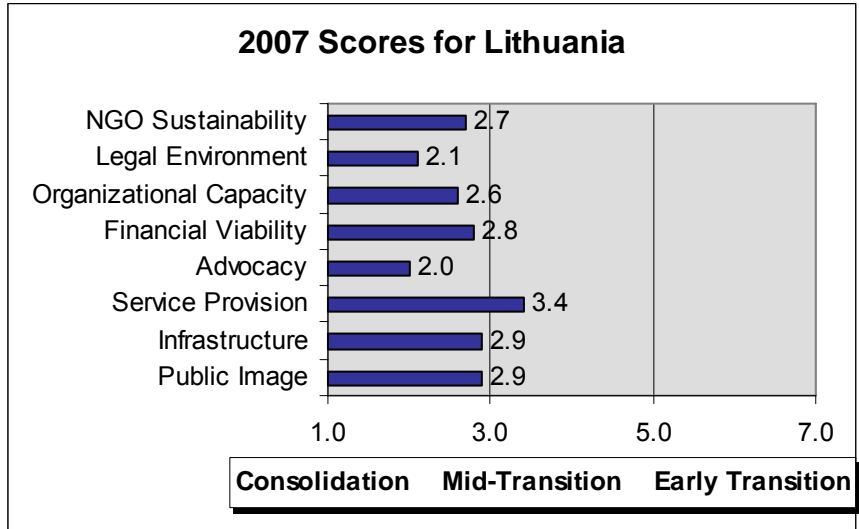


LITHUANIA



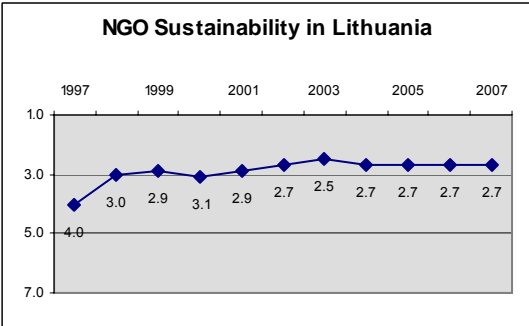
Capital: Vilnius
Polity: Parliamentary Democracy
Population: 3,565,205 (July 2008 est.)
GDP per capita (PPP): \$16,700 (2007 est.)

NGO SUSTAINABILITY: 2.7

There were several landmark changes in the development of the Lithuanian NGO sector this year. The Baltic-American Partnership Fund financed a study that led to the *Conception of the Development of Lithuanian Non-governmental Organizations*, a policy document that clarifies the definitions and roles of NGOs and covers other relevant NGO issues. Additional funds from the European Union spurred economic growth and the development of regional NGOs: existing regional NGOs were strengthened and new regional NGOs were established during the year. This economic growth has also led to the expansion of NGO services.

Experts on civil society feel that developments in 2007, while positive, were not as distinct and profound as the overall social and economic development in the country. Compared to the private and public sectors, experts feel that the sector is floundering and needs new incentives to revitalize itself. An acute staffing problem hampers the sector’s functioning and continuity in pursuing its aims. Furthermore, the sector is becoming increasingly commercialized. NGOs

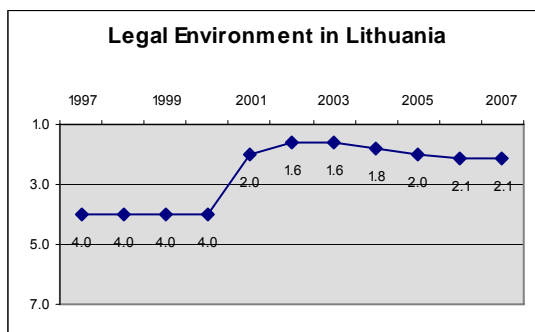
can now earn income more easily as standards for providing services have become more uniform. Consequently, some NGOs are drifting from their essential independent, nonprofit nature and becoming more like budgetary institutions or business enterprises.



