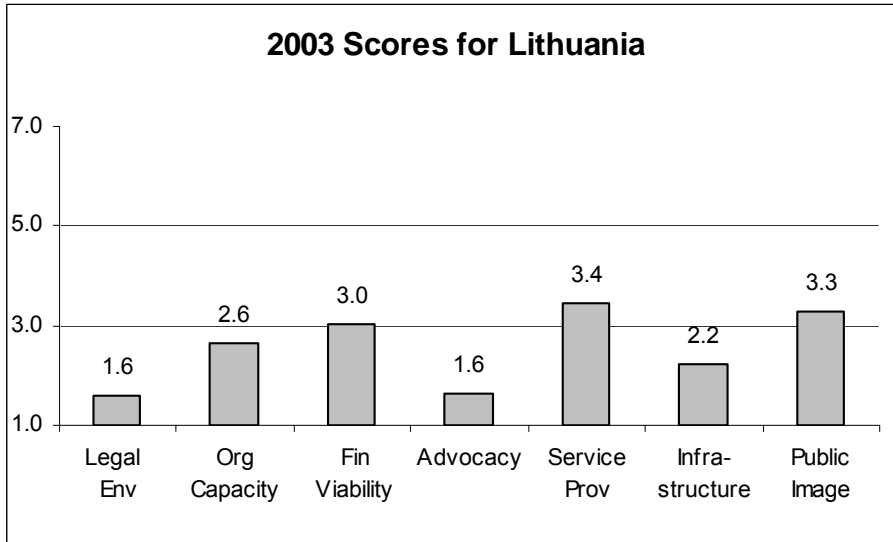


LITHUANIA



Capital: Vilnius

Polity:
Parliamentary
democracy

Population:
3,500,000

**GDP per capita
(PPP):** \$7,106

NGO SUSTAINABILITY: 2.5

Although the past year witnessed rapid growth of the NGO sector in rural areas of the country, traditionally strong and influential NGOs of larger towns have experienced a period of financial stagnation and even deterioration. With Lithuania joining the European

NGO SUSTAINABILITY	
2003	2.5
2002	2.7
2001	2.9
2000	3.1
1999	2.9
1998	3.0

Union next year, most foreign assistance funds are shrinking, while EU funds, around which the sector builds its hopes and expectations, are not yet available. NGO revenue sources inside the country have been growing slowly and are inadequate to cover the gap.

During the year, two trends developed within the NGO sector. On the one hand, an increased number of experienced NGOs, trusted by the public, became increasingly influential in advocacy and providing quality services and products, and found innovative ways to serve their clientele but experienced funding shortfalls. They continue to operate, drawing heavily on their inner resources, but at some point these need to be replenished. An increasing number of such NGOs were forced to cut programs and suspend activities until more funds are available.

On the other hand, the visibility of the achievement of the first group and growing civic awareness and activism in rural areas, together with the expectation of substantial incoming EU funding, have resulted in the emergence of a significant

group of new NGOs. These new NGOs expand the geographical distribution of the sector, but they are thus far unable to operate effectively. NGOs of this group most

often function on a zero budget, lack training and skills, and still need to clarify their mission and aims.

LEGAL ENVIRONMENT: 1.6

There were no significant developments in the legal environment for NGOs in 2003. Discussion regarding consolidation of NGO regulations continued at the Seimas (Lithuanian parliament), but only amendments to the Law on Associations were enacted.

A measure passed by the Seimas last year, allowing individuals to designate two percent of their income taxes to a selected NGO, has not yet yielded any income for NGOs. Within a few months, citizens will have to declare their designation from taxes paid during 2003. Organizations started active solicitation campaigns, but it will be extremely difficult for NGOs to

LEGAL ENVIRONMENT	
2003	1.6
2002	1.6
2001	2.0
2000	4.0
1999	4.0
1998	4.0

compete with schools, hospitals and other facilities registered as public institutions, which are also entitled to the same funds. Experts predict that personal income taxes will not (at least in the near future) be a significant funding source for NGOs, and certain groups of NGOs, such as NGO resource centers and NGOs working in the field of democracy, will likely not benefit from this new law.

