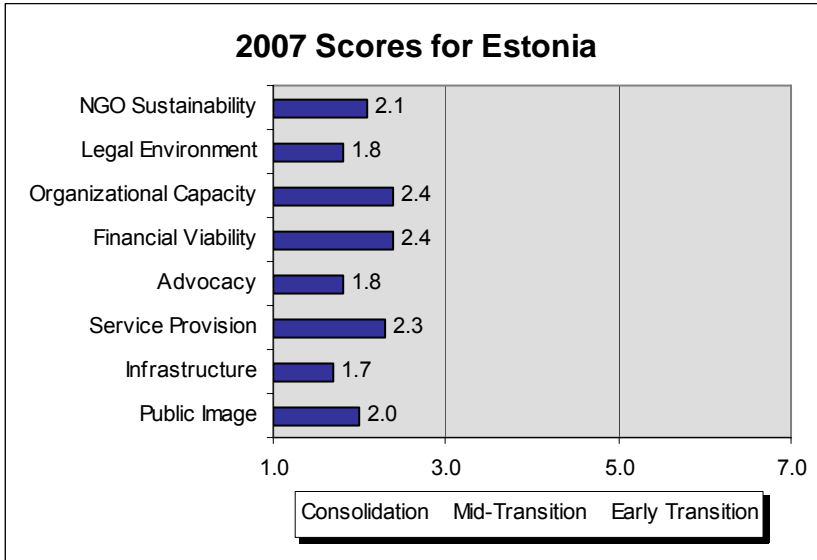


ESTONIA



Capital: Tallinn

Polity: Parliamentary Republic

Population: 1,307,605 (July 2008 est.)

GDP per capita (PPP): \$21,800 (2007 est.)

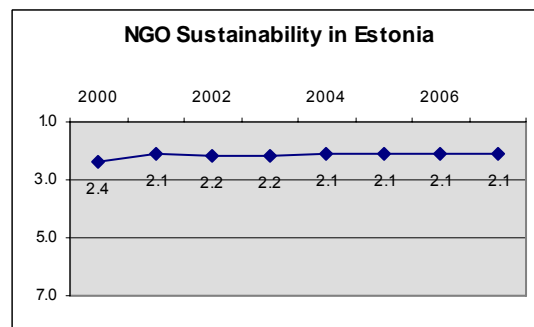
NGO SUSTAINABILITY: 2.1

The Estonian NGO sector has continued its steady growth in numbers, capacity, and sustainability in 2007. As organizations become stronger and more professional, they play an increasingly important and visible role in society, thereby attracting more attention from the public sector, businesses, media, and the wider public. As the standard of living has risen, people have more resources, interest, and skills to participate in public life both in their communities and on a national level.

Nevertheless, as the NGO sector matures, stratification within the sector is clearly visible, with significant variations in the level of development, professionalism, and know-how. At the same time, participants in the NGO Sustainability Index focus groups noticed a spill-over effect: as more professional NGOs serve as models and agenda-setters, other organizations often replicate their innovative approaches.

A landmark in civil society development in 2007 was the publication of the Manifesto of Estonian NGOs before the March parliamentary elections. The Manifesto proposed various activities to the forthcoming parliament and government aimed at strengthening civil society and NGOs in

Estonia. Five out of 20 proposals from the Manifesto were included in the government’s four-year action plan, including the formation of a new Foundation for Civil Society financed through the state budget. In addition, compiling the Manifesto through a participatory process gave NGOs an opportunity to think through common interests and clearly articulate the potential and needs of the sector to politicians, the media, and the public.



Another sign of civil society’s strength was the public’s calm behavior during the riots in Tallinn in April, which were set off by the removal of a Soviet war monument from the center of town into the military cemetery. On the night of the removal, a group of angry protesters

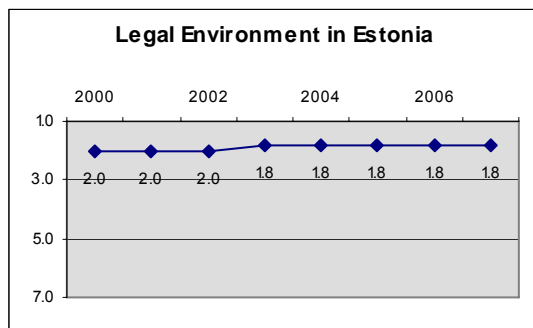
of Russian origin started breaking windows and looting shops and restaurants in the area; the riot recurred the next evening. During the riots several NGOs, including organizations that work with youth and ethnic minorities, advised people not to yield to provocations and to maintain peace, thereby preventing the conflict from spreading.