Available statistics on the number of functioning NGOs are not reliable. Of the approximately 15,000 registered NGOs, only about 4,500 are active. The failure rate of NGOs is high, and NGO fragmentation is frequent, increasing the number of organizations, but not the number of people they involve.

LEGAL ENVIRONMENT: 2.1

Although the legal environment affecting NGOs has not changed significantly, the introduction of an important document lays the foundation for future improvements. A law institute prepared the aforementioned *Conception of the Development of Lithuanian Non-governmental Organizations* and submitted it to the government, which has now opened the paper to public debate. The *Conception* is a policy document which sets out potential guidelines for the development of NGOs and principles for cooperation between public authorities and civic organizations. Among other things, it assesses limitations of the legal system. For example, the regulation on public institutions does not distinguish between NGOs, quasi-NGOs, and publicly-funded institutions with regard to eligibility for receiving charitable support. As a result, NGOs compete for scarce tax benefits and EU grant resources with organizations such as schools and hospitals that may already be publicly funded. The document also addresses the pitfalls of the two percent income tax provision, which as currently written allows tax payers to allocate a portion of their tax liability to political parties as well as NGOs. The document is currently undergoing review for approval and may become official policy.



Another important document under preparation is the *Conception of Endowments*. Previously, NGOs were only allowed to receive funding through charitable donations and were unable to earn income through investments or service

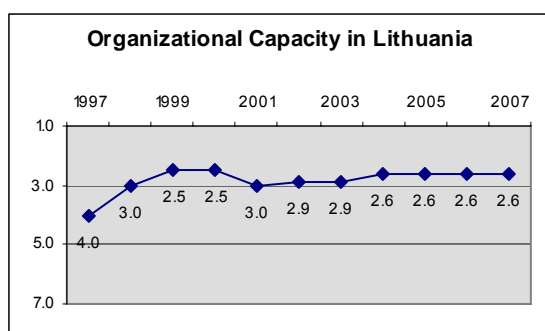
provision. In 2007, NGOs earned the ability to generate income through service provision; however, the question of income via endowments and investments remains a gray area. The *Conception* analyzes the current legal situation governing the tax treatment of charitable donations and suggests a framework for incorporating the *Conception of Endowments* into law, since endowments currently have no legal status in Lithuania. Favorable tax treatment for endowments could promote the development of locally-funded foundations, which would provide a much-needed new grantmaking resource. NGOs have welcomed the *Conception of Endowments* because it offers guidelines for managing these funds and investments.

While NGOs were excited about the aforementioned *Conception* papers, the repeal of a law that had previously legalized volunteerism caused much anxiety and fear that voluntary work would again become illegal. After consultations with lawmakers and legal experts, however, NGOs came to understand that the government decided that it should not regulate volunteerism, making the law outdated and unnecessary. NGOs were also assured that voluntary work would not be forbidden or restricted, and they would face no risk of harassment from the tax, labor or other government inspectorates regarding volunteer labor.

Over time, NGOs have achieved greater access to legal services. The Institute of NGO Law provides legal advice to NGOs on a paid basis, and the Ministry of Justice has prepared a legal education program focused on NGOs. Interested organizations and municipalities can submit requests to participate in the program. NGOs with expertise in legal matters willingly share their knowledge with colleagues, especially online, thanks to the NGO Conference Network.

ORGANIZATIONAL CAPACITY: 2.6

National NGOs, typically based in the capital, and smaller, local NGOs face different challenges in the area of organizational development. Local, community NGOs have significantly increased the size of their constituencies, but have not yet integrated strategic planning into their management processes. Through focus groups, Transparency International found that small organizations emphasize survival as the most important issue, while bigger NGOs are more concerned with staffing issues and volunteer recruitment.



