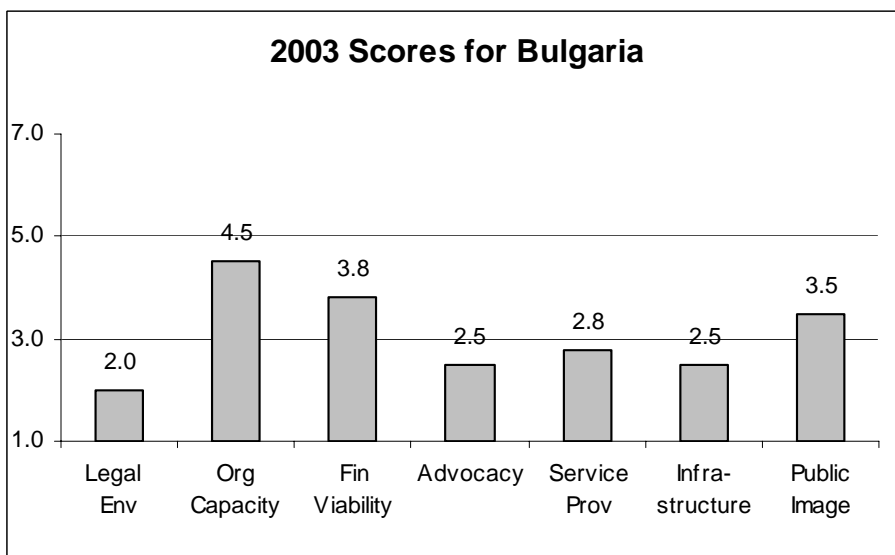


# BULGARIA



**Capital:**  
Sofia

**Polity:**  
Parliamentary  
democracy

**Population:**  
7,000,000

**GDP per capita  
(PPP):** \$5,710

## NGO SUSTAINABILITY: 3.1

There are currently over 8,000 NGOs in Bulgaria, of which approximately 1,900

NGO SUSTAINABILITY	
2003	3.1
2002	3.1
2001	3.6
2000	3.7
1999	4.0

are considered active. The NGO sector continues to increase its sustainability and expand its influence in Bulgarian society. NGOs are now accepted as a permanent force in the country, actively representing citizen interests and providing needed services. Great progress was made in improving the legal environment for NGOs and ensuring that

NGOs have access to needed capacity-building services, such as training, networking, and information sharing. However, much work remains to be done to institutionalize some of this progress, and the majority of NGOs remain organizationally weak and financially vulnerable. NGO influence often depends more on personal connections than formal mechanisms for cooperation. The public image of the NGO sector remains fragile, easily tarnished by scandals involving a few unscrupulous organizations. As Bulgaria prepares to enter the European Union, Bulgarian NGOs must work to consolidate their position in society.

## LEGAL ENVIRONMENT: 2.0

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The legal environment regulating NGO activity in Bulgaria remains among the best in the region. The NGO Law, passed in

LEGAL ENVIRONMENT	
2003	2.0
2002	2.0
2001	3.5
2000	3.5
1999	4.5
1998	4.5

2001 after eight years of hard work, clearly defines the registration and operation of NGOs and limits state power over the sector. In 2002, the law was further improved through the introduction of the concept of Public Benefit Organizations (PBOs), which provides NGOs working to further the public benefit with additional privileges as well as responsibilities. While the legal framework is generally well-defined, state capacity to implement the laws is often insufficient. For example, the government does not have the capacity to regulate the activities of PBOs as provided in the law. As a result, PBOs that fail to submit required information to the public registry are not penalized in any way.

As legal entities, both NGOs and commercial entities face high levels of administrative burdens and requirements. For example, they must register with a myriad of government agencies, including the courts, tax authorities, statistics bureau, and social insurance agency, and are subject to the requirements and inspections of

each of these agencies. There are no known examples of these being applied in a political manner.

NGOs benefit from fairly favourable financial regulations, although further improvements are still needed. Individuals can claim tax deductions for donations to NGOs up to 10 percent of their income, and companies can receive deductions up to 10 percent of their total profit. NGOs are legally allowed to engage in economic activities, although they receive no preferential treatment in terms of taxation. Furthermore, NGOs have to pay a 15 percent tax on dividends in order to transfer money from their economic activities to their non-profit activities. Regulations were passed in May allowing municipalities to contract out the provision of social services, including to NGOs, although implementing mechanisms have not yet been created to take advantage of this new provision.

NGO law remains a niche area with few specialists. The Bulgarian Center for Not-for-Profit Law (BCNL) remains the leading organization focused on NGO legal issues in Bulgaria. BCNL is working to improve capacity on NGO legal issues by training lawyers and NGO professionals, as well as working with universities in several major cities to develop NGO law courses and legal clinics.