Also, simultaneously with the enactment of this new measure in the personal income tax law, the deduction for charitable contributions to NGOs was eliminated. A bill to reinstate the deduction has been submitted for consideration by the Seimas.

towns and rural areas. Sometimes these are organizations created with the sole purpose of enabling local governments to obtain European Union funds (certain EU structural funds can be channelled only through local community organizations). Such organizations are not especially motivated to build local constituencies, yet the growing numbers of community-based organizations have visibly increased competition for members and supporters.

ORGANIZATIONAL CAPACITY: 2.9

ORGANIZATIONAL CAPACITY	
2002	2.9
2001	3.0
2000	2.5
1999	2.5
1998	3.0

The possibility of receiving earmarked funds from personal income taxes has been a powerful incentive for NGOs to widen their local constituencies, and NGO efforts to involve more people in their activities have increased and become more visible. The process of establishing community-based NGOs has intensified, especially in small

Volunteering with NGOs has become more established, especially among young

people. However, NGOs are not sufficiently staffed to recruit potential volunteers and manage them. Due to sparse financial resources, professional NGOs are forced to cut their staff and cannot modernize their outdated basic office equipment. The major computerization programs, such as "Window to the Future," funded by a group of Lithuanian businesses, target rural regions and smaller towns, and new NGOs in such areas are often better equipped technically than leading established NGOs. It is also easier for them to obtain office premises, which is

a big problem for organizations based in the capital and other large towns.

Fully functioning boards of directors have become more common, as has strategic planning. Increasing numbers of NGOs evaluate themselves, and this helps to shape and clearly define their mission. However, there are still numerous organizations that determine their activities based on available funding.

FINANCIAL VIABILITY: 2.9

FINANCIAL VIABILITY	
2002	2.9
2001	3.0
2000	4.0
1999	3.5
1998	3.0

Financial viability has become an even bigger concern as the traditional, easily accessible funding sources continue to shrink. NGOs place their hopes in the coming European Union funds, but there is

also a growing realization that these funds will be very hard to access, especially for smaller NGOs. As long as local governments are not able to fund small NGOs, they are in an especially vulnerable situation.

Increasing competition for funds and the complexity of application requirements have created a need for professional intermediaries who specialize in writing project proposals and putting together project documentation. NGOs increasingly buy such services.

An increase in funding from local philanthropy and membership fees has diversi-

fied funding sources but does not cover the basic needs of NGOs. The Lithuanian economy is growing rapidly and possibilities for getting funding from businesses could be better exploited, provided that NGOs improve fundraising capacities and adopt a project approach rather than general funding requests. The number of NGOs presenting financial reports to donors and constituencies increases, but only the rare organization can afford a formal financial audit, which would be very helpful in fundraising with businesses.

NGOs most often work for an impoverished clientele and they cannot generate significant revenues from their clients directly. It is generally recognized that NGOs provide quality products and services and work cost-effectively. Whenever contracting possibilities appear, NGOs successfully compete for contracts, especially through special programs of the central government. However, contracting opportunities are much smaller than needed.

ADVOCACY: 1.8

Civic activism is visible in rural and small-town communities, and the activities of new community-based NGOs have contributed to advocacy on the local government level. Municipal governments have come to view NGOs favorably - they increasingly invite NGOs to give advice and express opinions on different issues. NGOs are becoming more widely represented on municipal councils. Public commissions have been established by the boards of several municipalities, and the newly passed amendments to the law on local governance have envisioned citizens' advisory committees at the level of the smallest local administrative unit – seniunija (borough administration). On the central government level, NGOs are often invited to take part in the work of interministerial groups formed around certain issues such as children's rights.

ADVOCACY

2003	1.8
2002	1.8
2001	2.0
2000	2.0
1999	1.5
1998	2.0

The Law on Lobbying has been passed in Lithuania but does not function in practice. It is complicated and costly to register as a lobbyist; however, other lobbying mechanisms exist that are successfully used by NGOs. For example, the Seimas invites to public hearings all those who have commented on proposed legislation and NGOs increasingly use this opportunity. Large numbers of NGOs have recently participated in discussing the Law on Youth, the Law on Associations and the Law on Gambling.