The rising cost of living has caused a massive turnover of NGO staff. NGOs are only able to pay minimal salaries or hire people under so-called “author contracts” for specific work, which do not entitle an employee to social security or health benefits. Also, NGOs can rarely provide guarantee employment for more

than six months. As more qualified and experienced workers leave the sector, NGO staffs are becoming younger. In a labor market where finding paid employment without prior work experience is difficult, young people increasingly see nonprofits as a good place to start their careers, only to leave once they acquire sufficient experience. As a result, NGOs must continuously invest time and resources in training new employees.

On a more positive note, NGOs’ boards of directors are becoming more visible and active, as larger NGOs, such as the Human Rights Institute, the Institute for Civic Initiatives, and Transparency International, include more well-known people on their boards. Acting as spokespersons, these individuals are more readily able to draw public attention to issues of importance to their NGO.

Finally, the expansion of electronic services by the government has made the daily operation of NGOs simpler. NGOs do their banking and file tax reports online and can access all the documents they need online. Also, office equipment, mobile phones, and cars have become less expensive and are now commonly owned by both large and small NGOs around the country.

FINANCIAL VIABILITY: 2.8

Funds available to NGOs have increased, mainly due to the availability of EU Structural Funds, increased Lithuanian government funding in support of less-developed countries (e.g., Lithuanian NGOs are contracted to implement projects in countries such as Georgia or Belarus), and fees charged for services and products offered by NGOs.

On the other hand, inflation has had a negative effect on project implementation. The prices of goods and services are rising, making it impossible to implement long-term projects as initially planned. Inflation has also affected the supply of volunteers. People are increasingly

forced to work several jobs, which leaves less time for voluntary service.

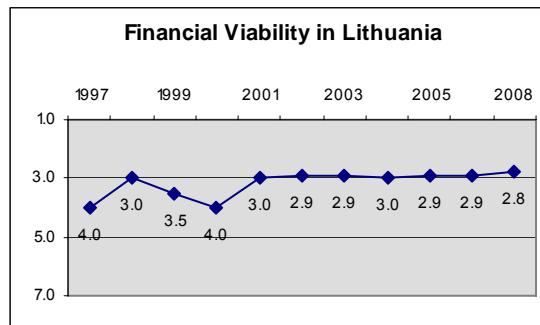
The culture of fundraising is not yet fully developed, and mechanisms intended to generate revenue, such as the collection of membership fees, are largely ineffective. Although membership dues are minimal, NGOs, for unknown reasons, do not manage to collect them. NGOs do raise some funds from local communities and constituencies, but they have not learned to exploit such funding sources to their full potential. The recent establishment of a for-profit venture called “Fundraising”, which is part of an international network of professional fundraising organizations, will soon start

directing solicitation campaigns for several big NGOs.

Contracting of NGOs by local government has grown. Municipalities receive more funds than they are able to use providing public services through their own structures. Frequently, municipalities put out bids only when they realize that they are about to lose funding because of their inability to spend allocations in a timely manner. This practice puts NGO service providers under stress, as the staff has little time to prepare applications or implement project activities, but it has not deterred many from increasing their income in this manner.

Some types of NGOs, such as those representing the disabled or providing social and cultural services, still rely heavily on contracts and grants from municipal and central governments. However, government support for these service providers is being more closely scrutinized. Funding practices may change after government auditors found a major organization representing the disabled to be inefficient and spending unjustifiable amounts on administration.

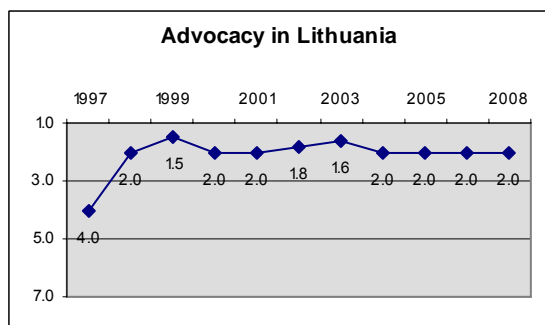
Overall, sound financial management systems are in place within the sector, although some



small NGOs try to survive via the unethical practice of charging several donors for the same activity. Sometimes these NGOs get audited or go through an inspection, in which case they are punished; however, such audits and inspections do not always occur. Small NGOs often do not have an in-house bookkeeper or accountant and must engage outside bookkeeping and accounting services.

