

# EXECUTIVE SUMMARY

For the eleventh year, the NGO Sustainability Index for Central and Eastern Europe and Eurasia reports on the strength and overall viability of NGO sectors in each country in the region, from the Baltics to Central Asia. The Index highlights both advances and setbacks in sectoral development and allows for comparisons both across countries and regions and over time. As such, the Index is an important tool for local NGOs, governments, donors, academics, and others to understand and measure sustainability. The NGO Sustainability Index analyzes seven inter-related dimensions that are critical to sectoral sustainability – legal environment, organizational capacity, financial viability, advocacy, service provision, infrastructure, and public image. A panel of NGO practitioners and experts in each country ranks their development in each of the seven dimensions. Rankings fall within three basic stages of development – Consolidation, Mid-Transition and Early Transition.

This year's Index shows little change in the significant divide that exists between the EU members of the Northern Tier of Central and Eastern Europe, the Southern Tier countries of the Balkans, and Eurasia. The countries of the Northern Tier reported little change, with only one country – Slovenia – registering a small improvement and two countries – Hungary and Latvia – reporting small declines. With the exception of Slovenia, all countries of the Northern Tier are firmly in the Consolidation Phase, the highest level of sustainability and development.

For the most part, the NGO sectors operating in the Southern Tier, including the EU's newest member states of Bulgaria and Romania, improved their sustainability during the year. Only Kosovo experienced a decline in sustainability, caused by the stalemate in determining its final status that paralyzed the province throughout 2007. The overall sustainability of the NGO sectors in all nine Southern Tier countries falls within the Mid-Transition phase. Not surprisingly, Bulgaria is poised to be the first country in the region to break the threshold and enter the Consolidation stage, with Croatia close behind. Serbia falls at the other end of the spectrum, with a lower level of sustainability than many of the Eurasian countries.

The picture in Eurasia was mixed, with almost equal numbers of countries reporting progress, deterioration, and no change during the year. Belarus, Georgia and Tajikistan experienced worsening conditions, while Armenia, Azerbaijan, Kazakhstan and Turkmenistan reported slight improvements in their sustainability. Most of the countries of Eurasia continue to fall within the lower half of the Mid-Transition phase, while Belarus, Turkmenistan and Uzbekistan remain stuck in Early Transition as a result of deep government suspicion and hostility. On the other end of the spectrum, Ukraine shows the highest level of sustainability in Eurasia – higher in fact than many of its neighbors in the Southern Tier, as well as Slovenia.

As always, the development of the NGO sectors in the region was influenced greatly by broader political and economic events during the year. National elections in countries ranging from Albania to Tajikistan offered NGOs an opportunity to improve their public image and advocacy skills by educating voters, monitoring elections, and conducting parallel vote tabulations. At the same time, however, political stalemates following elections in Bosnia, Serbia and Ukraine left NGOs without viable partners in the government for portions of the year, thereby stunting or delaying advocacy efforts. NGOs in Ukraine rose to the challenge imposed by these difficult conditions and still showed signs of improvement in their advocacy capacity, as well as their financial viability and public image. In Georgia, a crackdown on anti-government protests led to early presidential elections. While only a handful of NGOs were involved in the crisis, NGOs were accused of being vehicles for both government and opposition leaders to fulfill their political ambitions, thereby tarnishing their non-partisan images. Constitutional reform, a referendum and Parliamentary elections in Kyrgyzstan also provided NGOs an opportunity to expand

their spheres of influence, voice their concerns, and participate actively in the political process. There too, however, NGOs' involvement in political issues tarnished the image of the sector in some cases and lowered the level of trust in NGOs.

The domestic political environment had particular impact on the development of NGO sectors in Eurasia. Hostility and harassment by the government in many countries continues to stifle the development of independent NGOs, while GONGOs are springing up in several countries to replace them to a certain extent, as discussed in the article in this Index by Kristie Evenson. In Belarus, the extremely hostile environment affects all dimensions of sustainability, from legal environment to public image, thereby threatening the very existence of civil society and giving Belarus the dubious honor of having the weakest sector in the entire region. In Russia, government policy, which includes a variety of means to limit independent NGOs, is considered the most important factor influencing the sector's development. The Government of Uzbekistan continued to pressure the NGO sector, leading to the closure of 3,000 NGOs over the last few years. Moldova, Armenia, Turkmenistan, and Kyrgyzstan all report that their actions are monitored closely by the government. In Azerbaijan and Turkmenistan, although conditions remain difficult, government policy became marginally more open towards NGOs.

In other countries, external political factors had significant impact on NGO sectors. EU accession by Bulgaria and Romania presented NGOs with new opportunities and incentives to engage citizens, while also presenting new challenges and a new funding environment with strict requirements. Moldova's inclusion in the MCC Threshold Program and negotiations to develop closer ties with the EU and NATO promoted greater involvement of civil society and accountability of the government. Kazakh NGOs cited the country's appointment as chairman of the OSCE in 2010 as a positive factor promoting better relationships with the government there.

On the economic front, several countries noted economic stagnation as a barrier to growth in financial viability, while economic development helped spur growth in philanthropy in other countries. However, economic growth was often also accompanied by negative developments. Countries in all three regions experienced brain drain as their employees left for better paying jobs with the government or businesses. In Poland, brain drain is taking place within the sector – qualified staff are moving from small NGOs to larger organizations. In Lithuania, NGOs are seen as a means of getting the experience needed to find a better job. Serbia notes a positive side-effect from brain drain – an improvement in inter-sectoral cooperation. Economic development has also led to increases in rent in several countries, making it difficult for NGOs to retain needed office space. Several Northern Tier countries reported that high rates of inflation also had detrimental effects on NGOs' abilities to retain staff and deliver high quality services.

