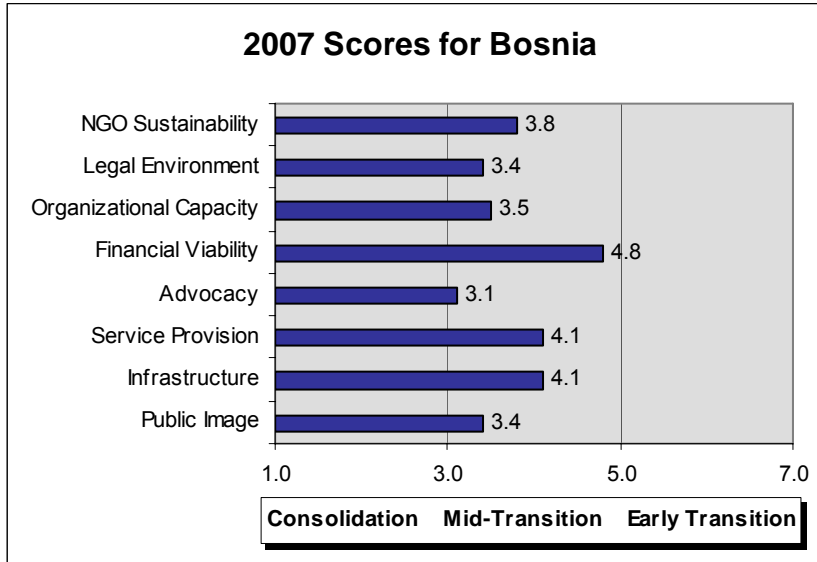


BOSNIA AND HERZEGOVINA



Capital: Sarajevo

Polity:
Federal
Democratic Republic

Population:
4,590,310 (July 2008 est.)

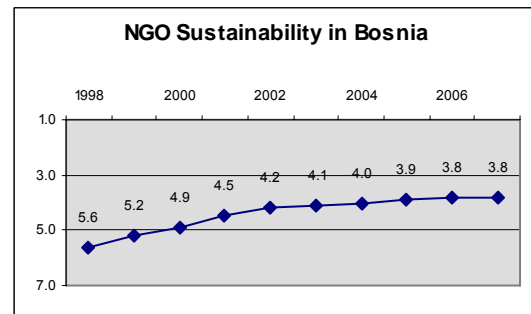
GDP per capita (PPP):
\$6,600 (2007 est.)

NGO SUSTAINABILITY: 3.8

The NGO sector in Bosnia and Herzegovina remained at the same overall level of sustainability over the past year. The perceived stagnation stands in contrast to the 2006 pre-election period when NGO activism and public exposure were at record high levels, and reflects the post-election reduction of activity and coverage. Following the October 2006 elections, inter-party fighting over government positions delayed the formation of both State and Federation governments. During the six months it took to form the State government, NGOs had no official counterparts with whom to interact. Furthermore, the issue that dominated public discussion – police reform – was driven by the international community and civil society was not given the opportunity to discuss or provide input on this issue.

The State government signed an Agreement on Cooperation between the Council of Ministers and the NGO Sector creating significant opportunities to increase citizens' involvement in State-level decision making. Additionally, the Republika Srpska (RS) Government – on its own initiative – approached USAID for assistance in setting up an RS NGO coordination office.

A small number of well-developed, capable and professional domestic NGOs has emerged. These organizations have sound internal structures, transparent operations and professional capacity to sustain operations and undertake social initiatives; however, they rely primarily on foreign donors.

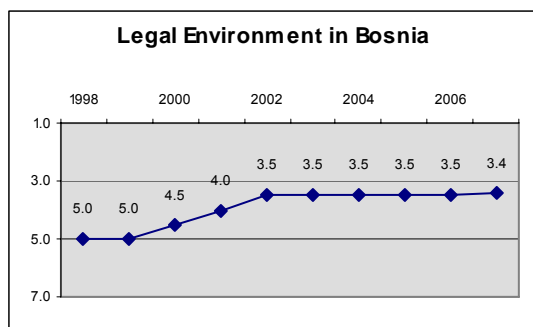


Financial viability remains the biggest concern for long-term NGO sustainability. NGOs continue to rely heavily on the international donor community for support, although the level of international funding declines each year. As a result, the NGO sector is constantly consolidating and decreasing in both size and level of activity. There is some evidence that NGOs have begun to diversify their funding

sources and recognize the potential of local philanthropy, which must be tapped to promote the sector's long-term viability. New legislation on both personal and corporate income taxes comes into effect on January 1, 2008. The effects on philanthropy, which are generally anticipated to be positive, will only become apparent in the future.