EU funding has created several special issues. First and foremost, EU funding requires NGOs to use their own money up front for project implementation. Reimbursement occurs only after activities are implemented and may take months to be processed. No mechanisms exist to assist NGOs in bridging either this funding gap or gaps between projects.

ADVOCACY: 2.0



The government now regularly consults NGOs for their views and expertise by inviting them to participate in parliamentary committee meetings or asking them to be members of commissions. However, when the participating NGOs are opposed to a government proposal, they often do not express their opinions before the issues are decided; rather, they protest only after the government has made the decisions. Many

economic projects, such as the construction of a new dump for the capital, have incurred losses or been suspended because NGOs and local community groups start blocking activities after a project was underway.

Well-known NGOs complain that they get far too many requests for comment to be able to respond appropriately and effectively. The government often swamps them with piles of documents to be studied overnight before an important decision is to be made or a piece of legislation is to be voted upon. Only very few organizations, like the Lithuanian Confederation of Industrialists, can afford a staff member who is focused on participating in policymaking and the legislative process.

Municipal governments usually have regular NGO consultants whom they know well; new

actors are not always welcome in these already-established circles. Nevertheless, 2007 was a good year for nonprofits in terms of lobbying municipal governments: municipal politicians themselves contacted NGOs to gain their favor in election campaigns.

NGO coalitions ran several successful advocacy campaigns this year. NGOs actively expressed their opinions regarding educational reform, including proposals to charge tuition for higher education programs, and family policy,

SERVICE PROVISION: 3.4

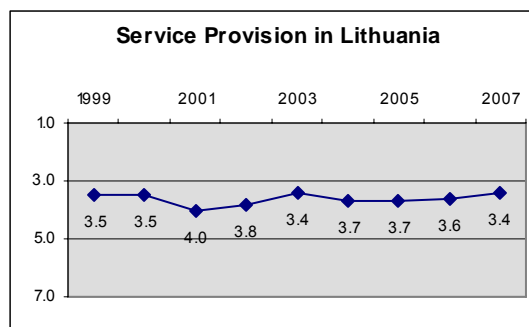
A survey of NGO revenues conducted by the NGO Information and Support Center found that income from selling services has grown noticeably. Rather than working on a project basis, NGOs increasingly bid for contracts to provide standardized services. New regulations governing social service provision makes it possible for NGOs to initiate new services and be paid for them. For example, last year, the municipality of Vilnius launched four large new programs that require the services of NGOs, thereby creating a new market for social service providers and a stable funding source for some NGOs.

The European Union encourages NGO participation as partners and implementing organizations in utilizing EU funds. Municipalities and businesses look for NGO partners to access EU funds; however, sometimes they establish new NGOs solely for this purpose. In some cases, this prevents NGOs from making use of EU funds. However, access to these funds is so complicated that in many cases NGOs do not attempt to take advantage of them. Some believe that municipalities and businesses should work to strengthen NGOs to be better equipped to access these funds, although this has not happened, as it is much easier for municipalities and businesses to create their own organizations.