Countries in all three sub-regions covered by this Index report a widening in the gap between the small number of organizations with well-developed capacity – generally based in the capital and other major sectors – and the majority of NGOs that struggle to survive. Fueling this divide is the decreasing level of capacity building support available in many countries, which has traditionally been supported by foreign donors. While training remains available, NGOs increasingly have to pay for such assistance, which few can afford. Another common trend is the limited success in introducing strong governance systems. NGOs, especially in Central and Eastern Europe, are increasingly aware of the increased accountability and transparency that accrues from separating governance and management functions. Nevertheless, strong governing bodies, such as boards of directors composed of non-staff members that provide strategic guidance and fundraising support, remain the exception rather than the rule.

Financial viability remains the weakest aspect of sustainability in all three sub-regions and dependence on foreign funding continues to remain strong, especially in the Southern Tier and Eurasia. However, NGOs are increasingly making efforts to diversify their funding sources. NGOs in all three sub-regions show interest in income generation, but have had limited success to date. NGOs' lack of business and marketing

skills presents an obstacle to further development of such ventures. In Ukraine, for example, even when fees are charged, prices are determined through informal research, and are often either not competitive or unnecessarily low. In some countries, primarily in Eurasia, NGOs report that it is difficult to charge their beneficiaries because of widespread public belief that NGO services should be free. Weak ability within the market to pay for services also hampers the development of income generating activities. Legal restrictions and ambiguities still prevent the development of fee generating activities in several countries in the region. In Slovakia, tax exemptions for earned income were revoked, reducing NGO efforts in this area.

NGOs in all three regions report increases in networking within the sector and inter-sectoral partnerships, although the quality of such partnerships requires improvement. NGOs in Bulgaria note a decrease in national networks, but are increasingly joining international networks to compensate for this. Networking in countries including Montenegro and Georgia is difficult as a result of competition for funding within the sector, while NGOs in Turkmenistan cooperate with each other, but have few incentives to create coalitions because of the small number of organizations in the sector.

NGOs throughout the region continue working to improve their public image. While the level and quality of media coverage varies significantly, NGOs in countries as diverse as Azerbaijan, Bosnia, and the Czech Republic, among others, report that NGO leaders and experts are becoming increasingly familiar faces in the media. Ukraine refers to this as the “third expert” phenomenon, in which NGO experts on particular issues or topics are often quoted, resulting in increased media coverage of NGOs and their opinions. Another recurring theme was the fact that local media tended to provide greater coverage of NGOs than national media outlets throughout the region.

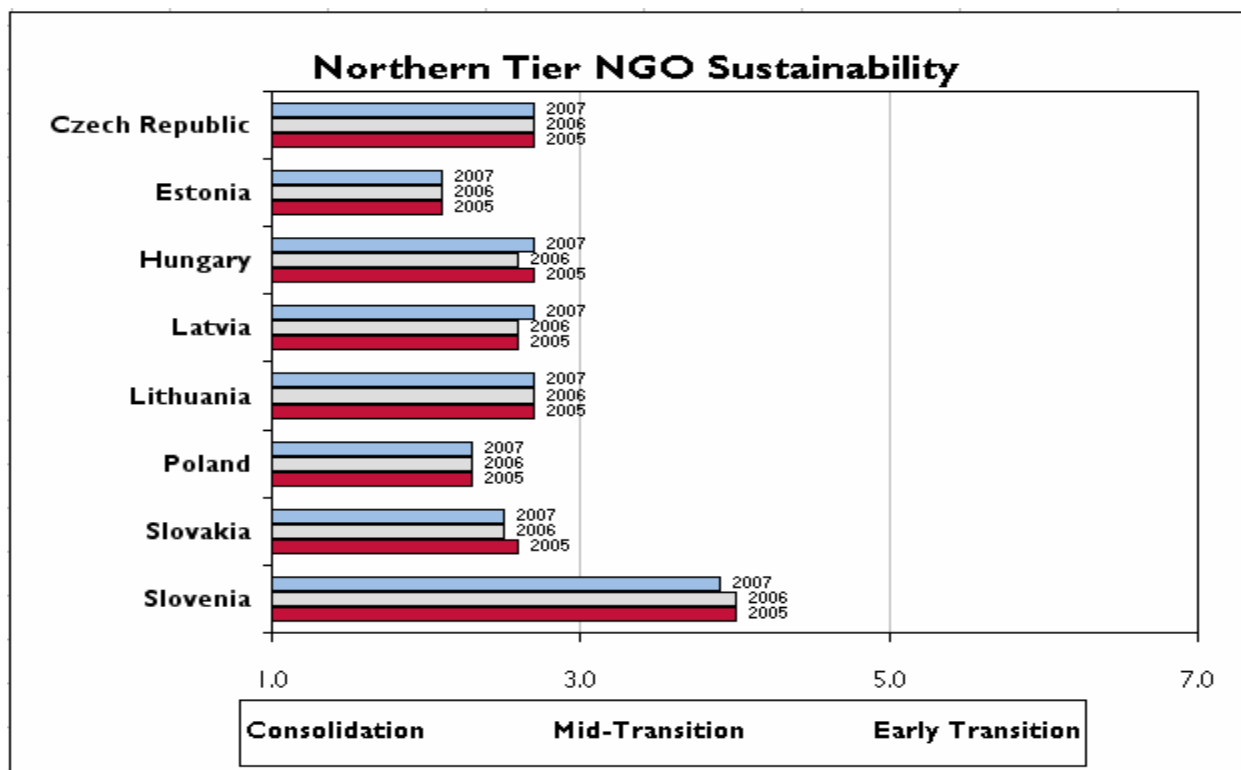
The following summary highlights some of the sub-regional trends that emerge from the country reports in this year’s NGO Sustainability Index.

