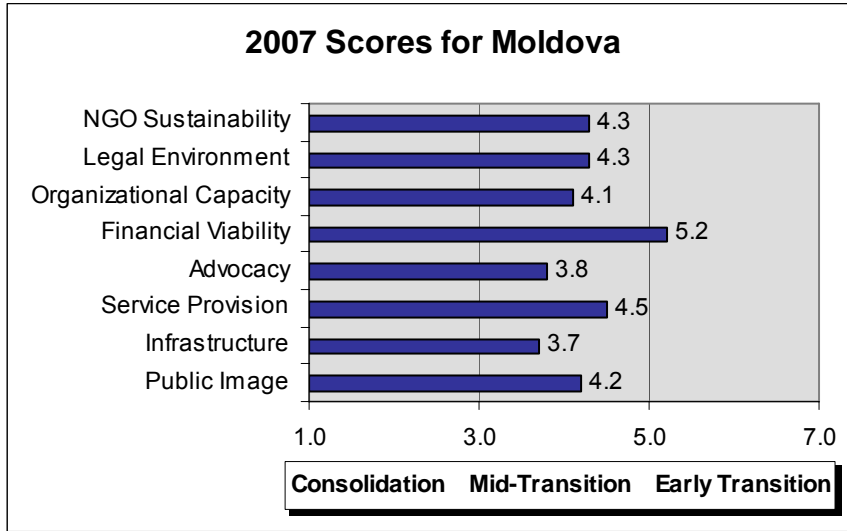


## MOLDOVA



**Capital:** Chisinau

**Polity:**  
Parliamentary Democracy

**Population:**  
4,324,450 (July 2008 est.)

**GDP per capita (PPP):**  
\$2,200 (2007 est.)

### NGO SUSTAINABILITY: 4.3\*

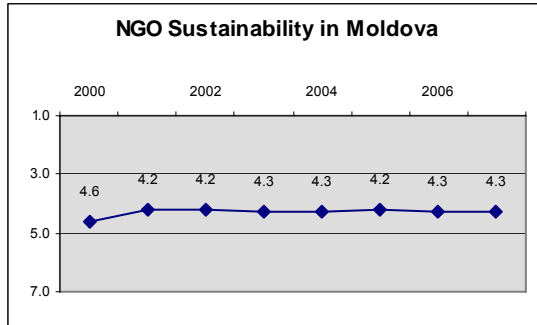
In 2007, civil society in Moldova played an active role and became more visible and vibrant overall, yet a number of constraints continue to hamper NGO sustainability. Civil society in the Transnistrian region remains weak and restricted to certain areas of activity.

A number of positive factors have strengthened the role of civil society organizations and supported their sustainability. External factors, including the completion of the EU-Moldova Action Plan, the launch of the Millennium Challenge Corporation (MCC) Threshold Program, and the Moldova-NATO Individual Plan, have promoted greater involvement of civil society and greater accountability and openness from the government. Internally, local elections and the participatory drafting of the National Development Plan have somewhat improved the climate for cooperation. At the same time, limited government capacity and leadership have prevented NGOs from fully exploiting these opportunities.

According to a recent UNDP-Moldova “Study on the Development of Non-governmental Organizations in the Republic of Moldova,” the number of registered NGOs has increased to almost 7,000, approximately 3,000 of which operate at the national level. Civil society remains fragmented into three groups: around two dozen elite, professional, mostly Chisinau-based NGOs; local and regional service providers; and Transnistrian NGOs, which operate in an extremely hostile environment. The elite organizations are capable, and strong and viable counterparts to the central authorities, and generally focus on consulting or advocacy/policy-oriented work. Unfortunately, such organizations separate themselves from other NGOs, and fail to exercise leadership, promote good practices, or represent the interests of the sector overall.

The second group of NGOs provides social services with various degree of professionalism,

\* In recommending the scores for this report, the Panel did not consider the conditions in the Transnistrian region of the Republic of Moldova.

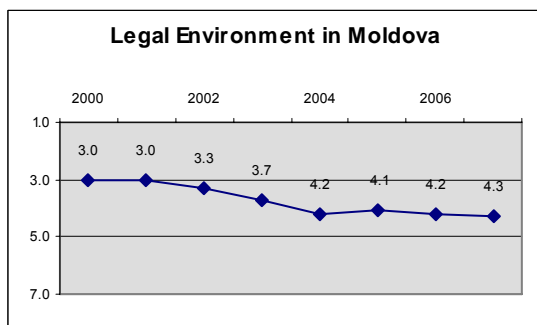


and generally works closely with the local authorities, making it extremely vulnerable to

government abuse. The low organizational capacity of these NGOs results from the lack of government financing instruments, insufficient donor support, and an unfavorable regulatory framework. Financial viability is weakest at the local level, and grants still remain the main funding source. Efforts are required to increase corporate and individual giving, as well as the use of public tenders. Unfortunately, communication and exchange of information and ideas between the elite and social service NGOs is weak and worsening, and the current crop of elite organizations is unlikely to address these issues.