## ORGANIZATIONAL CAPACITY: 4.5

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Despite the existence of a few strong organizations, the NGO sector in Bulgaria is still organizationally weak as a whole. A low percentage of registered organizations are active in even a basic sense, and even

among the majority of these organizations, good organizational practices are only utilized to the extent demanded by donors or legislation. For example, while most active NGOs have clearly defined mission state-

ments in order to comply with the legal requirements, many pursue activities beyond the boundaries of their missions in order to

ORGANIZATIONAL CAPACITY	
2003	4.4
2002	4.5
2001	4.5
2000	4.5
1999	3.5
1998	3.0

access donor funding. Internal management structures fit into similar patterns. On paper, most organizations have clearly delineated the responsibilities of

the board vis-à-vis the staff in order to meet legal provisions, but how decisions are made in practice often differs significantly.

Similarly, NGOs develop strategic plans when donors require this, but these plans are rarely followed in practice. Strategic planning is further complicated by the lack of stability in the country. As a result, even leading NGOs that take strategic planning seriously do not plan more than a few years in advance.

The importance of developing a loyal and satisfied constituency is still poorly understood by the majority of NGOs. Rather than looking at their local communities as their constituents, most NGOs treat foreign donors as their primary constituency,

changing their programs regularly to meet current donor priorities. Ironically, although one might expect the decrease in foreign funding to force NGOs to focus more on developing local constituencies, it has had the opposite effect as NGOs become even more willing to change their programs to meet donor whims as competition for funding intensifies.

Only a limited number of NGOs have permanent paid staff, and even in these cases, staff size is usually limited to two or three. Volunteerism is utilized to varying degrees by NGOs, but tends to be based more on personal connections and favors than formal arrangements. Employees in many organizations also volunteer their time between funded projects.

While Bulgarian NGOs tend to be fairly well equipped from a technical point of view, donors are becoming less and less willing to fund equipment purchases. As a result, equipment is often outdated. Internet access has become increasingly affordable over recent years, resulting in fairly wide-spread Internet and email access among NGOs, often through the use of Internet cafes and personal equipment. In fact, NGO professionals tend to have higher Internet and email usage rates than professionals in many other sectors.

### **FINANCIAL VIABILITY: 3.8**

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NGOs were more unstable in terms of their financial viability in 2003 as a result of decreasing foreign donor funding and slower-than-expected growth in local sources of support. However, while feelings of pessimism about the sector's financial stability are growing, there are no known examples of well established NGOs ceasing operations due to lack of funding.

Local financial and in-kind support for NGOs remains relatively low, although it is continuously increasing. NGOs' efforts to cultivate local donors are complicated by the overall weak economic situation in the country and a few visible scandals that have had a negative impact on the public's perception of NGOs in general. NGOs focused exclusively on advocacy work face a particularly difficult situation in raising funds from local sources, as local donors

are more likely to contribute to a program that provides a concrete and tangible service.

In addition to being generally dependent on foreign funding, many NGOs are reliant on a single foreign donor, with little diversification to protect their sustainability should their donor's priorities change. Related to this, NGOs rarely have a fundraising plan. Rather, fundraising is pursued only when there is an immediate need. This situation is partly due to an unrealistic

FINANCIAL VIABILITY	
2003	3.7
2002	3.8
2001	4.5
2000	5.2
1999	5.5
1998	5.0

belief that donors will support an NGO indefinitely, but can also be attributed to the difficulty for NGOs to develop new projects and seek new sources of funding with their limited staff. Nevertheless, there are examples of NGOs seeking

to implement creative fundraising campaigns, including concerts, exhibits, art auctions, and media-based campaigns, but these are often not done professionally, and therefore have limited financial results, although they may successfully increase awareness of an organization's activities.

Various NGOs began to move away from the norm of the past 13 years in which services were provided free-of-charge.

However, these entrepreneurial organizations are often stymied in their efforts to collect fees for their services as other groups may still be offering the same services for free. NGO target groups have also come to expect NGO services to be free. Membership-based organizations generally have a system of dues, although these are generally symbolic and are not necessarily collected on a regular basis. Business associations are the exception to this rule, and are generally able to collect a significant amount of revenue through membership dues on a regular basis. Many NGOs are also in the process of developing social enterprises with the support of a USAID-funded program. It is hoped that these social enterprises will ultimately provide funding for the NGOs' main services, while also reinforcing the NGOs' mission, for example, by providing employment for their clients.

NGOs receive some support from national and local government bodies, but this is also an exception rather than the rule, and local governments in particular are more likely to provide in-kind support, such as free office space, than financial support.

Financial management systems within NGOs are fairly well-developed, particularly among PBOs, who must file annual reports with the public registry.