## **NORTHERN TIER**

The Northern Tier countries experienced little change in their sustainability over the year, either overall or within individual dimensions. Only Slovenia registered a small improvement overall, due to increased capacity to meet strict EU requirements, greater participation in policymaking, increased information sharing within the sector, and an improved public image. Despite these improvements, Slovenia remains the only country in the Northern Tier in the Mid-Transition phase, and continues to show lower levels of sustainability than the majority of its neighbors in the Southern Tier, as well as Ukraine. Only Hungary and Latvia reported an overall decline in sustainability this year. Reasons cited for this deterioration in Hungary included stagnation in organizational development caused by a lack of capacity building funds, decreased advocacy and inefficiency of formal advocacy forums, and a worsened public image caused by a scandal involving a network of NGOs that spent money on political objectives. In Latvia, the 14 percent inflation rate and scarce sources of funding had a negative impact on NGO sustainability.

There were few dramatic developments related to the legal environment governing NGOs in the Northern Tier during the year. The only country recording a change in score was Slovakia, where the legal environment deteriorated when some restrictive changes were made to the law allowing taxpayers to designate two percent of their tax bills to qualified organizations. The government has indicated that the two percent mechanism will be cancelled soon, and replaced with other methods of funding, which have not yet been defined.

Registering an NGO in the Northern Tier is an easy process, although room for improvement remains. NGOs in Latvia are pushing for the right to register by Internet or mail, as opposed to having to travel to the capital, as currently required. As sectors become more consolidated, the need for accurate information about NGOs seems to increase. A recurring theme noted in many Northern Tier reports is the lack of



reliable public data about NGOs because defunct organizations are not required to de-register or unified registries do not exist.

Percentage laws which allow taxpayers to designate a portion of their tax bills to qualified organizations exist in several countries in the region, including Hungary, Lithuania, Poland, and Slovakia. Slovenia is the newest member to join this group. Slovenia's new Personal Income Tax Act allows citizens to donate .5 percent of their taxes to organizations that ministries deem to be acting in the public interest; political parties and trade unions are also eligible for these donations. Amendments to the one percent law in Poland make these donations anonymous, as funds now flow through the tax office; as a result, it is impossible for NGOs to cultivate personal or long-lasting relationships with these donors. Polish NGOs also note that funds from this mechanism flow primarily to larger organizations, as smaller groups cannot afford the publicity needed to attract these donations.

Several Northern Tier countries are following Estonia's example of adopting a national strategy for the development of civil society. Hungary's civil society strategy requires all ministries to develop biannual plans to develop contacts with the NGO sector and calls for the creation of a website containing a reliable database of NGOs and online services for completing official administrative procedures. In Lithuania, a law institute prepared a policy paper titled *Conception of the Development of Lithuanian Non-governmental Organizations*, which proposes guidelines for developing NGOs and principles for cooperation between public authorities and civic organizations. The paper is being reviewed by the government and will become official government policy if approved.

Financial viability remains the biggest challenge for Northern Tier NGOs, although developments this year are mixed. The Czech Republic, Hungary, and Latvia all report declines in their financial sustainability, while Estonia, Lithuania, Poland and Slovakia report slight improvements. Even in Estonia, which claims the highest level of financial viability across Central and Eastern Europe and Eurasia, NGOs have problems securing funds to cover their operational costs.

NGOs in the Northern Tier are eligible for funding through various EU mechanisms, but only a small portion of the sector has benefited from these opportunities as a result of strict EU regulations. Grantees are required to advance project funds, only getting reimbursed later, which few organizations can afford to do. The Slovakian NGO sector, through the Governmental Council for NGOs, successfully negotiated changes to this policy: the EU has agreed to provide NGOs with advance payments for EU-funded projects. Additionally, stringent bureaucratic and organizational requirements mean that small organizations are generally ineligible for funding. As a result, only approximately three percent of Polish NGOs have been able to access EU funds. NGOs in Hungary and Slovakia report that EU funding declined in 2007, while other countries note that the new EU Structural Funds for the period between 2007 and 2013 create new funding opportunities. NGOs throughout the Northern Tier are welcoming the arrival of a new source of foreign funding through the Norwegian/EEA Financial Mechanism.

