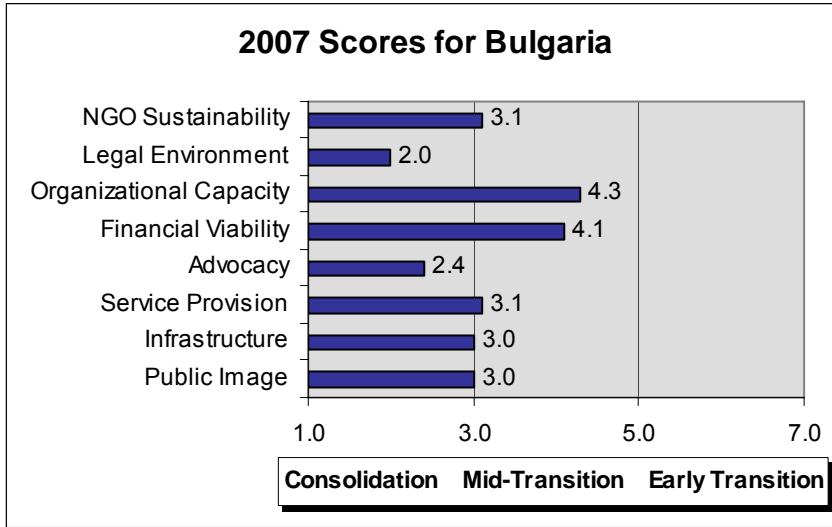


BULGARIA



Capital: Sofia

Polity:
Parliamentary Democracy

Population:
7,262,675 (July 2008 est.)

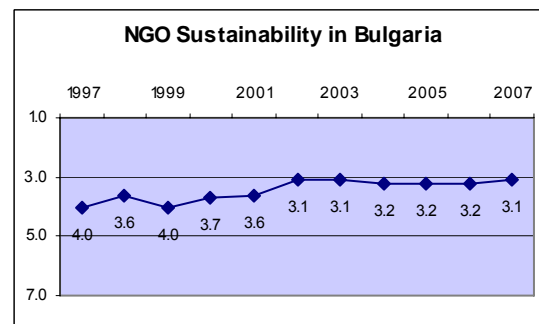
GDP per capita (PPP): \$11,800
(2007 est.)

NGO SUSTAINABILITY: 3.1

By 2007, there were approximately 28,700 NGOs registered in Bulgaria, including 3,700 community centers or “chitalishte.” Of these, roughly 5,000 are classified as Public Benefit Organizations.

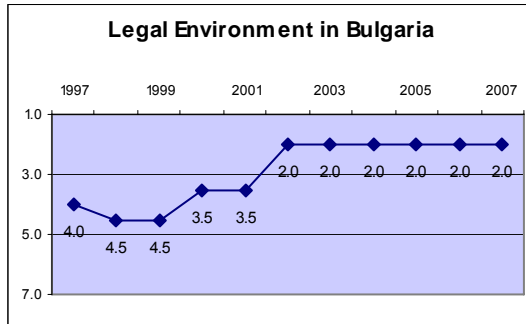
Bulgaria’s accession to the European Union on January 1, 2007 marked a key event for the NGO sector – and for the country. EU membership created a new environment for NGOs with new challenges and opportunities. The major NGOs had been preparing for this event for some time and had adequate organizational capacity to adjust accordingly. Others will have to quickly adapt, or risk failing if they are unable to adapt to the new donor environment and priorities, work style and financial support that EU membership offers. The smaller advocacy organizations constitute the most vulnerable segment of the NGO sector. The Trust for Civil Society in Central and Eastern Europe and the Balkan Trust for Democracy offer the best chances for their survival in the short-term, while also providing these authentic grass-roots civil society structures with much-needed encouragement.

The first year of EU membership saw an increase in citizen activism and public initiatives. NGOs proved capable of formulating and upholding positions supported by thousands of citizens. In doing so, they accentuated their unique expertise, making them desirable partners for public authorities, businesses and media.



While financial viability continues to be the sector’s greatest challenge, positive changes have taken place with respect to organizational capacity and public image.

LEGAL ENVIRONMENT: 2.0



The legal environment for NGOs did not witness any significant changes in 2007 and remains adequate. As a result of growing competence of the court staff, the law that regulates the registration of new NGOs no longer creates problems in either Sofia and the larger cities or the smaller, more remote municipalities. Following amendments to the law in 2006 that eliminated several bureaucratic requirements, NGOs enjoy greater freedom of activity and management.

