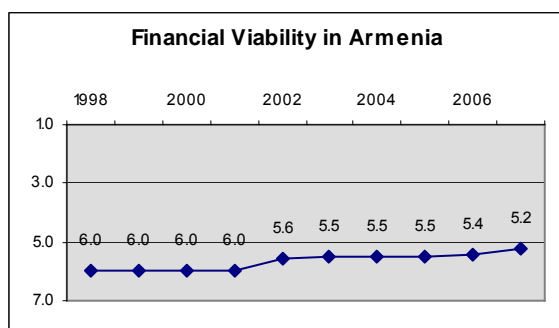
Though many continue to be driven by and depend on a single charismatic leader, more NGOs, especially youth-led groups, are adopting a more inclusive approach towards management. The overly simplistic Law on Public Organizations, however, prevents organizations

from adopting a more sophisticated and effective model of NGO governance involving boards of directors. Typically, Armenian NGOs only do what is prescribed in the law, which does not contain adequate provisions requiring effective minimum standards governance. Additionally, the state registry overseeing NGO registration

and charters does not allow flexibility. As a result, advisory councils and boards are not written into organizational charters.

Most organizations have the equipment they need to operate. Access to the Internet, however, is spotty throughout the country.

FINANCIAL VIABILITY: 5.2



As a result of the overall decline in grant opportunities, many organizations are surviving from grant to grant or seeking alternative funding sources. NGOs now actively seek more private funding as well as support from international donors that have not had a strong presence in Armenia in the past. Local sources of NGO funding are still limited, although there are some positive developments. The Armenian government continues to provide small-scale funding to NGOs, primarily in the areas of social services for vulnerable populations, and public awareness and health campaigns. There are new, although limited, opportunities for NGOs to receive funding from local self-governing bodies and individual cases of social partnership and small grant programs are emerging on the local level. Local businesses and individuals have

similarly increased their support of NGOs over the past year. In the last year, two large businesses provided direct funding to independent NGOs for public safety programming, while also engaging in the programs as advisors and active participants.

The Government of Armenia and the NGO community had been discussing a “one-percent” law that would earmark public funding for the NGO sector, but this discussion was tabled in 2007 due to the National Assembly and presidential elections.

The legal framework restricts NGOs from generating income and fails to provide beneficial tax exemptions. The government justifies its restrictions on economic activity by claiming that nonprofit organizations will evolve into de facto for-profit organizations. Many NGOs fear that if they engage in economic activities, or provide accurate disclosure of their income from such activities, they will attract the attention of the tax authorities. As a result, NGO financial disclosures do not always reflect reality.

NGOs’ financial management systems have noticeably improved and more NGOs now have effective systems in place, including better competitive bidding practices.

ADVOCACY: 3.7

In 2007, NGOs were more articulate in engaging the government at all levels and more savvy in targeting their advocacy initiatives. In general, there is broader cooperation between NGOs and local governments. While many NGOs take part in decision making at the community and regional level, they are more passive at the national level. Nevertheless, NGOs are now making regular and substantive contributions to

legislation and ongoing policy issues, including the RFE/RL case, regional development, environment, and the Law on Lobbying.

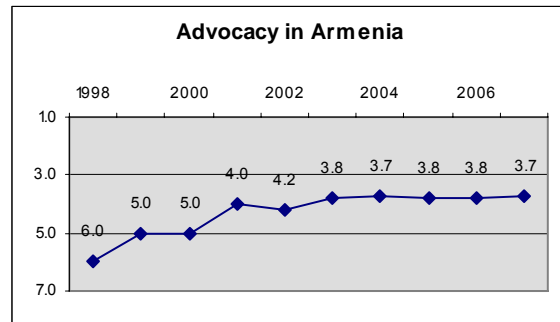
Unprecedented numbers of NGOs, in all regions of Armenia, engaged in election-related activities including voter education, voter list corrections, observation, as well as legal recourse in cases where electoral rights were

violated. These non-partisan activities allowed NGOs to garner greater trust among voters and distinguish themselves from political parties.

NGOs are being taken more seriously by the executive branch in the implementation of public policy as well, with examples including the development of consumer safety guidelines, procedures for involuntary institutionalization of the mentally ill, and activities to develop small and medium enterprises. Cooperation with local and state government has been more constructive and the National Assembly's approach to NGOs has been favorable. The government now understands the role of NGOs and sees the value in cooperation. Accordingly, when NGOs raise issues, there is a greater likelihood that the government will engage seriously in dialogue. The removal of the Law on Lobbying from the National Assembly's agenda was a major success for advocacy groups, as were the passage of the Law on Volunteerism through the Executive Cabinet, changes to the electoral code, implementation of

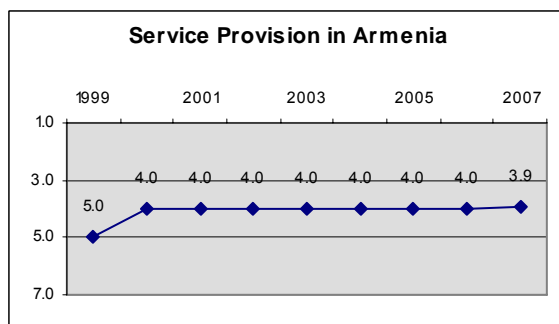
the anti-corruption strategy, and halting of the broadcast media digitalization plans.