The number of issue-based coalitions has been growing. The Coalition of National Minorities' NGOs and the Coalition of Educational Organizations have been established. The latter has signed a cooperation agreement with the Ministry of Education. NGOs have formed a broad environmental campaign against oil extraction planned by Russia off the shores of Kursiu Nerija, a protected seashore.

SERVICE PROVISION: 3.8

SERVICE PROVISION

2002	3.8
2001	4.0
2000	3.5
1999	3.5

Diminishing funding from traditional sources forced NGOs to become service providers. Since consolidation of NGO regulations has not yet been completed, many NGOs, especially in the capital and bigger towns, have re-registered as public institutions in order to be able to engage in income-generating activities.

Growing competition for funds stimulated NGOs to diversify their services and orient

themselves towards long-term high-quality products. In fields like the environment, NGOs successfully compete with businesses and with most of the state contracts. The Ministry of Social Security and Labor has also significantly increased procurement from NGOs.

Municipal governments have not sufficiently encouraged service provision by NGOs. NGOs often complain that they are pushed away in municipal competitions for funds, and that municipal contracting lacks transparency.

2003 NGO Sustainability Index

A belief that NGOs should work on a voluntary basis persists. The clients that NGOs serve are used to receiving services free of charge and, as NGOs start asking for service fees, they suspect that

NGOs do not work professionally enough to mobilize resources and are unwilling to pay. Thus turning to paid services has been progressing but is still very difficult for non-profits.

INFRASTRUCTURE: 2.3

Lithuanian NGO resource centers face the same tense financial situation as Lithuanian NGOs in general. Gradually, NGO resource centers turn to paid service provision, but their clientele is still not ready to pay.

INFRASTRUCTURE	
2003	2.3
2002	2.3
2001	2.5
2000	3.0
1999	3.0

Traditional services, such as training, are very much needed by the newly established rural NGOs; however, lack of funds on both sides does not allow this need to be fulfilled. Lack of sustainable funding makes training unsystematic and scattered, and the infrastructure of NGOs becomes weaker.

NGO resource centers maintain their importance as they find new ways to serve their constituencies. They successfully undertake advocacy initiatives and facilitate

cross-sectoral cooperation. (For example, the Klaipeda NGO Information and Support Center has signed contracts with the local municipality and the Philip Morris Company, based in Klaipėda, to provide support for NGOs.)

The process of establishing community foundations is accelerating. Several new community foundations have appeared, and although they distribute small amounts of funds, their importance is increasing.

A special NGO web page, www.labdara-parama.lt, administered by the NGO Information and Support Center in Vilnius, has significantly contributed to information exchange among NGOs. The pool of information available on the Internet is large, but so far NGOs do not make sufficient use of information technologies.

PUBLIC IMAGE: 3.8

Competition for limited funds increased NGO accountability and public outreach efforts. Published NGO activity reports and websites are becoming more common. Regional media coverage of the sector is fairly extensive and most popular talk shows on national and commercial

TV programs frequently present the views of NGO representatives on important political, social, and economic issues. The growing number of NGO alliances with businesses indicates that the public image of NGOs continues to improve. Citizens increasingly turn to NGOs to de-

fend their interests, additional evidence

PUBLIC IMAGE	
2003	3.8
2002	3.8
2001	4.0
2000	3.0
1999	2.5
1998	2.0

that NGOs are becoming a powerful force, willing to take on both government and big business. In such cases, whether in the areas of environment, human rights or social protection, NGOs often work in alliance with the media. NGO communication with lawmakers has also improved, as politicians come to realize the growing expertise of NGOs in legislation.

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Nonetheless, NGOs have not yet mastered public relations techniques well enough. Their project terminology is not always understandable to their constituencies and they are not able to clearly dissociate themselves from ruling political forces (especially on the local level). Rural NGOs still pursue narrow organizational interests and put great effort in competing for the same constituency instead of making alliances and cooperating to better serve their clientele.