The Ministry of Finance increased requirements for financial accountability by NGOs, especially

those receiving public funding – a change that has been viewed positively. No cases of government bodies imposing administrative obstacles or difficulties were reported in 2007. While the participants in eco-protests connected with NATURA 2000 – one of the largest EU environmental programs – claim that the police reaction was repressive, no protests were banned.

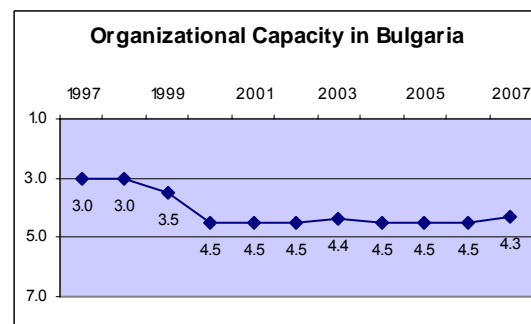
The Government pursued a policy of streamlining and unifying tax legislation in 2007, resulting in the gradual reduction of the tax exemptions which NGOs have enjoyed. Specifically, the limit on the tax deduction for donations made by natural persons to NGOs has been decreased from 10 percent to five percent of taxable income. However, at the same time, NGOs benefit from the overall reduction of corporate taxes, which has given rise to more corporate donations than previous tax incentives. In 2007, NGOs also benefited from a VAT exemption on the delivery of social services and the elimination of the threshold for registration for VAT purposes.

ORGANIZATIONAL CAPACITY: 4.3

While destabilizing for many organizations, the restructuring of the NGO sector that began several years ago provided an opportunity for the development of NGOs that offer technical assistance and social services. These NGOs recognized the changes taking place in the donor environment and created or revised their strategic plans accordingly. At the same time, many smaller NGOs realized that their administrative capacities were not sufficient to meet EU standards for projects funded by the state, and reacted promptly by strengthening their administrative capacities beyond what they were in 2005 and 2006.

NGOs are strengthening their capacity to comply with standards for transparency and accountability, as they recognize the need to develop as competitive organizations. The number of full-time NGO staff declined slightly in 2007, but remained at approximately the same

level as the previous year. On the other hand, the number of external experts and volunteers is growing. While some NGOs fear that the growing reliance on external experts will weaken their organizational self-sufficiency, the increasingly successful work with volunteers represents an undeniably positive trend.



NGOs have demonstrably improved their capacity to build support not only for their

specific initiatives, but for longer-term causes, which may prove the most significant development of 2007. The successes of NGOs working in the areas of environment, consumer protection, cultural heritage preservation, protection of the rights of persons with health problems, etc. are particularly notable.

The fact that regional programs, most notably the Trust for Civil Society in Central and Eastern

Europe, are based in Bulgaria testifies to the strength and capacity of the Bulgarian NGO sector.

In comparison to 2006, the NGO sector achieved significant technical progress, and the condition of its facilities and equipment does not impede its functioning.

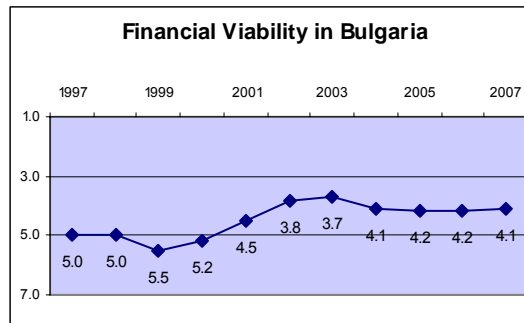
FINANCIAL VIABILITY: 4.1

On the whole, the financial resources available for NGOs in 2007 have increased in comparison to 2006 as a result of the growing number of programs funded by the EU and managed by the Government of Bulgaria; the increasing commitment of local governments to finance projects of municipal importance; and the increased interest of citizens and businesses in making donations.

In 2007, Bulgarian NGOs became eligible for funding from the European Social Fund under two Bulgarian Government-managed Operational Programs. USAID/Bulgaria also set up a special \$3 million fund within the Balkan Trust for Democracy as a post-USAID legacy mechanism to finance viable NGO projects related to rule of law and judicial and government reform; economic opportunities for and social integration of vulnerable groups; and labor force and labor market development. According to data from the Bulgarian Donors Forum, donations to NGOs from businesses and citizens reached more than 30 million Bulgarian Lev (approximately \$22 million) in 2007, the highest level in recent years.