Several high-ranking officials have created advisory councils that include both government and NGO representatives. In the past, such councils were designed primarily to control and preempt rather than to seek broad outside input, but this situation is now changing.



Ad-hoc inter-sectoral partnerships have improved over the past year. While these come together to address specific issues and disappear once the issue is addressed, the consolidation of resources and efforts are increasingly occurring at the behest of NGOs themselves, rather than donors.

SERVICE PROVISION: 3.9



Service provision by NGOs has substantially increased and improved. NGOs are offering more varied services to a greater variety of clients, including donors, local governments, other NGOs, communities, businesses, and citizens. Additionally, the quality of services has improved as a result of greater competition and increased capacity. NGO services range from soup kitchens and medical assistance to the elderly and vulnerable, to legal advising,

capacity building and grant management. There is broad public recognition of NGO services.

To some extent, NGOs are developing social partnerships with local governments. However, the centralized national government greatly limits the authority and budgetary power necessary for local governments to form sustainable partnerships. The national and regional governments have slowly started to procure the services of NGOs to implement social policy. For example, Mission Armenia, a major community-based service delivery organization that has been funded by international donors, now has a line item in the Armenian state budget, which is a major step towards sustainability and indigenization. The cities of Vanadzor, Gyumri, Ashtarak and Gavar also have budget lines for service provision to citizens, partially through public organizations.

Ongoing legislative efforts between the government and NGOs related to the legal environment governing service provision,

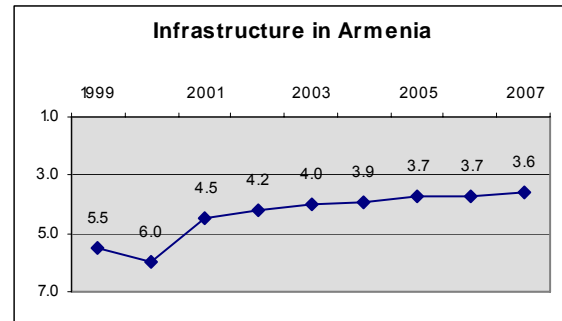
including fee for services, licensing and procurement, did not result in any positive changes during the year.

INFRASTRUCTURE: 3.6

Intermediary Service Organizations (ISOs) operate throughout Armenia with donor funding. Through them, USAID, UNDP, OSI, and the EU have provided extensive training and consulting services to NGOs. With substantial financial support and technical assistance, ISOs have begun a large-scale re-granting effort for the donor community. The ability of ISOs to responsibly manage significant funds, program implementation, and evaluation has increased substantially. As a result, for the first time in Armenia, NGOs view local organizations as viable grantmakers, with confidence in their ability to run competitions and manage programs fairly and effectively.

ISOs reported a substantial increase in income within the past year, confirming that there is a change in NGO culture and that more and more NGOs are willing to pay for the services of Armenian ISOs and experts. Nevertheless, not all NGOs are willing or able to pay for services without donor assistance. At the same time, legal limitations on income generation prevent ISOs from becoming sustainable in the long-term without continued donor funding. Some

NGOs have set up for-profit subsidiaries, but the limited successes in this area have been accompanied by mission drift.

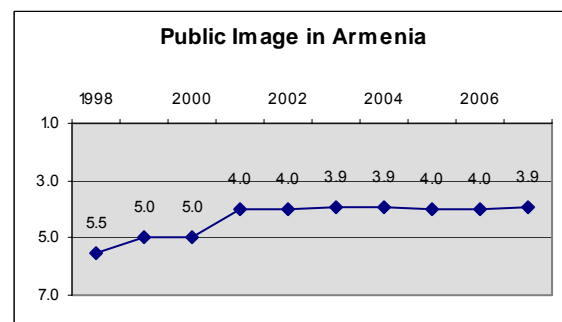


The number of NGO coalitions has increased, although cooperation is still limited to specific issues and rarely goes beyond the implementation of specific programs. In 2007, many NGOs worked together on election-related issues, including voter education and election monitoring campaigns. Inter-sectoral cooperation also increased; NGOs work very closely with local governments and communities.

PUBLIC IMAGE: 3.9

Media coverage and public perception of NGOs improved this year, especially after NGOs' active role in the 2007 elections. NGOs are becoming increasingly sophisticated in their media outreach efforts and the media shows more interest in their activities. NGOs report that they are no longer defamed as "grant eating" organizations.

The government's perception of NGOs has improved as well. As NGOs have demonstrated that they can engage in more sophisticated forms of advocacy and add value to the policy process, the government has started to take NGOs more seriously and invite NGOs to participate in various policy discussions.



Although this attitude is still not systematic, it has become more prevalent in the last year. NGOs have also helped to improve their image by relying on facts and data in their public

pronouncements, campaigns, and general outreach.

As it is not required by legislation, NGOs are not fully transparent, but are beginning to see the value in providing public accounting to constituents. NGOs still only publish annual reports in isolated cases, although more NGOs

produced such publications in 2007. Also in the past year, NGOs began producing programmatic reports that link their finances to their efforts and successes. NGOs have developed a unified code of ethics; however, the final code has not yet been adopted and the will to implement such a code remains weak.