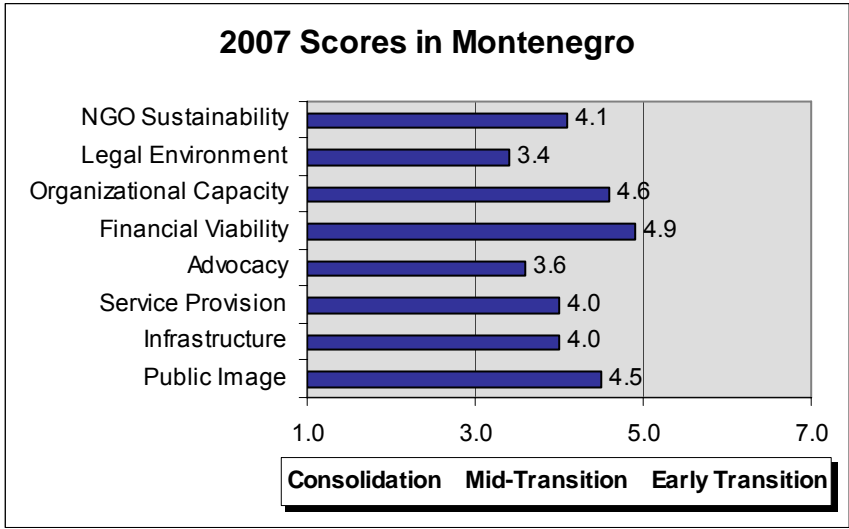


# MONTENEGRO



**Capital:** Podgorica

**Polity:**  
Parliamentary Democracy

**Population:**  
678,177 (July 2008 est.)

**GDP per capita (PPP):**  
\$3,800 (2005 est.)

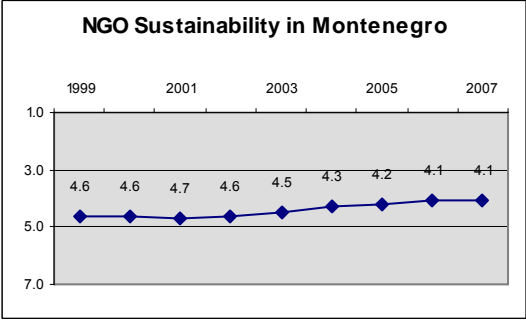
## NGO SUSTAINABILITY: 4.1

In 2007, the NGO community in Montenegro experienced successes and setbacks in almost equal measure. On the one hand, the NGO community rallied around the first ever National Strategy for NGO Sustainability, adopted in early 2007, which addressed self-regulation, reform of the government grants system, and cooperation between NGOs and the Government. Over 145 NGOs signed a national code of NGO conduct and elected a seven-member self-regulatory body to enforce and monitor the implementation of the code – the first major step made by the NGO community to regulate its own behavior, standards, and transparency.

The Ministry of Finance is working with NGOs to revise and strengthen procedures for granting public funds to NGOs, in order to reduce public funding of non-existent NGOs or “political favorites.” The Coalition “Together towards the Goal” drafted an amendment to the Lottery Law that would provide local NGOs with access to 60 percent of all lottery funds; the draft has been sent to Parliament and is awaiting consideration.

The Government established the first ever Office for NGO Cooperation in 2007, and appointed a National NGO Coordinator. Although the office

is under-funded and lacks a strong mandate, it is working with NGOs to finalize the action plans, areas of responsibility, and deadlines in the Strategy for NGO-Government Cooperation.



The Parliament finally adopted a long-awaited amendment to the Law on NGOs. The amendment closes a loophole that has allowed hundreds of small businesses to register and operate as NGOs to take advantage of tax exemptions, and will likely result in a large reduction in the number of registered NGOs. NGOs also successfully influenced the drafting of the new Constitution, ensuring the inclusion of provisions on consumer protection and free access to information.

Public perception of NGOs also improved somewhat in 2007. A public opinion survey

showed distinct improvements in public attitudes towards, and public understanding of, NGOs in comparison to previous years.