The EU and Lithuania have standardized all aspects of service provision, meaning that their requests are very precise and include specific restrictions and prices, making NGOs competitive with other participants in the

including a very powerful and broad-based campaign against advertising alcohol. The Gay League initiated a public debate regarding homosexual rights and tolerance for homosexuals that resonated widely. They also took the city of Vilnius to court for not issuing a permit for a parade it organized. Finally, a campaign for the prevention of human trafficking united many NGOs and engaged the Lithuanian diaspora.

market. While NGOs are expected to provide innovative cost-effective services, in practice they are not encouraged to do so as competition for strictly defined service contracts limits space for innovation. Practically, NGOs do bring versatility and introduce new methods into social services, but they have difficulty monitoring, evaluating, and measuring their achievements and demonstrating tangible results, especially in the so-called “soft activities”, such as preventive work. This prevents them from recognizing their good work and promoting their achievements to the general public, which, in turn, affects their ability to attract new donors. Finally, it inhibits their ability to compete for contracts.



Available funding sometimes tempts NGOs to make up social problems and “overproduce”. One service of which this is true is capacity-building training. The large number of training programs offered makes it increasingly difficult to attract participants. Broader outreach is also a problem – the same people repeatedly participate. Bringing training closer to participants would be helpful, but stimulating demand is also necessary, as community

members do not realize how they could benefit from training.

In order to bridge the gap between elites and the general population, several NGOs have engaged in civic education. They travel to provinces, organize clubs, and hold debates on issues such

INFRASTRUCTURE: 2.9

In 2007, some community groups grew stronger, while others weakened. EU programs have brought together community organizations that service groups such as women, youth and farmers, and encouraged them to develop strategies addressing the social and economic needs of their regions. Associations of regional community organizations, however, have become less active, and many became adjuncts of political parties. Local action groups have sprung up around the country. These groups participate in regional policymaking, and work with NGOs and local governments to develop regions in the hopes of making regions more equal. There are now 30 local action groups that successfully compete for EU funding. The capacity of these groups has increased, but they sometimes run into conflict with municipal administrations that do not want to share their power and authority and, therefore, try to stop group initiatives.

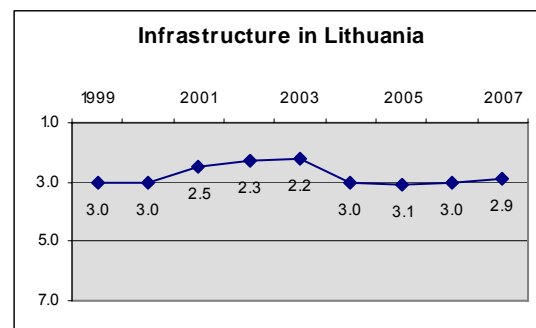
NGO Information and Support Centers are continuing to weaken as more organizations have their own office space and technology and can access information via the Internet. Work is increasingly limited, and their main activities now are helping municipal administrations disseminate information and raising public awareness on specific issues, such as poverty.

Since NGO Information and Support Centers are doing little to represent the sector as a whole or to defend its interests, coalitions have been established to address these issues. For example, the NGO Platform brings together NGOs implementing development work in less-developed countries to serve as an advisory body to the Ministry of Foreign Affairs. The Coalition for Reproductive Health unites women's organizations. Some coalitions, such as the

as poverty, democracy, and civic participation. Other examples of new services include project proposal writing by community foundations and coaching of young entrepreneurs by youth business centers. Six Lithuanian municipalities buy such services.

Coalition for Efficient Use of European Funds, represent the interests of the whole sector.

A new type of intermediary support organization has emerged: consulting firms. These firms help NGOs, businesses and municipalities prepare and manage projects. As such, they are in a good position to promote cooperation among sectors, although they are driven by profit and bottom-line issues. As the private sector offers a variety of services for NGOs, NGO Information and Support Centers and other umbrella and intermediary organizations need to identify their niches and develop services of equal or better quality as those provided by businesses.



Information exchange within the sector has moved from printed publications to the Internet. The NGO Conference, a free online network for sharing information, is very active. NGOs and local communities frequently visit specialized web pages like www.bendruomenes.lt, which acts as an exchange network for NGOs by providing information on funding opportunities and programs and a forum to debate NGO issues. Specialized training materials are also abundant on the Internet. The Council of Europe has prepared training kits for NGOs on volunteer management, international activities, project management, and other topics which have been translated into Lithuanian and can be found

online. The tax inspectorate has issued consulting materials and created a reference CD with laws and legal acts pertinent to NGOs.