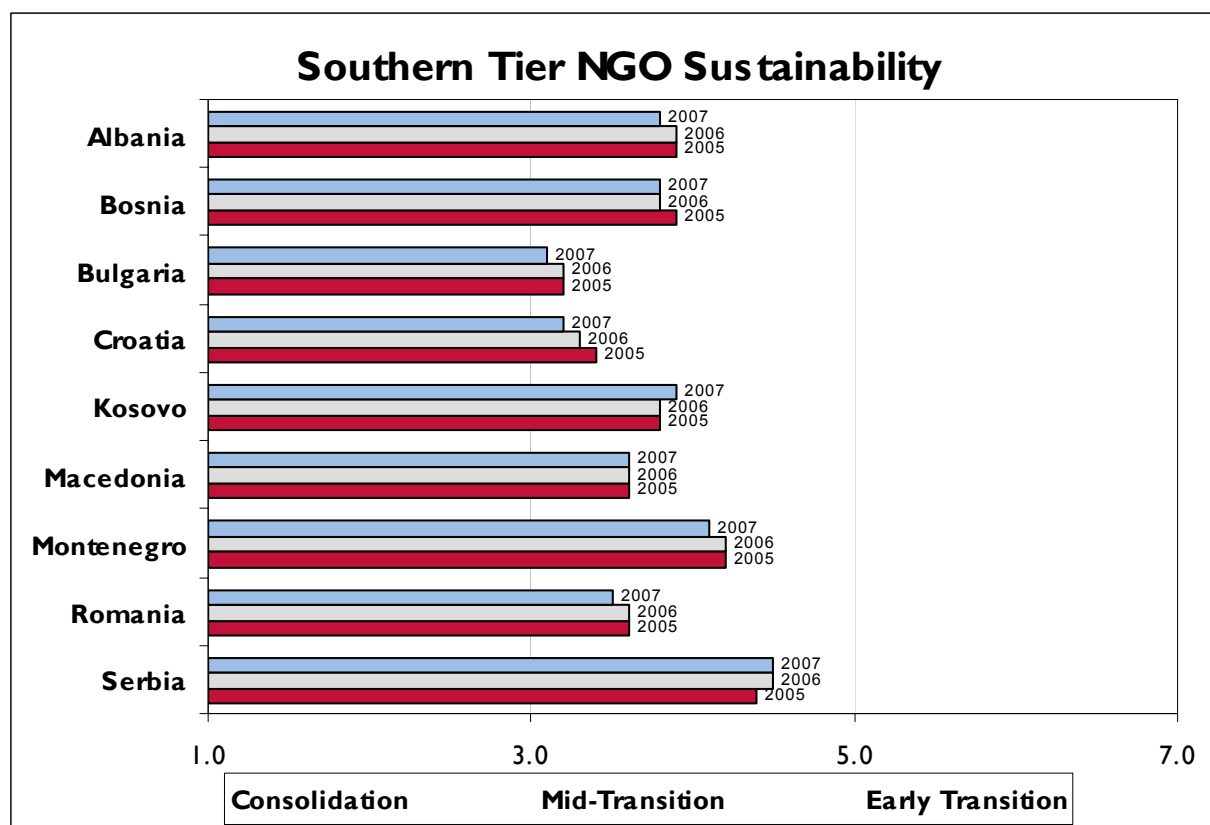
Northern Tier NGO sectors are continuing their efforts to develop alternative sources of funding. Government support, through both grants and contracts, is now common in most countries, especially for NGOs providing social services. A government fund focused on supporting NGOs exists in Hungary; a similar one is being established in Estonia. Corporate social responsibility and philanthropy is a growing trend. Larger companies, particularly those with foreign affiliations, are the leaders in this field in many countries, including the Czech Republic and Slovakia. Individual philanthropy has been slower to develop, although NGOs are improving their fundraising techniques and developing new mechanisms to attract individual donations. Hungary reports that the 2<sup>nd</sup> Hungarian Fundraising Conference attracted great attention and that participants reported a wide range of sophisticated fundraising techniques. In both the Czech Republic and Slovakia, NGOs are using SMS messages as an innovative means of attracting donations from individuals.

Advocacy remains one of the strongest dimensions of NGO sustainability for Northern Tier NGOs. Throughout the region, NGOs have developed strong relationships with government counterparts and participate on various advisory boards, committees, and councils. In Estonia, each ministry has appointed one official to engage with the public in decision making and supervise the implementation of the Code of Good Practice on Involvement. In addition, the government has created a portal which allows civil society groups and individuals to post comments on draft laws. In Latvia, NGOs have monitored all ministry projects since 2001 and an NGO representative participates in all State Secretary meetings and then disseminates relevant information about government actions to approximately 200 NGOs. In contrast, while advocacy remains strong, Polish NGOs report a decline in the importance of advocacy initiatives and strained relations with the public administration. Hungary also reports a decline in advocacy capacity and effectiveness during 2007.

The sustainability of the infrastructure supporting the NGO sector changed little this year, although its structure, including the types of organizations providing services and the types of services provided, has transformed significantly over the past several years, largely due to decreases in foreign funding. In the Czech Republic, while ISOs still exist, regional administration offices are now organizing more training, as well as creating useful databases. In Estonia, regional development centers created under Enterprise Estonia, a government agency, offer free consulting and trainings at reasonable prices. Lithuania reports that its information and support centers are weakening. With less demand from NGOs, these centers are now primarily focused on helping local governments disseminate information and raise public awareness on various issues. Slovenia has no institution focused on capacity building of NGOs. In response to the changing nature and structure of ISOs, various web portals, sites and electronic mailing lists are emerging throughout the Northern Tier to disseminate relevant information.

While NGOs enjoy greater public support in the Northern Tier than elsewhere in the region, occasional scandals still hurt public image. In Hungary, the sector's non-partisan image was tainted by a scandal involving a network of NGOs spending money on political objectives rather than youth activities, while in Lithuania, NGOs still battle their image as fronts for money laundering. In Latvia, a group of NGOs exposed corruption in the media; media then retaliated against NGOs and their donors with a negative media campaign, resulting in a worsened public image in 2007.