However, there were also some serious setbacks in 2007. The new Constitution removed the basic right of NGOs to propose legislation directly to Parliament through the collection of 6,000 signatures, thereby limiting NGOs' access to the legislative process and tying NGO advocacy initiatives to the political patronage of individual MPs. There were also several incidents of harassment towards NGOs this year. As of the end of 2007, the Government of Montenegro had not released any grant funding to local NGOs through the Parliament Grants

### LEGAL ENVIRONMENT: 3.4

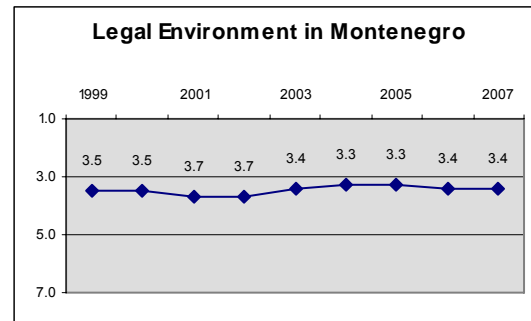
The 1999 Montenegrin NGO Law continues to provide simple registration procedures and, on paper, allows NGOs to operate free of state control and threat of dissolution for political or arbitrary reasons. However, State harassment of NGOs was evident in several incidents in 2007, including the refusal of Parliament to confirm the candidacy of a democratically-chosen NGO leader to the Council of the Public Service Broadcaster despite concerns expressed by international stakeholders, the slandering of an NGO leader who questioned the human rights record of leading politicians, and the alleged police surveillance of another NGO leader. These events have worsened the score for this category, reversing a positive trend of the past several years.

At the same time, there were some tentative successes in improving the legal framework for NGOs in 2007. The amendment to the Law on NGOs proposed by the NGO community was finally adopted in early November and is expected to stem the widespread abuse by businesses of NGO status to avoid taxes on income from economic activities. The Government established an Office for Cooperation with NGOs, which is now working closely with NGOs to finalize and adopt the Strategy for NGO-Government Cooperation. However, progress has been slowed by the under-funding and under-staffing of this office,

Commission for two years running, representing a potential loss of close to \$1 million to the NGO community.

The sector experienced a noticeable brain drain in 2007, as several experienced NGO leaders and managers left for the private sector or universities. Adding to the problem, few NGO leaders train and mentor their staff to take over eventually as future leaders. NGOs perceive the media to be less interested in their activities over the past year. Financial sustainability of the sector remains low, and all NGOs are concerned about their financial prospects once donor funding recedes.

as well as its weak mandate to make important decisions on behalf of the Government. A group of NGOs have also proposed a Law on Transparency of Public Policy-Making, which envisions a greater role for NGOs in public policy.



On paper, NGOs enjoy a range of tax exemptions. Membership dues, donations and contributions are not taxed as long as they are unrelated to an organization's economic activities; an NGO is exempt from real estate tax as long as its real property is used for the organization's statutory goals; dividends are not taxed; and deductions are provided for corporate and individual donations to NGOs. In addition, the VAT law provides broad exemptions for all services rendered by NGOs, as well as services of "public interest," including educational, cultural, sporting and religious services, provided that the exemption is not used to distort

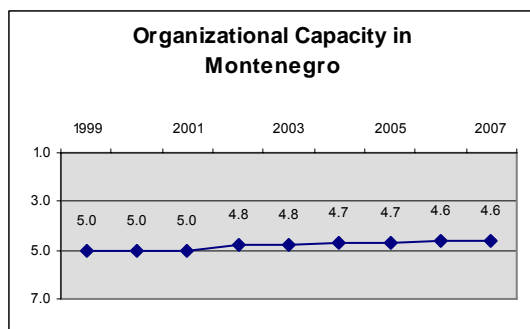
market competition. However, few NGOs are knowledgeable enough about tax legislation to apply for and pursue exemptions; tax legislation remains over-complicated and confusing, and NGOs are not given any official guidance on how to comply. NGOs believe that the tax framework needs to be amended to encourage growth in Montenegro’s sluggish philanthropic market. Specifically, NGOs suggest that the current definition of “financing public interest activities” should be expanded to include areas such as democratization, human rights, rule of law and local governance.

NGOs can earn income from the provision of goods and services, and receive tax exemptions on grants and income worth less than €4,000.

The new amendment to the Law on NGOs specifies that the limits apply to total income and

**ORGANIZATIONAL CAPACITY: 4.6**

The capacity gap between the small number of large, professional NGOs and the large number of small, institutionally-weak NGOs widened in 2007. Many qualified and experienced personnel are leaving the NGO sector for the private sector or universities. In a country that is rapidly developing, the NGO sector is not seen as an attractive or financially competitive sector for new university graduates. As a result, when experienced NGO leaders “retire,” there are few staff qualified to assume their roles. Also, declining donor interest in financing training is leaving this new generation of NGO leaders without the educational advantages of their predecessors.