Despite this progress, the NGO sector remains financially unstable. Income remains uncertain and expenditures on office maintenance and external experts continue to rise at a faster pace than revenues. Although there are quite a few NGOs with diverse financing sources, many NGOs have been unable to adapt to the new donor environment and the restructuring of the sector. Growing capacity for fundraising encourages NGOs to undertake fundraising campaigns, but so far this has had little bearing

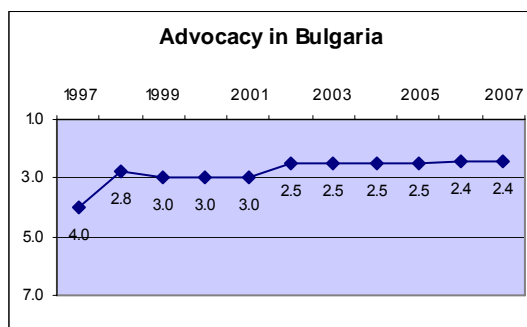
on financial viability. Some of the NGOs involved in service delivery have been positively affected by the possibility to register for the purposes of VAT and thus make use of the tax credit, but they constitute a small portion of the sector. In 2007, banks took a significant step by lending to NGOs, enabling the sector to implement projects requiring co-financing and greatly expanding their financial potential. The easier access to loans, however, has given rise to a new phenomenon for the NGO sector – indebtedness.



As was the case in 2006, the most viable NGOs are those generating revenue from their own activities. These NGOs offer consulting services to address the growing demand from local governments and businesses for assistance in developing project proposals for EU Structural and Cohesion Funds. Sound financial management practices are increasingly necessary for NGOs to be financially viable, but as in previous years, only several hundred have such ability. The EU funding model includes large disbursements of funds, which does not help smaller organizations.

ADVOCACY: 2.4

NGO cooperation with central government bodies in 2007 reveals contradictory tendencies. Some ministries show increasing willingness to work in partnership with NGOs, while others do not. NGOs have also noted some reluctance by the legislative branch to accept ideas and initiatives coming from civil society. While this step back from the level of partnership reached in previous years is not yet a distinct trend, NGOs have grounds to fear that after Bulgaria's EU accession, government authorities are losing some interest in pursuing a policy of continuous and open dialogue with civil society. On the other hand, local governments actively seek such dialogue. Hopefully this trend will continue and does not represent temporary tactics on the eve of the October 2007 local elections.

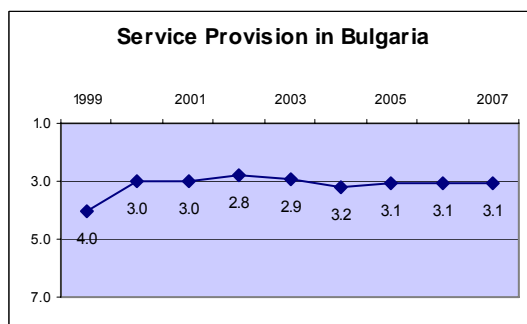


2007 saw successful NGO advocacy campaigns, both locally and nationwide. Among the most notable were campaigns in support of NATURA 2000, road safety, and the liberation of the Bulgarian nurses in Libya, and protests against

illegal construction along the Black Sea coast and in the mountains of Rila and Pirin. Additionally, timely action by the NGO community prevented the National Assembly from approving some problematic draft amendments to the Access to Information Act. The consumer federations, the associations of persons with serious diseases, and union branches all demonstrated increased advocacy capacity by using political lobbying, citizen pressure and other advocacy techniques to represent the interest of their members. NGOs also made use of their right to criticize the actions of the central and local authorities and brought lawsuits against them in courts, thus demonstrating their increasing competence in law and advocacy. Despite these successes, it is disappointing that the Act on Lobbying, which has been under preparation for quite a while, has not yet been enacted.

While advocacy NGOs have been the most affected by the withdrawal of foreign donors, the most active among them have formed coalitions with newly emerging informal citizen initiatives and remained relatively effective advocates. Advocacy campaigns show a growing effectiveness, primarily due to the increasing interest of citizens in safeguarding their rights and interests. EU membership affords a strong incentive in this respect and has inspired many NGOs to initiate new and viable civic initiatives.