However, the riots also highlighted the insufficient integration of the Russian minority into Estonian society. Studies show that two-thirds of Estonians and one-third of ethnic minorities have only minimal contacts with people outside of their ethnic groups. Russians

make up 25 percent of the population of Estonia. Although the Russian-speaking population's participation in the NGO sector has increased over the last couple of years, NGOs still tend to be fairly segregated. Nevertheless, some initiatives were started after the April riots to try to overcome this problem by bringing people from both ethnic groups together, including the White Tulip movement, youth clubs "Koos/Bmecte" (meaning "Together" in Estonian and Russian language), "Forum Te," etc.

LEGAL ENVIRONMENT: 1.8

The legal environment governing NGOs did not change significantly in 2007. Some amendments to the Act on Associations and Foundations were drafted and presented to the NGO community for comment during the summer and are expected to be adopted by parliament in 2008. These amendments help to clarify some previously unclear details connected with NGO management.



Registration of nonprofit organizations is easy in Estonia, and no undemocratic restrictions limit freedom of action. NGOs are treated similarly to businesses in the sense that they do not pay taxes on their income, but on certain distributions. Donations made to eligible organizations can be deducted from a person's taxable income up to a limit. NGOs are advocating for an increase in the ceiling. To be added to the government list of eligible NGOs, the Tax and Custom Board has to find an organization to be charitable and

operating in the public interest, based on reports provided by the organization and in consultation with a newly formed Advisory Committee consisting of NGO representatives.

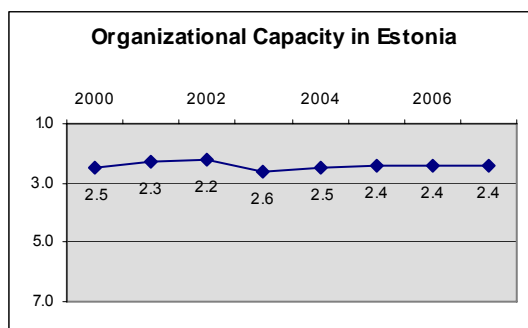
Participants in the NGO Sustainability Index focus groups noted that NGOs' awareness of the importance of complying with regulations is rising. NGOs can take advantage of trainings and learning materials explaining the requirements for NGO activities, including funding, accounting, taxation, and reporting. Regional advisory centers and some umbrella organizations provide basic legal counseling for NGOs; however, NGOs have difficulty affording more specific counseling services.

The lack of reliable data about the NGO sector hampers development, and there was no progress in this arena in 2007. Public registry data continues to be unreliable, as defunct NGOs are not required to notify the registry. While the Tax and Custom Board data might be more reliable, the public has no access to it. Associations are the only legal bodies in Estonia that do not submit their annual reports to the public registries, but to the Tax and Custom Board. The situation is expected to change in 2010.

ORGANIZATIONAL CAPACITY: 2.4

As the NGO sector matures, organizations are gaining more experience in planning and implementing their activities. More professional NGOs are clearly making progress in this regard, and are able to engage expertise from the business sector, train their staff and Board, and exchange experiences with international partners. At the same time, the gap between these professional organizations and the large number of less capable NGOs continues to widen.

Estonian NGOs typically have significant experience and expertise, a strong work ethic, productivity, commitment, and ardor for their field, and the ability to cooperate and form networks. At the same time, issues such as how to identify and achieve goals, prioritize activities, measure outcomes, and avoid burnout often remain unclear.



The Good Deed Foundation is an emerging venture philanthropy organization that regularly

gauges the effectiveness of NGOs. The Foundation selects NGOs with the greatest potential to induce social change for inclusion in its portfolio. For example, the Good Deed Foundation will evaluate NGOs working in the field of education and select those believed to be the most efficient in solving educational problems. The organization supports the growth of selected NGOs through both financial investment and professional consulting (e.g. using volunteers from respected businesses like Hansabank, Hill & Knowlton, and KPMG). While venture philanthropy is still a new phenomenon and it is too early to evaluate its impact, it has certainly helped to increase the resources – human and financial – available to solve societal problems.