NGOs in Montenegro are still predominantly donor-driven. While a few well-developed

not just profit; if properly enforced, hundreds of businesses registered as NGOs will be forced to re-register as commercial organizations. However, this will require assiduous oversight by the financial police and the Ministry of Justice. The Procurement Law allows for any legal entity, including an NGO, to compete for government contracts and procurements at both local and central levels.

Few lawyers specialize in NGO law and are capable of offering legal advice, as there is simply no financial incentive to specialize in this field. Several ISOs and resource centers have tried to compensate for this deficit by engaging staff with law degrees to offer legal advice to NGOs.

NGOs seek to build local support, most still adhere to the donor community’s priorities rather than constituent needs. It is still not common for NGOs to have defined missions, visions, goals, and objectives, and those that put strategic plans in place do so as a means of accessing donor funding. That said, NGOs that have engaged in strategic planning see its value.

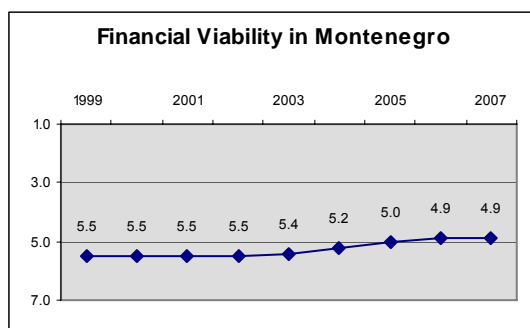
Only a small number of NGOs have a permanent paid staff. Smaller NGOs depend on staff who work after finishing jobs in the state or private sector. Volunteerism is extremely weak due to both cultural factors and the lack of an encouraging legal framework, and neither the State nor the NGO sector draws on existing volunteer resources. The Labor Law provides an additional constraint, referring only to “volunteer apprentices,” or unpaid trainees seeking to complete degrees in law and medicine. Because NGO volunteers do not fall within these categories, the occasional per diems or travel expenses that an NGO might reimburse their volunteer for are taxed as they are for paid employees, thereby discouraging NGOs from recruiting volunteers. In 2007, an NGO led an effort to draft a new Law on Volunteerism to address these issues.

NGOs with access to donor funding have access to modernized basic office equipment, such as relatively new computers and software, functional fax machines, and Internet access.

However, even the smallest and most under-developed NGOs tend to have telephones and fax machines, if not a computer. Internet access has not yet penetrated to all areas of northern Montenegro.

## FINANCIAL VIABILITY: 4.9

NGOs continue to draw the majority of their financial support from international donors, but are making steps towards diversifying their funding. A small number of large, professional organizations charge fees for goods and services, including translations, training seminars, calendars, books, design and architectural services, etc, but such efforts are largely limited by the weak capacity of the market to pay.



NGOs are also receiving grants from domestic donors such as republic and local governments. However, the State and local governments tend to mishandle the allocation of public grant funding to NGOs. As of the date of writing, the Government of Montenegro had not released any funding to local NGOs through the Parliament Grants Commission for two years as a result of the political upheaval of the 2006 referendum and elections and their delay in electing a new Commission. Consistent public criticism by NGOs has had no effect on this stalemate. Other public financing flows to unworthy NGO activities and very little accountability is demanded of grant recipients. Upon the urging of the 200+ member-strong NGO Coalition “Together towards the Goal,” the Ministry of Finance formed a working group to revise policies and procedures for the granting of public funds to NGOs. If successful, the amount of public funds going to non-existent or so-called NGO “political favorites” will be reduced and the considerable public funds for NGOs will

be invested more effectively to boost the long-term financial sustainability of the genuine NGO sector. The Parliament Grants Commission, however, has rejected all reform proposals and refuses to work with NGOs to improve the system.

“Together towards the Goal” also submitted an amendment to the Lottery Law to the Ministry of Finance, which endorsed it and forwarded it to Parliament. If adopted, this amendment would provide local NGOs with defined access to 60 percent of all lottery funds collected, thereby representing a huge step forward in the efforts of the NGO community to achieve long-term financial sustainability. The current law dedicates a percentage of proceeds to NGOs and public institutions, thus giving the government power to endow most of the proceeds to public institutions.

Philanthropy is extremely weak in Montenegro. Few take advantage of the three percent tax deduction allowable for corporate philanthropy or the 10 percent deduction for individual giving. NGOs believe that the tax framework needs to be amended to better stimulate growth in Montenegro’s sluggish philanthropic market. Specifically, NGOs suggest that the Personal Income Tax Law and Profit Tax Law be amended to allow deductions for donations to organizations that engage in areas such as democratization, human rights, rule of law and local governance.