### LEGAL ENVIRONMENT: 4.3

The legal framework for NGOs did not change significantly over the past year, although registration became more difficult, resulting in a lower legal environment score. In 2007, the Ministry of Justice proposed several controversial amendments to the Law on Civic Associations related to registration requirements and membership, allegedly to bring the Law into compliance with the Civil Code. As a result of NGO pressure, the Parliament adopted much less restrictive amendments than originally proposed. While the final version of the law increases registration fees and imposes new restrictions on membership and the use of state symbols by NGOs, it included some improvements to the existing law as well, including a decrease in the minimum and a requirement that the State Register be placed on the Ministry of Justice’s website, an important step towards transparency.



UNDP and Soros Moldova projects have drafted two new laws – On Nonprofit

Organizations and On Public Benefit Organizations – which the NGO community has discussed extensively. At the time of writing, the drafts were pending before Parliament. Experts claim that the draft laws introduce more systematic norms for regulating NGO activities, but NGOs see little benefit from the laws, and have therefore expressed lukewarm support for the drafts.

Overall, NGO legislation is permissive, yet vague, which allows for arbitrary implementation by government officials. On paper, the NGO registration process seems clear; however, this year the Ministry of Justice continued to make registration more difficult. The process is lengthy and even minor changes, such as a change of legal address, require a huge quantity of documents. Additionally, the registration staff suffers from high turnover and insufficient capacity. Censorship of NGOs’ by-laws, imposition of internal organizational structure, and requests for proof of minor details by the Ministry of Justice are just a few of the causes of delays and rejection of registration applications.

NGOs are not provided any legal guarantees against repetitive checks from the tax and fiscal authorities – protections that private firms enjoy. In addition to tax inspections, both NGOs and mass-media representatives were publicly harassed this year. Hyde Park representatives and reporters from Pro-TV, an independent TV

company, were arrested many times and even assaulted by police.

NGOs' knowledge of relevant legislation has not improved, and estimates are that there are fewer than a dozen lawyers specialized in NGO law. A UNDP project supported the Ministry of Justice's development of a hot-line offering free consulting on issues related to the registration and operation of NGOs.

The law permits NGOs to engage in economic activities if they are mission-related and expressly stated in the by-laws. The services of an NGO with a Public Benefit Certificate (PBC) are VAT exempt; however, the PBC does not allow recovery of VAT paid on purchased goods

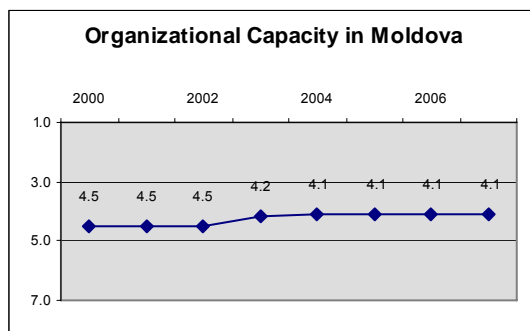
or services. Few organizations engage in the provision of fee-based services, and income-generating activities rarely reach 15-20 percent of an organization's budget.

The Tax Code allows private firms and individuals to deduct up to 10 percent of their taxable income for eligible donations; however, firms have no incentive to use this provision as the procedure is cumbersome and difficult. As a result, to date just a few foreign investment firms have taken advantage of this possibility. Grants and donations are exempt from taxes. This year, UNDP supported drafting of a percentage law to allow individual and corporate donors to direct one to two percent of the taxes they have already paid to public benefit NGOs.

## ORGANIZATIONAL CAPACITY: 4.1

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The organizational capacity of NGOs has not changed significantly in the past year. Several dozen well-established NGOs, mostly based in the capital, have well-developed management structures, strategic plans, human capital, and financial resources. Local and regional NGOs are several steps behind in terms of institutional development, although there are some strong organizations as well. Transparency and accountability remain the exception rather than the rule, including within the better developed capital-based NGOs. Some donor-supported initiatives aim to develop the organizational capacity of local and regional NGOs, as do services by local training and consulting organizations offered on the market on a fee basis.