## SOUTHERN TIER



On average, the NGO sectors operating in the Southern Tier improved their sustainability during the year. Only Kosovo showed a decline in sustainability, caused by the ongoing stalemate during the year related to the province's final status. Kosovar NGOs found themselves unable to engage the government on other issues, and essentially engaged in self-censorship during the year.

With the exception of Serbia, all the countries in the Southern Tier have put in place fairly progressive basic legal frameworks for NGO operations over the past 15 years, making the legal framework one of the strongest aspects of sustainability in this region. In 2007, Bosnia, Croatia and Macedonia all improved their legal frameworks slightly with the passage or implementation of new laws and strategies on cooperation. Meanwhile, Kosovo and Montenegro reported slightly worse conditions.

Government harassment is no longer a serious concern for NGOs operating in most of these countries, although human rights activists in Serbia and Montenegro are still slandered on occasion, and there are fears in other countries that government audits and tax inspections can be used for political reasons against outspoken critics. Registration is generally not a problem either. However, NGOs in some countries still face bureaucratic obstacles caused primarily by the inefficiency of registration officials, rather than deficiencies in the legal framework itself.

Streamlining and harmonizing tax legislation, particularly fiscal incentives for philanthropy, continues to be an issue in many countries. In Croatia and Macedonia, for example, NGO sectors are still pushing for public benefit status to be introduced or consistently defined. There is also a need in many countries in the region to educate potential individual and corporate donors about existing incentives for donations, as well as the procedures for claiming these incentives. Interestingly, in Bulgaria, although tax exemptions

that NGOs have enjoyed were reduced this year, NGOs benefited from the overall reduction of corporate taxes, which gave rise to more corporate donations than previous tax incentives.

Few major changes were noted in the overall organizational capacity of NGO sectors in the region, with only three countries reporting positive developments. In Romania and Bulgaria, EU accession seems to have provided the impetus for NGOs to increase their capacity by developing their constituencies, increasing transparency, and engaging in strategic planning. In Montenegro, a few well-developed NGOs continue to build local support and see the value in strategic planning.

Overall, the number of strong organizations in the region is growing, due to increased focus on areas such as strategic planning and governance. More NGOs are committed to following their missions and strategic plans and developing relationships with their constituencies, although too often NGOs in Macedonia, Montenegro and Serbia remain more focused on the priorities of their donors. Southern Tier NGOs generally employ few full-time staff, instead opting to hire short-term staff or consultants to assist with specific projects.

The development of volunteerism continues to be a hot issue in the Southern Tier countries, and remains tied to the legal framework. As discussed in the article by Catherine Shea and Katerina Hadzi-Miceva in this Index, Laws on Volunteerism have been adopted in Croatia and Macedonia, while Bosnia and Serbia are working on drafts. Croatia and Macedonia are optimistic that their newly passed laws will spur the development of volunteerism, while countries lacking such laws, such as Montenegro, indicate that legal impediments prevent volunteerism from growing.

Financial viability continues to be the lowest rated dimension in the Southern Tier, although a majority of countries reported modest progress during the year. Again, EU accession seems to have had a positive impact in Bulgaria and Romania. NGOs in Albania, Croatia, Kosovo, Montenegro and Serbia have also made some small strides in diversifying their funding sources and improving their financial sustainability.

Despite decreases in the level of foreign funding available to NGOs in most Balkan countries, foreign donors remain the dominant source of support in the region. However, NGOs now recognize that foreign funding will not be available forever, and are therefore focused on cultivating local sources. Government funding seems to be developing the fastest. Governments provided \$44 million of support to Bosnian NGOs and over \$50 million in Croatia. Corporate funding is also growing rapidly, and talk of corporate social responsibility (CSR) has penetrated all corners of the region. Croatia is a leader in this field, with at least 10 companies managing annual grants programs. NGOs recognize the need to tap individuals as well, but have had limited success in this area, due to weak cultures of philanthropy and fundraising practices. Some NGOs also report that fundraising campaigns focused at individuals are less appealing because they are much more labor intensive and expensive. One exception is Romania, the only country in the Southern Tier with a percentage law. The number of contributors and donations made through this option increased nearly five-fold over the past year. A new source of financing emerged in Bulgaria when banks began lending to NGOs. While this expanded NGOs' financing opportunities, it also gave rise to a new phenomenon for the NGO sector – indebtedness.

Next to legal environment, advocacy is the area in which Southern Tier NGOs feel the most confidence. Croatia, Montenegro and Romania all saw their sectors' advocacy capacity increase during the year, while only Kosovo reported a decline in advocacy as a result of the ongoing status stalemate. The list of issues on which NGOs in the region have advocated effectively this year includes environment, youth policy, NGO legislation, labor law, domestic violence and consumer protection, to name just a few.

For the most part, NGOs report good relationships with governments and regular participation in various committees and boards. However, in Bulgaria, NGOs fear that the government is losing interest in cooperation now that the country has joined the EU, and in Macedonia, NGOs have the sense that they are

only included in policy discussions to meet EU requirements. An increasing number of NGO sectors in the region also benefit from formal strategies of cooperation with the government, as well as dedicated offices or councils for NGO cooperation, including those in Croatia, Macedonia, Bosnia and Montenegro.