SERVICE PROVISION: 3.1



NGOs continued to widen their portfolio of products and services to meet the needs of

citizens, public authorities, other NGOs or businesses. This positive development is due to both NGOs' growing specialization and competitiveness and the new opportunities created by Bulgaria's EU accession. The services in greatest demand remain training, consulting services and research – all areas in which the NGO sector has substantial expertise. There is practically no policy or significant institutional project for which NGOs have not been invited to carry out activities like monitoring, impact evaluation, or development

of public campaigns. NGOs are also slowly entering the sphere of delivery of basic public services, including social care and crisis relief. The sector is still not allowed to work in areas like healthcare, housing, water and energy supply, but it has not shown eagerness to work in these areas either.

One issue that raises concern is that NGOs are generally not in a position to offer services for free to those who cannot afford to pay. Growing competition, not only among NGOs, but also

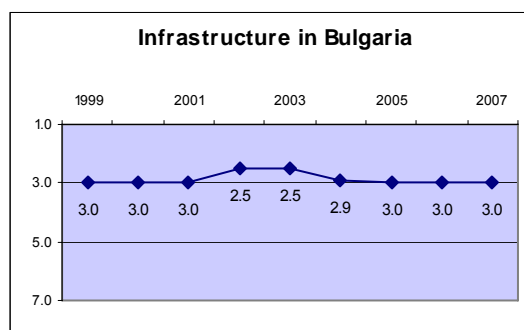
with businesses entering their field of activity, is forcing NGOs to improve the marketing of their products and services. Government support for NGO service provision, especially basic social services, is still scarce. A promising step in this direction is a reform in the system of social care for children and mentally disabled adults. A very small number of NGOs continue to receive government subsidies, as they have for decades.

INFRASTRUCTURE: 3.0

In recent years, the NGO sector has been learning practical steps on how to survive and work without intermediary support organizations, local resource centers and local grantmaking organizations. While such organizations were the key elements of NGO infrastructure during the 1990s and established the prerequisites for sustainable NGO development in Bulgaria, they proved to be unsustainable. Those ISOs that still exist have had to look for new specializations to survive. At the same time, the conditions for training NGOs are becoming more favorable because of the development of necessary capacity by higher educational institutions, the growing number of NGOs and consulting companies providing this type of service, and access to the Internet.

No external incentives exist for creating sustainable NGO networks, although fragments of previously active networks still exchange information, ideas and expertise. The sector does not recognize the need for an organization to represent its interests before the legislative and executive branches of government and make its

ideas known to the broad public. None of the diverse NGO communities view defending and defining the so-called common interest as a priority.



Offsetting the negative trends discussed above is the improving inter-sectoral partnerships between NGOs, the media and local governments. What is really new in 2007 is that these other sectors now more actively seeking such partnerships. In another positive trend, a growing number of Bulgarian NGOs are joining international – usually European – networks, which partially compensates for the collapse of national networks.

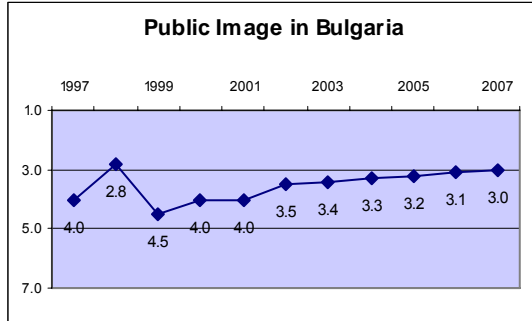
PUBLIC IMAGE: 3.0

Media coverage of key initiatives launched by NGOs is not only more intensive in 2007 than last year, but is also predominantly positive. The major national and most local media actively look to partner with NGOs and are easily involved in joint advocacy campaigns, thus offering for free their capacity to influence public opinion. These positive trends in NGO-

media partnerships result from the desire of both parties to get closer to the needs of citizens and civil society.

Most advocacy NGOs and some of those specialized in service delivery strive to publicize their activities, with varying success. The most successful are those having opinion-makers

among their members, as the media increasingly prefers such high-profile individuals over organizations as sources and focal points for their stories.



Fortunately, the types of scandals and incidents that raised public doubts about the sector's integrity in previous years did not recur in 2007.

On the contrary, actions by environmental and other advocacy organizations to safeguard the public interest by protesting against the passive stand of the government and the illegal actions of business fostered public confidence in NGOs, as evidenced by the mounting involvement of citizens in NGO-led initiatives. Confidence in NGOs on the part of local governments and businesses is also on the rise, although it is unclear if this will be sustained.

2007 finally saw the development of a Code of Ethics for the NGO sector. While not adopted yet, the proposed draft represents a real step towards more transparent and accountable conduct.