Developed NGOs have strategic plans which are regularly updated, while NGOs in rural regions

have at most mission statements and strategic objectives that are not necessarily followed. NGOs consider community needs, yet in most cases missions are more influenced by donor priorities and strategies. As a result, NGOs frequently change their mission statements in accordance with existing financial opportunities.

Governance practices within the NGO sector remain largely unchanged. Even though many organizations have boards of directors, their members are rarely active and the executive substantially overlaps with the board in both function and composition. Although several initiatives and discussions are underway, NGOs have not yet developed self-regulating principles, such as a Code of Ethics or Conduct, to encourage a separation of roles and responsibilities.

Chisinau-based NGOs have trained and professional employees, while staff members of rural NGOs generally have higher education yet much less professional experience. Local and regional NGOs are involved primarily in the provision of social services, and some NGOs have become very specialized and professional.

Volunteerism exists, primarily in youth-related NGOs. Seventy percent of NGOs claim to have volunteers, yet state that their quality is

unsatisfactory. A study recently released by CReDO states that voluntary activities in Moldova involve around 17,000 people and account for 0.7 - 0.15 percent of GDP, which is one-tenth the level of volunteerism in countries of CEE. The legal framework does not encourage the use of volunteers or recognize their value to society. A coalition of NGOs is promoting a law on voluntary activity, which was drafted in cooperation with the Ministry of Education and will soon be considered in Parliament, and will organize the annual Volunteer Festival in Chisinau.

Large NGOs are well-equipped, with permanent Internet access and modern software. Smaller NGOs do not all have sufficient and modern equipment or regular Internet access. Internet access is improving, however, and many NGOs have gotten connected or upgraded their connections from dial-up to DSL. On the other hand, a law requiring the use of only licensed software has caused problems for NGOs, especially smaller ones, which can be fined at any moment.

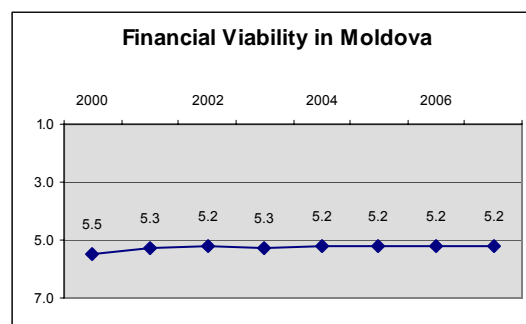
## FINANCIAL VIABILITY: 5.2

Overall, while NGOs have made modest progress in diversifying their resources, this development has not yet impacted the overall financial viability of the sector. Most NGOs continue to view financial viability only in terms of grant opportunities from international donors, and therefore cease to operate as soon as donor funding ends. The environment for grassroots fundraising is weak because of the lack of incentives for donations and the incipient culture of philanthropy. NGOs have not engaged in any significant activities during 2007 to cultivate loyal financial supporters.

Nevertheless, there were some positive changes regarding corporate philanthropy this year. Promotion of the Global Compact Network in Moldova and other initiatives inspired big companies like Orange, Moldcell, Coca-Cola, and Xerox to demonstrate their social responsibility through a range of donations and sponsorships. A conference on Corporate Social Responsibility was organized in November 2007 by AmCham Moldova, Eurasia Foundation and UNDP, with support by local companies such as Bioprotect and EuroCreditBank.

NGOs have started to recognize fee-based services as a means of resource diversification, primarily small NGOs from rural regions providing mostly short-term services to municipal governments. Other NGOs have received contracts from the Ministry of Social Protection, Family and Children, yet this is an

exception due to the absence of contracting arrangements and the general approach of the central authorities.



In recent years, the funding for NGOs has modestly diversified and increased as a number of US-based private foundations have started to operate in Moldova. In addition, the Millennium Challenge Corporation has provided grants to NGOs to monitor corruption in Moldova. A number of private or public European foundations support development of social services and provide technical assistance. EU grants are difficult to access, as Moldovan NGOs have to compete at the regional level because no small- or medium-sized grant programs operate in Moldova yet.

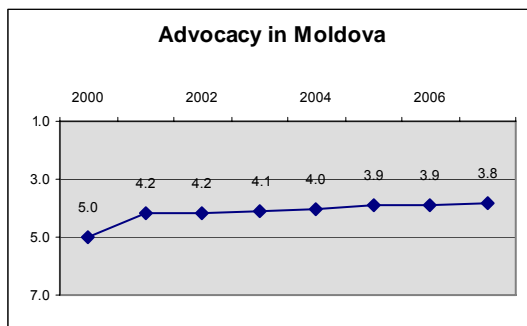
Many factors contribute to the low financial viability of NGOs, including weak capacity, a lack of transparency and visibility, limited understanding of legislation, and lack of sound financial management systems. Very few NGOs publish annual reports with financial statements,

although this practice is slowly developing. Only a few NGOs can afford an audit, and local

auditors still need to learn about the specifics of NGO financial accountability and transparency.