NGO infrastructures in the region remain relatively strong, and Croatia, Kosovo, Montenegro, Romania and Serbia all report moderate improvements over the year. That said, the decrease in foreign funding has had an impact on the infrastructure supporting NGOs. As support programs ended in Bulgaria and Romania with their accession to the EU last year, intermediary support organizations in these countries have been forced to become more specialized or have ceased to exist altogether. NGOs in Serbia are suffering from a lack of funding for training. While trainers exist and a demand for training exists, those most needing such assistance are the least able to afford it.

The public image of the sector varies dramatically among the Southern Tier countries. While Bulgarian and Croatian NGOs rank their public image in the Consolidation stage, Serbian NGOs are still battling the image of being donor-driven foreign mercenaries and are closer to Early Transition in this dimension. Public opinion polls reflect these varying levels of public trust and confidence within the region. In Croatia, nearly three-quarters of citizens have generally positive attitudes towards NGOs, while NGOs in Macedonia and Montenegro have only gained the trust of approximately 40 percent of the population. Low public trust in the sector does not mean that individual NGOs or NGO leaders are not well-known and respected: an NGO leader in Montenegro was found to be the most popular and influential figure in the country by a public opinion poll, outranking various high-profile political figures, including the Prime Minister.

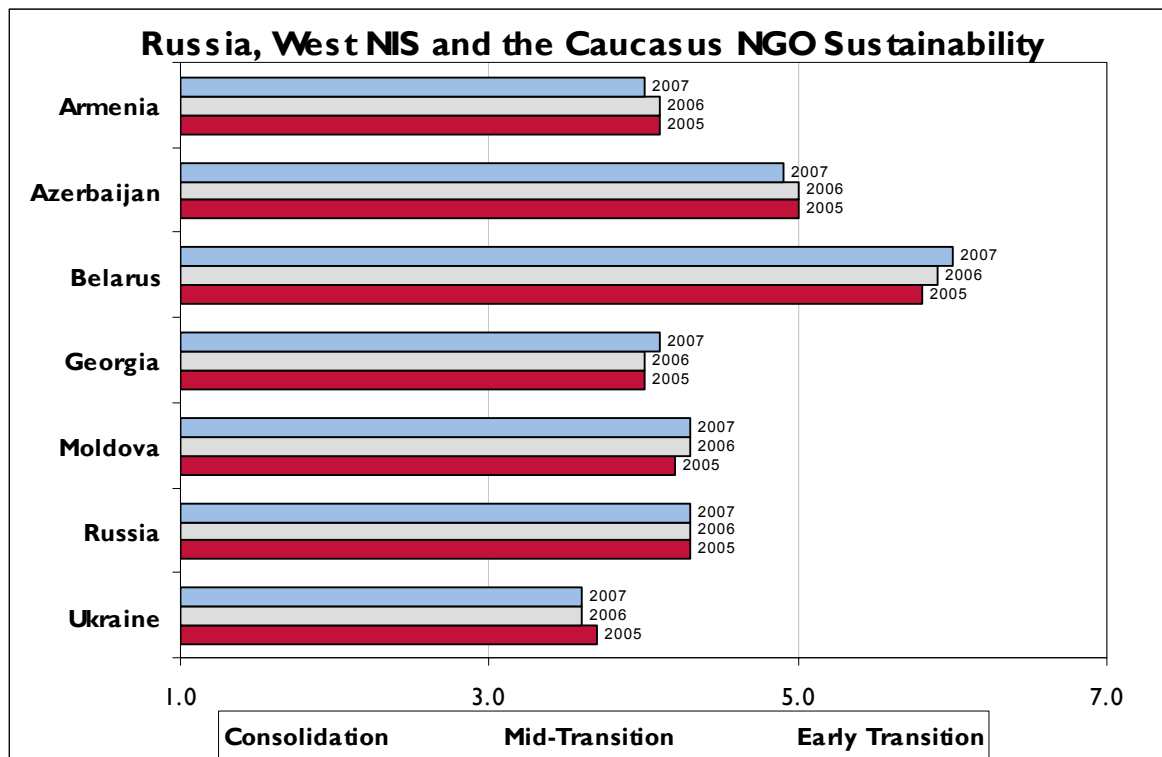
## **EURASIA**

NGO sustainability among the countries of Eurasia is mixed, with almost equal numbers of countries reporting progress, deterioration, and no change during the year. Belarus, Georgia and Tajikistan experienced worsening conditions, while Armenia, Azerbaijan, Kazakhstan and Turkmenistan reported slight improvements in their sustainability. Improvements in overall sustainability by Kazakhstan and Turkmenistan reverse the negative trend in Central Asia over the past few years, which have only seen deterioration or stagnation.

While NGOs in Central and Eastern Europe consider laws governing NGO activities to be one of the most developed aspects of sustainability, the legal environment in Eurasia is one of the weakest dimensions. While legal environments in Azerbaijan, Georgia, Kazakhstan and Turkmenistan improved, those in Moldova, Kyrgyzstan and Russia deteriorated. In Belarus, the legal environment continues to be rated 7, the lowest possible score.