NGOs note a renewal of public involvement, particularly amongst young people, in nonprofit activities. The public is increasingly interested in volunteering, and NGOs are trained to engage volunteers, as well as their communities and members.

While economic growth has improved NGO sustainability in many aspects, it has also been accompanied by a rapid rise in salaries, thus making it increasingly difficult for NGOs to compete with businesses and the public sector for the best talents. Not only NGOs, but all employers in Estonia, cite difficulties in finding good staff as a significant problem.

FINANCIAL VIABILITY: 2.4

As the economy has been growing over the last couple of years, the number of funding opportunities available for NGOs has also expanded. These opportunities include grants, service procurement, private philanthropy, and revenue generation from economic activities and membership fees. In this regard as well, the stratification within the NGO sector is visible. While more professional organizations have been successful in attracting their resources, a large number of NGOs lack the basic skills and

human resources needed to benefit from these opportunities. In particular, the capacity to earn income from economic activities is erratic in the NGO community, and project hunting remains the main source of income for the majority of the sector. Therefore, the long-term financial status of NGOs cannot yet be considered stable.

The availability of different grants from the government, EU, and both local and foreign foundations is usually not a problem. The biggest obstacle to NGO sustainability is a

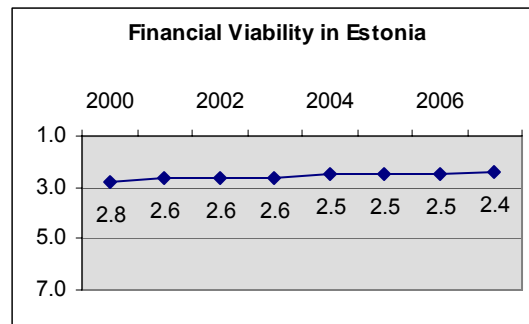
shortage of funds for operational costs. Although some ministries, local governments, and private donors provide such support, this is not yet a common practice, as it requires a deeper understanding of NGO operations and more professional expertise in monitoring and evaluation. Also, in those cases when the public sector provides operational support, it is usually done based on formal criteria (i.e., number of members), without clear objectives and evaluation methods. As a result, it is difficult to measure whether the money spent yielded the best results for society.

There were several positive developments that will yield results in 2008. After years of campaigning by NGOs, the government decided to launch a new National Foundation of Civil Society in the beginning of 2008 that will fund NGOs' operational costs and support innovative civil society development programs. The concept was developed during the summer through a participatory process in which hundreds of NGOs presented their views about the arrangement of the fund. The fund will receive EEK 20 million (approximately \$1.9 million) from the state budget annually.

Also, the Norwegian/EEA Financial Mechanism NGO Fund was launched at the end of the year. This fund aims to strengthen civil society by raising the capacity and the influence of NGOs in three priority areas: democracy and

development of civil society, environment and sustainable development, and social integration and regional development.

The Network of Estonian Nonprofit Organizations (NENO), an umbrella body that advocates across the NGO sector, developed the Code of Good Practice on Funding, which is currently in the consultation phase. The Code seeks to harmonize the principles of public funding for NGOs, thus providing guidance to the public sector and nonprofit organizations.



NENO is also leading a coalition that is advocating to protect the interests of NGOs in the usage of EU Structural Funds. For example, the coalition helped develop funding priorities and rules. Furthermore, as the implementation of projects begins, the coalition is participating in monitoring the funds. As a result of the coalition's efforts, NGOs have much broader opportunities than in the last program period.

ADVOCACY: 1.8

Cooperation between the public and nonprofit sectors in policymaking is steadily improving. In 2007, each ministry named one official whose direct responsibilities include public involvement in decision making. These individuals will supervise the implementation of the Code of Good Practice on Involvement in their respective ministries and help both government officials and nonprofit organizations in matters of involvement. Additionally, the government created the participation portal www.osale.ee which allows civil society groups and individuals to post comments on recently drafted laws provided by the ministries. This portal also allows ministries to post background

materials relating to draft laws and conduct polls. Also, each year NENO hosts the National Summer School, a two-day training event for nonprofit organizations. This year, the summer school – organized in cooperation with the State Chancellery – focused on involvement, bringing together representatives from NGOs and national and regional government agencies.

