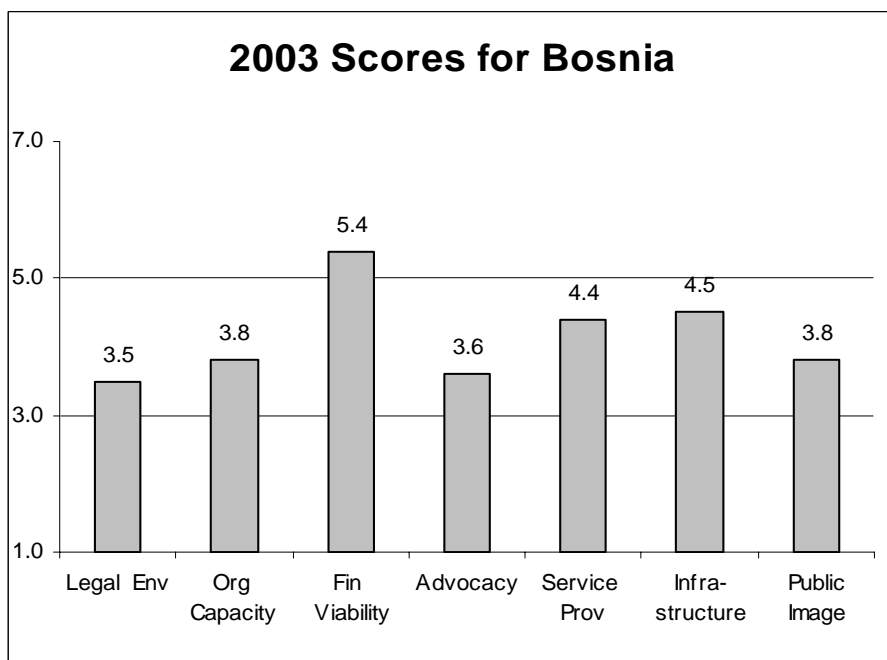


BOSNIA AND HERZEGOVINA



Capital:
Sarajevo

Polity:
International protectorate

Population:
3,400,000

GDP per capita (PPP): \$1,056

NGO SUSTAINABILITY: 4.1

The NGO sector in Bosnia and Herzegovina continues to make positive contributions to the process of building democracy and civil society, relying on the rich experiences gained during the post-war period. The sector is a significant factor in the development of a

NGO SUSTAINABILITY	
2003	4.1
2002	4.2
2001	4.5
2000	4.9
1999	5.2
1998	5.6

modern society searching for its own identity and trying to respond successfully to all the challenges it is faced with. Results are far more modest in the institutional development of non-governmental organizations in rural areas, as well as the institutional development of the NGO sector as a whole. Many NGOs in the region remain on the margins of the sector, without ap-

propriate access to information, literature, and educational or consulting services.

There are currently 7,874 non-governmental organizations and 55 foundations registered in Bosnia and Herzegovina under the old and new NGO registration laws. However, the number of active NGOs is quite small. Due to reduced donor support, NGOs in BiH are faced with the problem of financial sustainability. To remedy this, it is important to introduce "new" alternative financial sources, including self-financing, membership fees, and the local donor community. The degree to which NGOs are networking is still not optimal, although there are some positive examples of networks that represent the exception and not the rule. A few current initiatives promise that some of the sector's problems in the area of institutional

development will be solved in the near future. The adoption of a new legal framework for NGO registration was a major step forward in 2003, as well as ongoing initiatives for the further development of taxation and fiscal policy for NGOs.

The NGO sector showed that it was capable of conducting large public campaigns that advocated for change on issues vital to Bosnian society, including youth, gender equality, environment, minority rights protection, etc. Great numbers of NGOs continue to offer services in the fields of health care and social welfare, reconstruction, human rights protection, environmental protection, and minority protection. It is encouraging that municipal governments are now more interested in establishing partnerships with NGOs to satisfy

the basic needs of their constituents. There is a great need for the development of basic standards of cooperation for these two sectors in society. Current initiatives directed towards establishing a Code of Conduct for NGOs, as well as service quality standards between the government and the NGO sector will significantly contribute to this.

Generally, citizens still do not have a clear perception of the actual role of NGOs. This is a result of the fact that NGOs are not integrated into communities. They are not as transparent as they should be; and they have failed to adequately use the media to promote their activities.