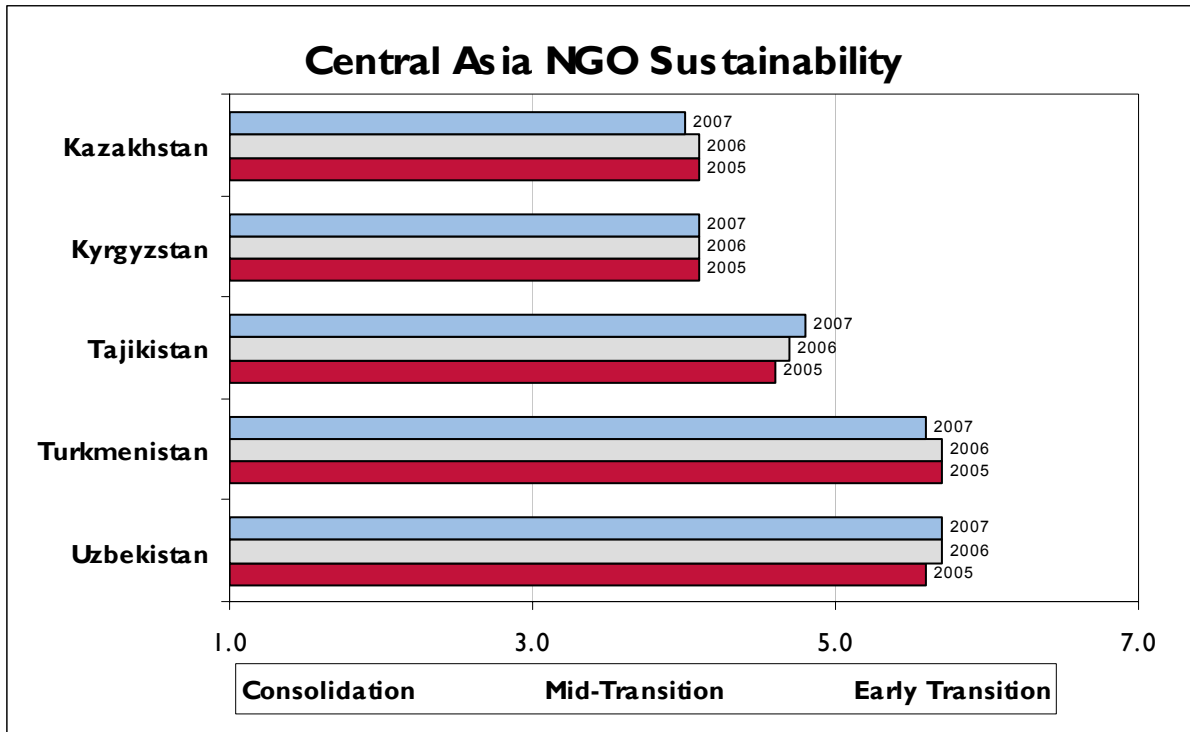
As opposed to Central and Eastern Europe, where the basic legislative framework is fairly stable, laws governing NGOs in Eurasia continue to be a work in progress. A new Law on Public Associations was adopted in Tajikistan, which introduced some positive changes, but also included provisions for a problematic re-registration that greatly decreased the number of legal organizations. In Azerbaijan, local NGOs worked with Parliamentary Commissions to draft a package of laws governing associations, foundations, community-based organizations, volunteers and charity, as well as amendments to several existing laws. All are on Parliament's agenda for 2008. Two laws – on nonprofit organizations and public benefit organizations – are pending before the Moldovan parliament, and a coalition of NGOs in Ukraine is working with the Ministry of Justice on a new draft Law on Associations. As local NGOs were involved in the drafting of all of these laws, they are expected to address deficiencies in current legislation and improve the legislative framework.





Also in contrast to the Northern and Southern Tier, registration of NGOs remains difficult throughout Eurasia because of burdensome bureaucratic procedures and expense, as well as government hostility. Only Georgia and Ukraine indicated that registration procedures improved this year. Despite these improvements, Ukraine, in addition to Russia, reports that it is still easier and cheaper to register a business than an NGO. Despite the opening in Turkmenistan’s political climate, no new NGOs have been registered in the country since 2005. No new organizations are known to have registered in Uzbekistan this year either; on the contrary, deregistration continues at a brisk pace. International NGOs working in Uzbekistan also face registration difficulties: at least three were forced to close this year. Registration in Belarus is virtually impossible for those not openly loyal to the state. In Tajikistan, a new Law on Public Associations required all NGOs to re-register. When the period for re-registering was over, the number of NGOs had decreased dramatically – from over 3,000 to just over 1,000.

In addition to registration, governments in the region also use other tools to limit or monitor NGO activities. Russian NGOs must register their technical assistance programs with the government to receive tax-exempt treatment, a process which is often filibustered and is particularly difficult for programs supported by foreign governments. Grants must also be registered in Turkmenistan, a process which was delayed, seemingly indefinitely, throughout 2007. Also in Turkmenistan, many NGO activities are subject to licensing requirements and donors are requested not to distribute money, but rather to provide grants in the form of commodities. Uzbek NGOs receiving funding transfers through the banking system require permission from a governmental committee to access their funds, a process that can take several months. In Belarus, NGO operations are hindered by KGB inquiries, rent increases, termination of rental contracts and numerous unannounced inspections.



Modest progress was reported in terms of organizational capacity development in Armenia, Azerbaijan and Turkmenistan, while Belarusian NGOs grew even weaker. Eurasian NGOs continue to be more influenced by donor priorities than their constituencies, missions or strategic plans, and have limited membership bases. There is increased interest in volunteerism in the region, but NGOs have been slow at tapping this potential resource. The lack of a legal framework for volunteerism continues to act as a barrier to increasing the use of volunteers in Azerbaijan and Moldova, although draft laws aim to address this. NGOs throughout the region have increasing access to computer equipment and the Internet, although access to licensed software is a problem in some countries, including Belarus and Moldova.