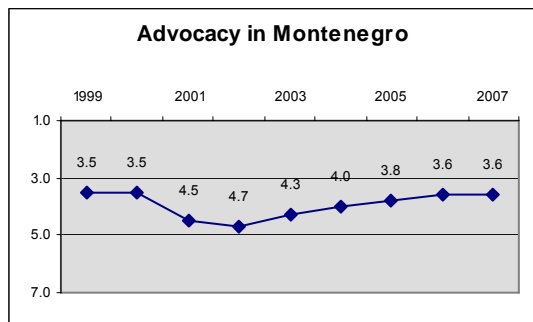
Active, experienced NGOs with a steady stream of multiple-source donor funding tend to have the most developed financial reporting and control systems. However, the majority of NGOs in Montenegro is small and has inadequate financial management capacity to handle donor funding. Currently, only a small handful of NGOs publish annual reports with financial statements, and it is extremely rare for NGOs to

undergo independent financial audits. However, one positive step forward in 2007 was the signing of an NGO code of conduct that requires

all signatories to make their financial reports available to any individual or body that requests them, including the State.

### ADVOCACY: 3.6

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NGOs generally enjoy a high degree of access to policy-makers in Montenegro, and often work with the government on common initiatives. In 2007, the NGO sector reached out to the Government with a draft Strategy for NGO-Government Cooperation, aimed at formalizing these channels of communication and mutual work on policy initiatives. This was welcomed by the Government, which tasked its newly-established national Office for Cooperation with NGOs to work with the NGOs on finalizing the details of the strategy, which is to be formally adopted by the Government sometime in 2008.

Many NGOs in Montenegro have been able to form effective, broad-based coalitions to lead high-level advocacy campaigns. Whereas previously this took place mostly at the national level, this year saw effective advocacy campaigns at the local and regional levels, as well. One local NGO network on the southern

coast of Montenegro, for example, successfully used the Labor Law to force several hotel complexes to reimburse employees retroactively for unpaid overtime and untaken holiday leave. On a national level, NGOs such as MANS, CRNVO and the Association of Paraplegics work through broad-based networks to advocate for their interests. Watchdog NGOs such as MANS and AYJ have ensured that the Free Access to Information Act is fully implemented; by flooding the public administration with thousands of FAI requests, the average response rate of government agencies has increased to approximately 60 percent, a drastic improvement on the 20-30 percent response range seen in the first few months of the law's implementation in early 2006.

NGOs are comfortable with lobbying, and there are many cases of NGOs influencing and even proposing legislation at both the national and local levels. However, NGOs can no longer propose legislation directly to Parliament without first going through a member of Parliament willing to propose the bill on the NGOs' behalf, thus limiting their access to the law-making process. NGOs can still influence the political process indirectly through watchdog activities and the media, prompting politicians to respond.

### SERVICE PROVISION: 4.0

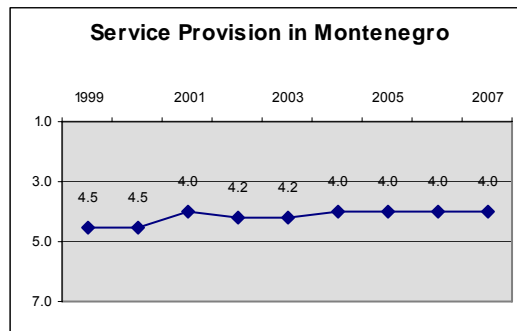
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The product line of the sector is quite well diversified, with NGOs at both the local and national levels providing services in health, education, environmental protection, and governance. Small NGOs do not have sustained access to financing and therefore, service provision tends to be irregular at best. Larger, more developed NGOs provide services such as information and legal advice to citizens, but again, these services depend on the vagaries of

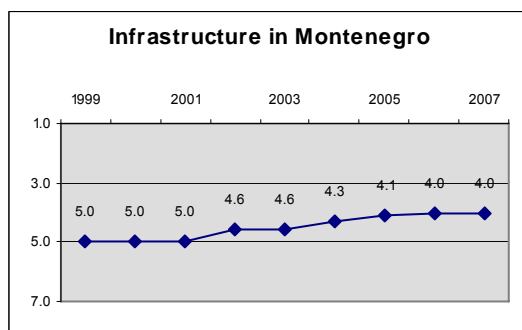
donor financing. Very often, NGOs who want to provide services are unable to plan further ahead than a year, limiting the long-term value of their services. NGOs need to be certified in order to be service providers and receive government funding, but there is no system for licensing NGOs to provide services in fields such as social services, education, and cultural preservation. For those NGOs that are already providing

services, there is no control system in place to evaluate and monitor their work.