NENO also launched a major advocacy campaign prior to the parliamentary elections in March, when Estonian NGOs presented the aforementioned Manifesto to strengthen civil society and Estonian NGOs. During the election campaign, NENO held several meetings with

political parties to discuss the proposals and needs of NGOs. In addition, an informal network of NGOs was tasked with keeping politicians attuned to the issue by sending e-mails and asking topical questions at campaign events. As a result, for the first time in Estonian history, the new government added a chapter on civil society to their action plan which included several of the Manifesto's proposals.

On a more negative note, the parliament postponed the biennial public hearing on the development of civil society, causing indignation in the NGO community. The hearing was to take place in February, a few weeks before parliamentary elections, but the coalition parties in power at the time stated that having the hearing before the elections would not be "morally binding" for the incoming parliament and government. There was some concern in the NGO community that the true reason for the postponement was because the coalition parties were afraid of criticism of their parties just before the elections. The hearing finally took place in December.



NENO and the Village Movement Kodukant, an association of small village movements, actively worked together at the local level to improve cooperation between local governments and NGOs. While there are excellent examples of stable and meaningful engagement in some municipalities, there are also places without any cooperation. As people's awareness about the potential of civil activism is growing, there are

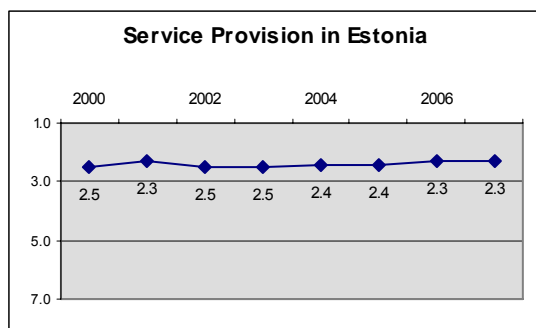
an increasing number of successful local advocacy campaigns. However, while local efforts have seen some success, the sector's capacity to advocate on the European level continues to be weak with few exceptions.

The Estonian Civil Society Development Concept (EKAK), adopted by parliament in 2002, serves as the strategy agreement between the public and nonprofit sectors. The EKAK defines the complementary roles of public authority and civic initiative, principles of cooperation, mechanisms and priorities for participation in shaping and implementing policy, as well as a plan for developing civil society.

A joint committee that includes representatives from both NGOs and the public sector supervises the implementation of the EKAK. NGOs, in particular, have increasingly become dissatisfied with the slow process of implementation caused by insufficient financial and human resources and the unclear role and responsibilities of the committee and its members. As a solution, NGOs pushed in the first part of 2007 to reformulate the principles and membership of the joint committee and to form implementing units in both the public and the NGO sectors. The reformulation was accomplished during the summer; while the new committee has fewer members, they are higher level, including representatives from umbrella organizations as well as chancellors (the highest state officials in Estonia) from the five ministries most important to the development of civil society. The Minister of Regional Affairs in charge of civil society development and one representative each from the Estonian parliament and two government foundations are also on the committee. Negotiations around the formation of implementation units, however, are still in process.

SERVICE PROVISION: 2.3

NGOs did not quantifiably improve their capacity to provide services in 2007. A new procurement law came into force in the spring, making the rules for outsourcing public service delivery more user-friendly. However, both the public and nonprofit sectors need time to become more capable in outsourcing and delivering public services, respectively. The public sector's slow progress in developing standards for public services has hampered development in this arena.



Nevertheless, the public sector expects NGOs to play a more active role in public service delivery, both on the regional and national levels. The problem, as seen by the public sector, is the lack of capable partners. On the

INFRASTRUCTURE: 1.7

The building blocks of NGO infrastructure were put in place years ago, and 2007 brought no significant changes. There are regional development centers under Enterprise Estonia, a government agency, in every county which provide free, broad-based consulting to NGOs and basic trainings at affordable prices. This autumn, Enterprise Estonia started a pilot mentor program in which more experienced NGO leaders work with newcomers to help them develop their organizations. Availability of more advanced management trainings for NGOs, as well as trainings and materials for Russian-speaking NGOs, is still a problem.