LEGAL ENVIRONMENT: 3.5

State of B&H - From the very beginning, registration process for associations at the state level have been inconsistent. Although there is still a critical shortage of local lawyers specialized in NGO legal and fiscal issues, the situation has improved. In addition to Lex International

LEGAL ENVIRONMENT	
2003	3.5
2002	3.5
2001	4.0
2000	4.5
1999	5.0
1998	5.0

from Banja Luka, the Civil Society Promotion Centre from Sarajevo has a staff lawyer that provides legal and fiscal advice to NGOs. There is no tax law at the state level, as taxation

falls within the jurisdiction of the respective entities. An NGO may generate income from the provisions of goods and services. Due to the lack of a state level tax regime, the tax treatment of the income generated from the provisions of goods and services remains unclear.

NGOs may engage directly in related economic activities. However, the Law limits income generated from a separate corporation established by an NGO to 10,000 KM or 1/3 of the NGO's budget, whichever amount is higher. NGOs may compete for government contracts/procurements.

Federation of BiH - The registration process has been inconsistent from the very inception of the 2002 Law on Associations and Foundations. Donations for humanitarian, cultural, educational, scientific and amateur sport purposes are deductible up to 0.5 percent of the business's gross income. There is also a separate provision relating to the deduction of representative costs up to a limit of 0.5 percent of the gross income, which appears to be broad enough to cover sponsorship payments to NGOs. In March 2003, the Office of the High Representative (OHR) adopted laws restricting dona-

tions by publicly owned or controlled enterprises in both the Federation and Republika Srpska (RS). Gifts by such enterprises may only be made for sports, cultural, social welfare, and humanitarian purposes, and are subject to a number of procedural restrictions designed to ensure the appropriate use of public funds. No tax relief is provided for donations made by private individuals. Income from foreign and domestic grants appears in practice to be exempt from taxation. Membership fees and contributions to professional associations and political parties are deductible up to 0.1 percent of the business's gross income. An NGO may engage in economic activities only through a separately established corporation. NGOs may generate income from the provisions of goods and services.

Republika Srpska - The 2001 Law on Associations and Foundations has created a more enabling legal environment for NGOs than the prior legal regime. However, government supervision re-

mains inconsistent, especially with regard to the tax authority's supervision. Donations for humanitarian, cultural, educational and sport purposes are deductible up to 1 percent of the business's gross income. Membership fees and contributions to professional associations are deductible up to 1 percent of the business's gross income. Representative costs, which are deductible up to a limit of 3 percent of the gross income, appear to cover sponsorship payments to NGOs also. Membership fees and contributions to political parties are not deductible. No tax relief is provided for donations made by private citizens. Income from grants appears in practice to be exempted from taxation. An NGO may directly engage in related economic activities. NGOs may generate income from the provisions of good of good and services.

ORGANIZATIONAL CAPACITY: 3.8

NGOs' organizational capacity improved slightly in 2003. Strategic planning, management and technical equipment are still critical issues for the majority of organizations. More and more NGOs differ from one another mainly on the basis of their

ORGANIZATIONAL CAPACITY	
2003	3.8
2002	3.9
2001	4.0
2000	4.5
1999	4.5
1998	5.0

organizational capacities. Among the 7,874 organizations registered in Bosnia and Herzegovina, only a small group are properly organized, with highly skilled personnel

that are employed full time, properly equipped and with secured financial

means to cover their operational expenses, as well as for payment of their staff and premises. These organizations have a clear declaration of their mission and have access to international donor funds. Most NGOs lack staff and a thorough understanding of organizational development. They have not fully developed their internal structures or strategic plans and they compete for funds with other NGOs. They typically invest a great deal of work and good will with a small amount of donor support. Those that are focused on domestic issues tend to not have professional staff and lack the resources to adequately engage their local community. The NGOs that were a part of the former system offer services to only certain groups of

citizens and believe that the government has an obligation to finance their activities. Very often these NGOs use resources

from local funds, including funds from political parties, and have never applied for funding from international donors.

FINANCIAL VIABILITY: 5.4

The financial capacities of the NGO sector still depend on the international donor community. Many organizations survive on a voluntary basis with very limited amounts of money. They have not developed their own self-financing strategies

FINANCIAL VIABILITY	
2003	5.4
2002	5.5
2001	5.7
2000	6.0
1999	6.5
1998	6.0

and are still not able to successfully attract new volunteers or to receive funds from local sources.