While still rare, there are some examples of NGOs charging fees for services such as graphic design or training. Some of these services are provided to other local NGOs and some to government bodies. The local market for such services remains small, however.



## INFRASTRUCTURE: 4.0



The infrastructure for NGOs improved during 2007. As mentioned above, the Government established the first ever Office for NGO Cooperation and appointed a National NGO Coordinator. Additionally, a draft Strategy for NGO-Government Cooperation is in the process of being finalized.

There are several ISOs and NGO resource centers in Montenegro that provide NGOs with training, learning and networking resources, legal assistance, project writing assistance, as well as access to technical services like the Internet and fax. However, realistically speaking, only NGOs in three municipalities, including Podgorica, have access to support services on a regular basis, as the rugged terrain of the country makes travel expensive and difficult. Resource centers outside of Podgorica

## PUBLIC IMAGE: 4.5

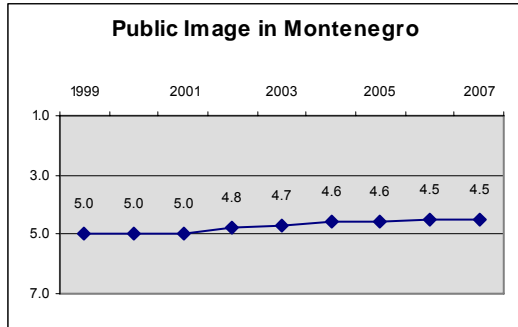
In 2007, there was some improvement to the public image of NGOs, as a result of the highly publicized efforts of “Together towards the Goal” to promote self-regulation and the

cannot provide the same level of services and inside knowledge as their counterparts in the capital. NGOs in outlying regions and difficult-to-reach municipalities also suffer from low access to information, donor resources, and the central government, resulting in very different levels of NGO development.

The NGO sector in Montenegro is highly competitive, and networking does not come naturally. NGOs will share information with each other, but only in cases where cooperation or information-sharing will benefit both parties. Recently, the activities of “Together towards the Goal” have shown that genuine networking and partnership is not only possible but also beneficial to the entire sector; however, this level of partnership is only sustainable in the long-term with continued donor financing.

While the range and quantity of training opportunities, as well as trainers, is largely seen as good, NGO interest in trainings is still quite low. Inter-sectoral relationships have improved, with many of the larger, more developed NGOs at the national level working directly with government counterparts on common initiatives.

reduction of non-genuine NGOs within the sector. A public opinion survey commissioned by USAID/ORT in 2007 showed distinct improvements in public attitudes to and public



understanding of NGOs in comparison to previous years. For example, more than a quarter (25.5 percent) of the population now claims to be very well informed about NGOs, compared to 19.1 percent in 2006. Public trust in NGOs has also grown: 8.1 percent of the population has a high level of trust in NGOs and 34.1 percent have a fair level of trust, compared to 3.6 percent and 32.8 percent, respectively, in 2006. There is also a slight shift upwards in the number of people who believe that NGOs are, for the most part, non-political and non-partisan. 40.8 percent of respondents believe that NGOs are not politically-oriented (36.2 percent in 2006) and 59.6 percent believe that NGOs represent a good vehicle for people to self-organize and resolve important social issues.

One third of the population (33.3 percent) believes that NGOs serve the needs of Montenegrin citizens and the greater public good, compared to 26 percent in 2006. Also this

year, an NGO leader came out on top of a poll conducted to find the most popular and influential figure in Montenegro, outranking even the Prime Minister and various high-profile political figures. This shows how far the NGO sector has penetrated the public consciousness. However, by including an NGO leader on a list that otherwise only included political party leaders, some fear that the poll may have inadvertently sent the message that there is little distinction between NGOs and political parties, thereby harming the overall non-partisan reputation of the sector.

The amount of media time and quality of media coverage on NGOs and their initiatives suffered a slight downturn in 2007, resulting in the impression among NGOs that the media is less interested in NGO activities than in previous years.

Following 18 months of drafting and consultations with NGOs around the country, over 145 NGOs signed a national code of NGO conduct in fall 2007 – the first major step by the NGO community to regulate its own behavior, standards and transparency. The NGO sector also elected a seven-member self-regulatory body to enforce and monitor the implementation of the code.