## ADVOCACY: 2.5

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The NGO sector continues to play an active role in shaping the public agenda and influencing legislation in the country, although institutionalized mechanisms to ensure NGO input in these processes remain undeveloped. While NGOs must work to institutionalize mechanisms to en-

sure their input in the policy process, they have clearly become a force that can not be ignored.

NGOs have good experience cooperating with both local and national governments, although cooperation is generally based on individual attitudes and personal con-

nections rather than established norms and procedures. Given the focus on local elections, local governments were particularly open to working with NGOs in 2003. As stated in previous editions of the NGO Index, the current national

government is also more open to input from civil society experts than previous governments. However, some NGOs feel that the government's public embrace of civil society, including their creation of a Civil Society Committee in Parliament, is primarily for public relations purposes.

Bulgarian NGOs have had good success over the past year in opposing and supporting legislative proposals in Parliament. For example, the Bulgarian Media Coalition coordinated a group of 55 NGOs in fighting proposed amendments to the penal code that would unreasonably expand

ADVOCACY	
2003	2.5
2002	2.5
2001	3.0
2000	3.0
1999	3.0
1998	2.8

the definition of classified information, making it virtually impossible for journalists to do their jobs. Lobbying efforts by the National Association of Municipalities in the Republic of Bulgaria resulted in the adoption of the first legislative step in fiscal decentralization, providing municipalities with the discretion to decide how to spend a small portion of their municipal budgets.

NGOs played an active role in the local elections that took place in October 2003. Over 50 NGOs participated in a USAID-supported get-out-the-vote campaign, over half of which participated without USAID funding. Furthermore, many business-based civic groups participated directly in the elections, nominating lists of candidates for municipal councils. Altogether, these groups won the fourth largest number of votes in the elections.

## SERVICE PROVISION: 2.8

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NGOs provide services in a wide range of fields, although they are legally restricted from working in certain areas, including

SERVICE PROVISION	
2003	2.9
2002	2.8
2001	3.0
2000	3.0
1999	4.0

health and education. While the number of NGOs working in the area of social services is significant, it pales in comparison with the overwhelming demand for these services. In part, this is due to the fact that even though the government has not provided adequate social services in many years, it is hesitant to let NGOs or others get involved in these areas.

In general, NGOs are responsive to community needs when designing their products and services. Needs are occasionally determined through formal needs assessments, though this process is more frequently done based on NGO representatives' observations as members of the communities in which they work.

While local governments generally recognize the value of NGO-provided social services, financial support is rarely provided. This situation may change soon, though, as regulations were passed in May 2003 allowing local governments to contract out the provision of social services, including to NGOs. These regula-

tions were adopted after budgets were set for the year, so no municipalities had developed mechanisms yet to take advantage of this new opportunity. NGOs are

also rarely asked to provide services to businesses, in part due to the perception among businesses that NGOs are unprofessional.

**INFRASTRUCTURE: 2.5**

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A strong network of NGOs providing support services and training to other NGOs was created through the USAID-supported DemNet Program, which ended in October

INFRASTRUCTURE	
2003	2.5
2002	2.5
2001	3.0
2000	3.0
1999	3.0

2002. While the thirteen Intermediary Support Organizations strengthened through this program still exist and continue to provide leadership

in their given sectors, they are increasingly fragile as there is little donor interest in supporting such infrastructure services.

NGOs have successfully formed coalitions around specific topics or issues, such as

the environment, youth issues, or the amendments to the penal code or local elections, as mentioned above. There is, however, no organization that represents the interests of the whole sector, nor do NGOs see the need for such a body.

A USAID-supported program is working to develop community foundations throughout Bulgaria, with the first three located in Blagoevgrad, Gabrovo and Chepelare. While these organizations have been fairly successful in raising local funds for locally identified needs, they have not yet made the transition to serving as grant-makers in their communities.

**PUBLIC IMAGE: 3.5**

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PUBLIC IMAGE	
2003	3.4
2002	3.5
2001	4.0
2000	4.0
1999	4.5

NGOs have gradually improved their image and stature with the general public, as well as the government and business sectors, through the implementation of successful programs and work

with the media. NGOs have increased their public relations skills, although rarely

have sufficient resources been dedicated to public relations. Nevertheless, whereas previously the media was only interested in NGO scandals, success stories have received increasing coverage over the past few years. Local NGOs, especially, get significant coverage in local media outlets. National NGOs, on the other hand, have a harder time attracting media attention.

## 2003 NGO Sustainability Index

Progress in improving the sector's public image has been hampered, however, by high-profile scandals involving NGOs. The latest came just two weeks before the October local elections, when the Democracy Foundation, a foundation associated with the United Democratic Forces, one of the major political parties in Bulgaria, was ac-

cused of accepting a \$200,000 donation from a controversial businessman with criminal connections. While it is too early to gauge the effect of this scandal on other NGOs, precedent has shown that such incidents tarnish the reputation of the entire sector, and foundations nationally are expected to suffer.