Keeping with the trend in the region overall, financial viability remains the weakest aspect of NGO sustainability in Eurasia. Only Kazakhstan, Russia and Ukraine rate themselves in the Mid-Transition phase; the rest place themselves firmly in Early Transition. Four countries – Armenia, Kazakhstan, Russia and Ukraine – report some progress in terms of financial viability during the year, while conditions in Belarus and Georgia worsened. Foreign donors remain the primary source of funding in the majority of countries in the region, although as foreign funding diminishes, NGOs are making greater efforts to cultivate local support and new funding mechanisms are emerging. In Azerbaijan, a Presidential Decree created a State Fund for NGOs with an initial budget in 2008 of \$1.8 million. Corporate philanthropy is slowly developing in some countries. In Kazakhstan, large companies provide funding comparable to that from foreign donors, and support has diversified from basic charity to support for community, regional and national development. However, in other countries, corporate philanthropy, if it exists at all, is provided directly to the beneficiaries, bypassing NGOs. Weak economic conditions hamper the development of a culture of philanthropy in many countries, and NGOs still have weak fundraising capacities. Government contracting, primarily for social services, is developing in the region, but remains limited.

Advocacy capacity remains fairly limited in Eurasia, although Armenia, Azerbaijan, Kazakhstan, Moldova and Ukraine all report some improvement. Only Ukraine places itself in the Consolidation phase for Advocacy, while four countries – Belarus, Tajikistan, Turkmenistan and Uzbekistan – remain in Early

Transition. Ironically, in Azerbaijan, the government's attitude towards NGOs improved, in part because NGOs are increasingly apathetic to politics. Tajikistan and Georgia reported declines in advocacy effectiveness during the year. In Tajikistan, NGOs note that advocacy "barely exists" as society does not understand the meaning of public interest and the government perceives all advocacy activities as being connected with the opposition. Georgian NGOs continue to be unable to establish productive working relationships with the government, and the government's perception of the importance of NGOs continued to diminish. While limited, Eurasian NGOs have engaged in advocacy activities on a variety of issues this year, including corruption, elections, education, and small business development. Advocacy on human rights issues remains heavily restricted.

Eurasian NGOs participate in mechanisms for public advocacy – including boards, councils and committees. Even in Belarus, NGOs are represented in government bodies dealing with less political issues, including the environment, social services, corporate social responsibility, and HIV/AIDS. However, these mechanisms are not always effective. In Russia, public councils have been created at a regional level, but are generally loaded with government-friendly NGOs, which has decreased the independence of these bodies. The Cabinet of Ministers in Moldova initiated a legal mechanism outlining cooperation with civil society and individual ministries have created mechanisms as well; nevertheless, cooperation remains low.

The infrastructure supporting NGOs in Eurasia is also mixed. Armenia and Azerbaijan report improvements in infrastructure, including the creation of new regional support centers and the development of grantmaking capacity. Meanwhile, Belarus, Georgia, Kazakhstan and Tajikistan all experienced declines, as a result of both decreases in donor funding and government policy. In Belarus, most resource centers have been de-registered by the state, while in Georgia, NGOs in the region suffer from a lack of access to ISOs. Kazakhstan's support centers are experiencing a funding crisis, while Tajikistan's network of resource centers is barely surviving. Russia also reports that programs are being refocused or ceasing to exist as a result of decreased donor funding.

The public image of NGO sectors in Eurasia is generally low, although four countries – Armenia, Kazakhstan, Turkmenistan and Ukraine – note modest improvements during the year. A public opinion poll conducted in Georgia shows that only 43 percent of the population is familiar with the sector; in Uzbekistan, this figure is only 23.8 percent. In Tajikistan, even elites do not have a clear picture of NGOs, equating them with the humanitarian assistance provided by the UN in the aftermath of the civil war. Moldovan NGOs are seen as grant consumers by the population, and Russians remain skeptical of the sector. In Belarus, Georgia and Kyrgyzstan, many perceive NGOs to be interconnected with politics, which has tarnished their image. Central Asian NGOs, in particular, face difficulties generating media coverage, while their counterparts in the Caucasus and Ukraine have seen an improvement in their access to the media. Russia media content is tightly controlled by the government, and contains little objective information about NGOs.

Transparency is not yet a goal for most NGOs in Eurasia. In countries with repressive environments, transparency comes with risks. In other countries, the importance of transparency is increasingly understood, but rarely acted on. That said, codes of ethics and conduct are being developed in some countries. Over 140 NGOs in Ukraine signed a code of ethics this year as a result of regional outreach. Armenian NGOs are in the process of developing a code, and in Moldova, several organizations have committed themselves to the Code of Ethics developed by the World Association of NGOs. Central Asian NGOs are not yet focused on the development of codes of ethics.

## **CONCLUSION**

NGOs in the three sub-regions covered by the NGO Sustainability Index continue to operate under dramatically different conditions, with few signs of this gap decreasing. NGOs in the Northern Tier have reached fairly high levels of sustainability in all dimensions. Southern Tier NGOs are slowly improving their sustainability, and have reached especially high levels of development in their legal environment and advocacy, while financial viability lags behind. Meanwhile, Eurasian NGOs continue to struggle with both formal and informal limits on almost all aspects of their operations. Donor support, both moral and financial, will be required in these countries for the foreseeable future if this situation is to improve.