### ADVOCACY: 3.8

In the course of the year, the level and quality of cooperation between civil society and the government increased, possibly indicating the beginning of a trend. Central authorities became more open, at least in terms of procedure and participation. At the same time, a limited number of leading NGOs became more skilled in advocacy and policy-making, and donor-led programs provided the means to advance such work. The constraints to even greater involvement of NGOs in lobbying and advocacy include the over-centralization of the policy-making process, the lack of opportunities for substantive contributions and transparency in the decision making process, and NGOs' lack of technical advocacy skills.



Following on last year's Parliament-Civil Society cooperation memorandum, the Cabinet of Ministers initiated a legal mechanism outlining cooperation with civil society that is due to be approved later this year. A number of Ministries (including Health, Social Protection, and Justice) and other central authorities created mechanisms to cooperate with and engage NGOs in policy-drafting discussions. Unfortunately, NGOs do not always have the capacity to meet the demand for advice and input. At the same time, the quality of cooperation is often low and only aimed at

meeting formal requirements and therefore less substantive.

A number of major advocacy initiatives attracted public attention and had positive impact during 2007. For example, Coalition 2007 for the Monitoring of Local Elections helped to create a better framework for local elections and an antismoking campaign influenced Parliament's decision to ratify the Tobacco Control Convention. Such broad-based advocacy coalitions were complemented by concrete and technical lobbying actions with specific legal proposals and negotiations. For example, Amnesty International-Moldova, CReDO and Promolex successfully organized media campaigns and lobbied two parliamentary commissions to create a better national torture prevention mechanism. The somewhat positive trend in advocacy is also due to the international obligations Moldova must fulfill as part of its cooperation with the EU, NATO and others.

Several active NGOs, including Eco-Tiras, CReDO, Amnesty International-Moldova and Adept, effectively lobbied against the restrictive amendments proposed by the Ministry of Justice to the current Law on Civic Associations. In addition to press conferences and media outreach, these NGOs worked with a parliamentary commission to organize two public hearings, allowing NGOs to share their reactions to the proposed amendments. As mentioned above, the final draft of the amendments were less restrictive as a result of this NGO pressure.

Advocacy activities at the local level have largely remained unchanged. One trend that has emerged is the migration of a number of former NGO activists into local elected positions in either regional or municipal councils.

## SERVICE PROVISION: 4.5

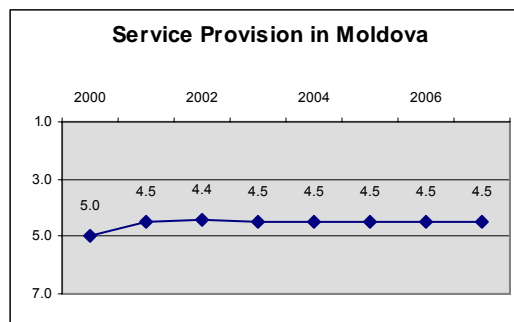
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The recent study of civil society by CBS-AXA commissioned by UNDP shows that NGOs provide services in a variety of fields, but mainly in such areas as social services (24.7), education (27 percent), information (15 percent), consulting (seven percent) and legal services (five percent). Areas including culture, science, health, sport, housing, energy, water and others are cited less frequently. While the range of services is significant, quality is still low as a result of weak human capital, especially in the rural areas. However, local and regional NGOs and leading consulting NGOs have increased the quality of their services.

The financial dependence of NGOs on foreign grants influences the line of NGO services and products. The service portfolio of NGOs only partially meets real needs due to insufficient capacity and the high cost of developing and maintaining quality services. The low buying power of clients and beneficiaries, the lack of contracting mechanisms, and absence of accredited service providers also hamper the development of NGO service provision.

NGOs are starting to initiate more fee-based services. Several membership-based professional organizations and NGOs have implemented membership fees, while other NGOs provide

NGO support activities on the basis of full or partial cost-recovery. Leading NGOs have started to market their policy research, expert analysis and advice to international organizations.



At the local level, authorities are beginning to recognize the value of social services provided by NGOs and provide some support. While NGOs regularly seek contracts from the local and regional authorities for the provision of social and educational services, the success of such efforts is constrained by the limited financial capacity of local governments and the absence of needed financial and regulatory mechanisms.