There are some examples of "in-kind" support that local authorities, especially at

the local level, are ready to offer to NGOs. The business sector, faced with the problem of low growth, is still not ready to support NGOs and does not see them as potential partners. There is no developed le-

gal framework for such partnerships and there are no tax incentives for the business sector to invest in NGO programs.

The reduction in donor support has had some positive effects. The shortage of available donor funds means that those NGOs which are integrated into their communities are able to survive and have demonstrated their ability to meet citizens' needs. Many have developed their internal capacities for finding alternative and diversified sources of funding, including self-financing. This group of NGOs is focused on the further improvement of institutional capacities, especially in the fields of financial management, fundraising, and service provision.

ADVOCACY: 3.6

Advocacy improved in Bosnia and Herzegovina in 2003 with the adoption of several laws that had been introduced by NGOs (for example, the law on gender equality and the law on national

ADVOCACY	
2003	3.6
2002	3.9
2001	4.2
2000	4.5
1999	5.5
1998	6.0

minorities.) New legal solutions in the field of restitution are under consideration thanks to the leadership of the League for the Protection of Private

Property and the Human Rights NGO from Trebinje. These activities have been led by several networks of NGOs. There have also been other campaigns supporting the direct election of majors in the Federation, which has been supported by the Centre of Civic Initiatives, as well as the Poverty Reduction Strategy Paper Project that involved a network of local NGOs, the Bulldozer Project, the preparation of the CEDAW report, as well as activities initiated by student organizations.

SERVICE PROVISION: 4.4

Improvements in NGO service provision are noticeable, but NGOs have not yet reached their potential in this area. NGOs have been particularly effective in instances where the social welfare network is unable to care for Bosnia's poorest citizens. In these cases, NGOs have successfully developed social welfare programs for chil-

SERVICE PROVISION	
2003	4.4
2002	4.5
2001	4.2
2000	4.5
1999	5.0

dren, the disabled, and individuals with special needs. NGOs focused on the needs of children have created a strong NGO network and have established contact with the entity governments in an effort to create social welfare programs. They have also developed partnerships throughout the country. The results of cooperation and partnership are especially noticeable at the local level where a number of municipalities have sought out NGO services, especially in the field of training and consulting.

INFRASTRUCTURE: 4.5

Infrastructure remained largely unchanged in 2003. The NGO sector needs resource and information centres in order to enhance and expand the activities of NGOs. One of the priorities of the recently established NGO coalition is to establish a resource center to enhance the sustainable development of the non-governmental

INFRASTRUCTURE	
2003	4.5
2002	4.5
2001	4.8
2000	5.0
1999	5.0

sector in Bosnia and Herzegovina. Although there are a number of individuals who have received training in organizational development, the training has been largely theoretical and the new trainers lack hands-on experience developing an organization. There is still a need for continued training in the areas of human resource management, financial

management, organizational development, and strategic planning.

The lack of development within the sector has meant that NGOs have unequal access and are less able to coordinate. Most NGOs are still isolated in their activities and often fail to take a spontaneous initiative and develop it into a real campaign. A positive example, however, is an initiative for the development of a "Strategy for the Sustainable Development of the NGO Sector in Bosnia and Herzegovina" which gathered approximately 230 NGOs in order to foster cooperation with the government and the business sectors. The strategy identified key challenges faced by the NGO sector, as well as steps needed to overcome these obstacles. The document was drafted in 2003 and key activities are expected to be undertaken in 2004.

PUBLIC IMAGE: 3.8

Little progress was made in the area of public relations in 2003. Although a number of NGOs have highlighted their work through the media, they have not succeeded in improving their public image in large part because they have not been able to attract adequate media coverage. Moreover, NGOs do not have experience

PUBLIC IMAGE	
2003	3.8
2002	3.8
2001	4.5
2000	5.0
1999	5.0
1998	6.0

communicating with the public, and on the other hand, journalists do not have a firm understanding of the NGO sector.

There is a need for increased cooperation between journalists and NGOs in order to adequately promote NGOs' achievements. The unfavourable public image of NGOs stems from their failure to adequately convey their mission, which creates the impression that NGOs are driven by their own self interest and not for the greater good.