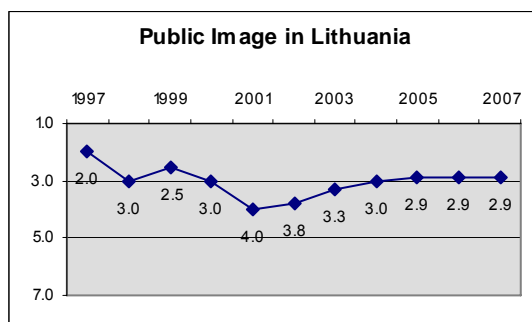
Relevant training materials are also available in bookstores.

PUBLIC IMAGE: 2.9

NGOs do not put considerable effort into media relations and generally lack an understanding of how the media operates. For example, NGOs often earmark project funds for publicity, but then lose these earmarks because all the broadcast time is bought in advance by public relations companies.

Nevertheless, NGOs continue to enjoy positive media coverage at the local level and benefit from a discount of up to 75 percent from major media companies on social advertising. NGO social advertising in Lithuania is abundant and varied. Interestingly, commercial television and radio and outdoor advertising companies are more willing to offer discounts to NGOs than the public broadcaster, Lithuanian National TV and Radio.

NGOs have not traditionally engaged in direct marketing, which inhibits their ability to gain visibility and trust. In fact, NGOs occasionally suffers from negative media stories on scandals within the sector. Much of the population still thinks NGOs exist to launder money. People who have had contact with NGOs, however, have a positive image of NGOs. As people tire of impersonal advertising, NGOs could benefit from following the example of some political parties by conducting door-to-door campaigns.



Surveys show that people who have had contact with NGOs are more positive about the sector. A public opinion survey on corruption conducted by Transparency International demonstrates that

many respondents know nothing about NGOs, while those who are familiar with the sector rate NGOs among the least corrupt institutions. Among NGOs, small local community organizations are probably least trusted. Local communities often think grant monies are used for personal enrichment, even when local organizations bend over backwards to operate transparently, organize community meetings, publish annual reports, and recruit respectable boards of directors.

The Seimas (Parliament) has only fragmentary knowledge of the sector, mainly being aware of NGOs supporting youth and the elderly and some highly visible human rights and anti-corruption groups. Local governments, on the other hand, have a tradition of cooperating with nonprofits and their knowledge of the sector is quite good.

Business perception of NGOs is positive, despite the fact that NGOs still have little to offer businesses. Businesses, in general, seem to romanticize NGOs because they hear of groups that do humanitarian work, such as caring for children. Businesses often fund projects that match their public relations or business strategies. However, NGOs do not manage to exploit their positive reputation with businesses as they either do not come up with ideas that fit businesses' strategies or do not put forth enough effort to design projects that are attractive to businesses.

The initiative to promulgate an NGO Code of Ethics that was launched a few years ago has not been pursued, as no organization is willing to take the lead. Last year some NGOs, led by Transparency International, exposed corruption in the media. The media retaliated with a negative media campaign that made unjust accusations against some NGOs and their donors. This interaction caused great public debate and led Transparency International Lithuania (TILS) to undertake an NGO

Transparency Survey, the first study of its kind in Europe. The study, funded by the

Baltic–American Partnership Program, solicited the opinions of NGO staff and was therefore not neutral. Six hundred NGOs responded to the TILS-prepared questionnaire on employees’

opinions and knowledge regarding their own organizations and the sector as a whole. The results indicate that 68 percent of surveyed NGO representatives find Lithuanian nonprofits to be transparent. Lithuanian NGOs hope to use the results of the survey to influence public opinion and improve the public image of the sector.