## INFRASTRUCTURE: 3.7

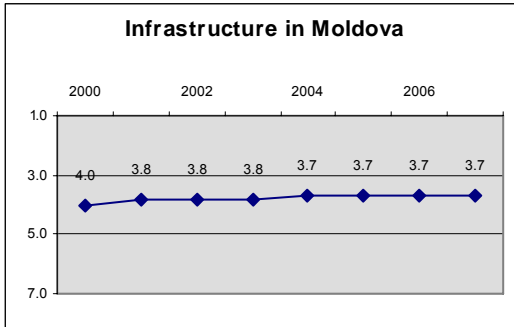
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Resource centers at the national and local levels, coalitions, associations and alliances are the main support institutions for NGOs. Most resource centers are still located in the capital and major cities, but there were a few successful initiatives to provide organizational support to previously uncovered regions, including Promo-Lex which created the Resource and Development Center for Transnistriain Cosnita. In 2007, a UNDP and Soros Foundation project established five grantmaking community foundations in regional cities.

NGOs' demand for information, training and consulting generated an increased supply of fee-based services. CICO, in partnership with

international universities and partners, offers a diverse portfolio of internationally-accredited management and leadership services for NGOs, including short-term and comprehensive one-year programs. Contact Center provides managerial and community development support to local and rural organizations.

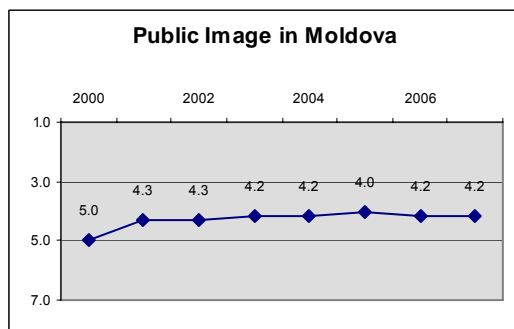
CRDO provides capacity building in advocacy and policy development through internationally-accredited programs offered in partnership with centers and programs from the US and the Netherlands. CICO and CRDO also provide on-line distance learning, and the Association of Professional Accountants (ACAP) provides training in accounting.



The network of trainers is large and quite diverse. There is no professional association of

## PUBLIC IMAGE: 4.2

The recent Barometer of Public Opinion published by the Institute for Public Policy shows that NGOs continue to have one of the lowest levels of public trust. In part, civil society is characterized by low credibility and visibility because of the uneven level of activity of most NGOs, which reinforces the perception of NGOs as “grant consumers.” Abuse of NGO status to promote one’s personal interest also hurts the sector’s public image. Increased collaboration with civil society and contracts with NGOs for consulting and specialized services suggest that local and national government authorities are developing a more positive opinion of NGOs.



There is a significant lack of transparency and accountability within civil society. Only the leading NGOs make their budgets and other financial information available to the public.

NGOs have faced difficulty in developing productive relationships with the media. Media does not perceive civil society as a valuable source of information, and NGOs lack a creative

trainers or shared ethical or quality standards within the trainers’ community. Networks and coalitions, such as ACASA, the Social Network and others, have developed unique fundraising strategies, specialized trainings, and capacity-building services for their members.

Inter-sectoral partnerships continue to be at an incipient level, established mostly at NGOs’ initiatives and on short-term, sponsorship basis. Newly-elected local authorities may present new possibilities for partnerships.

and attractive approach in promoting their work. Still, this year media expressed a greater interest in NGO experts’ opinions, especially during the local elections. Media coverage consists mostly of NGO press-conferences and paid publication of announcements. Several media outlets, primarily electronic and Internet-based media, actively cover the activities of NGOs, and the Euro-TV station relies extensively on NGO expertise in its analytical and talk-show programs. Large advocacy coalitions, such as the Anticorruption Alliance and Coalition for Monitoring of Local Elections, are the most visible, while think tanks and other established opinion-making organizations are also regularly covered and referred to by the popular media.

Civil society communicates internally through e-platforms, forums and mail-groups. In April 2007, a new nonprofit news portal, Civic Monitor ([www.civic.md](http://www.civic.md)), was created with the aim of improving the visibility and image of the NGO sector. The National Forum of Moldovan NGOs and The National Council of NGOs have been inactive since November 2003.

Civil society has not developed a Code of Ethics yet, although there is an increasing interest in this issue both from civil society and the donor community. CReDO initiated a national effort to disseminate the Code of Ethics elaborated and adopted by the World Association of Non-governmental Organizations (WANGO), and several organizations bound themselves to its principles.