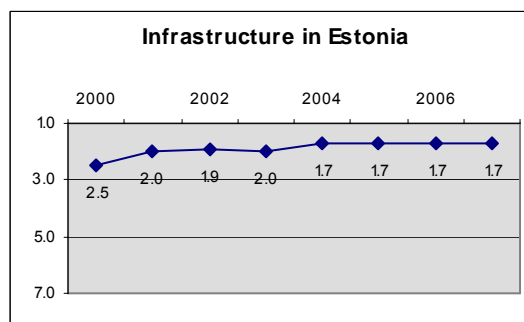
There is a well-established system of umbrella organizations that serve as development and advocacy bodies for the sector. NENO works as a national association of public benefit

other hand, NGOs cite short-term or unfair contracts, as well as delays in the contracting process and payments as obstacles. The nonprofit and public sectors coordinated to develop the Code of Good Practice on Public Service Delivery in 2006, a document that serves not only to harmonize the expectations of the sectors but also to create principles which both parties can utilize to proceed in their work. Awareness of the code, however, is still limited in both sectors.

All the same, NGOs consider service provision to be an increasingly important way to fulfill their social mission, as well as a means of assuring stable funding. Also, local NGO support centers are pushing organizations to concentrate more on service provision. Particularly, the Village Movement Kodukant has been active in training small village associations in the development and delivery of local services.

The main emphasis, both on the regional and national levels, continues to be social welfare services, but services in the areas of environment, culture, sport, local tourism, etc. are also common.

organizations and the main support and advocacy organization for the NGO sector as a whole, dealing with horizontal issues common to all NGOs, regardless of the field, such as funding and involvement.



NGOs demonstrate a growing capacity to work together towards achieving common goals.

Examples include the Manifesto and the joint declaration from the Employers' and Trade Unions' associations on state budget issues.

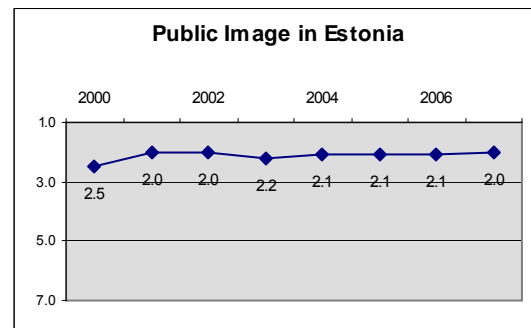
Inter-sectoral cooperation is also more common. One notable example is the Business Coalition Against HIV/AIDS, initiated by the Health Estonia Foundation.

PUBLIC IMAGE: 2.0

Public image was probably the fastest developing aspect of the Estonian NGO sector in 2007. Although NGOs have had a positive public image for years, media coverage has grown remarkably over the past year, in part because NGOs have become more professional in planning their activities and working with the media. Also, journalists increasingly see NGOs as partners that can comment on topical issues, address unmet needs, and provide new solutions, thus making media stories stronger. The media is especially enthusiastic about covering volunteer work and grassroots activities (such as several local campaigns for creating better living environments by preventing the cutting down of trees in neighborhoods) and innovative initiatives (such as the Youth to School program, which encourages the best university graduates to teach in schools, a solution addressing both Estonia's lack of teachers and the low appreciation for teaching in Estonian society). The media increasingly promotes more active citizen participation as a solution for different societal problems.

There were no major scandals connected with the NGO sector in Estonia this year. In autumn, the misuse of funds by the Estonian European Movement attracted a lot of media attention, but the NGO director's use of the organization's funds for private purposes was generally viewed

as an individual case, as opposed to a systemic fault. Moreover, following this case, several editorials appeared in newspapers supporting NGOs in their campaign towards better and more transparent registries of annual reports.



Unfortunately, positive media coverage of NGOs is rarely supported by further analysis of their role and needs in society. Rather, the stories tend to be easy-reading materials about big-hearted people working in the sector, which can be misleading and does not help people distinguish between organizations associated with random charitable acts and those that are really creating social change. Attractive charitable events certainly appeal to the media more than the day-to-day hard work involved in solving problems. Without a more thorough analysis of this work, however, the image of the NGO sector is quite vulnerable.