LEGAL ENVIRONMENT: 3.4

Little has changed in the legal environment for the NGO sector over the past year. The legal framework for foundations and associations still does not adequately reflect the needs of the BiH NGO sector. For example, the definition of 'public benefit activities' needs to be harmonized with new tax laws and reformulated to provide a broader range of activities with the prescribed tax benefits in order to encourage individual and corporate giving for such activities.



Two new tax laws – the Law on Personal Income Tax and the Law on Company Profit Tax – were recently adopted in each entity, but failed to bring any new benefits to NGOs. The RS Law on Company Profit Tax provides tax exemptions for corporate donations to public institutions, humanitarian, cultural and educational organizations, while the Law on Personal Income Tax provides individuals who are employed independently with deductions for donations to humanitarian, cultural, educational, and sport activities. The FBiH laws provide companies with deductions for donations to humanitarian, cultural, educational and other activities up to 0.5 percent of corporate gross income, and individuals with deductions for donations to cultural, educational, scientific,

Approximately 7,000 local associations, foundations and organizations are registered in BiH. Of those, less than half are active. Only 229 organizations and associations are registered at the state level, with the remainder registered at the entity or local level.

health, humanitarian, sport, and religious NGOs or individuals.

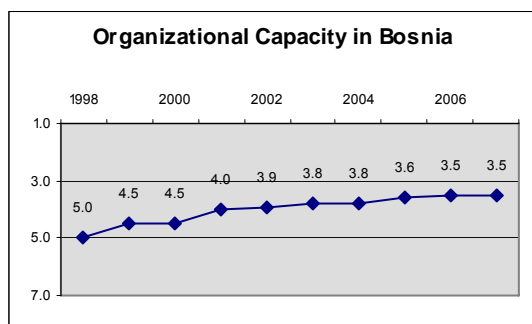
The introduction of a Value Added Tax (VAT) at a flat rate of 17 percent on January 1, 2006 imposed a burden on the NGO sector, effectively increasing the cost of all purchases and services by 17 percent. As the majority of smaller NGOs do not have revenues exceeding BAM 50,000 annually and are therefore not in the VAT system, they are not able to claim a VAT refund. Overall, the introduction of VAT has decreased the percentage of their budgets that NGOs can spend directly on their beneficiaries. In 2007, the NGO Council started an initiative to introduce tax benefits for the work of public benefit organizations using models from other transitional countries in the region. The BiH Parliament has not yet added this issue to its agenda.

NGOs trying to register at the State level still face a gap between what is prescribed by law and how it is implemented. Registration officers who do not implement the law properly are virtually insurmountable obstacles, with state-level registration taking between six months and a year. As a result of these obstacles, of the approximately 7,000 NGOs registered in BiH, only about 200 are registered at the state level.

In April 2007, the newly formed Council of Ministers signed an Agreement on Cooperation with the NGO Sector. Through this agreement, the government opened the door for the creation of government offices to promote better cooperation with civil society, greater and more organized NGO involvement in the formulation of public policies, and more transparent distribution of public funding to local NGOs.

ORGANIZATIONAL CAPACITY: 3.5

Organizations are increasingly committed to their missions and an increasing number of NGOs have developed long-term strategic plans. Donors now closely consult with NGOs to better target their projects and define their priorities through consultative meetings and roundtables. However, NGOs still sometimes adjust their strategies in response to donor plans, particularly now that competition has increased as a result of decreased donor funding. Increased competition has also prompted NGOs to write stronger project proposals, address donors more effectively, and communicate with local, entity and state-level government officials. At the same time, many in the NGO sector now accept that an NGO does not need to continue if it has fulfilled its mission.



All larger and some smaller NGOs can be characterized as “professional organizations” with fully equipped offices, websites, organizational charts, a proper allocation of responsibilities, more diversified funding and greater transparency. Most organizations are relatively well-equipped with computers, faxes, e-mail and Internet access.

FINANCIAL VIABILITY: 4.8

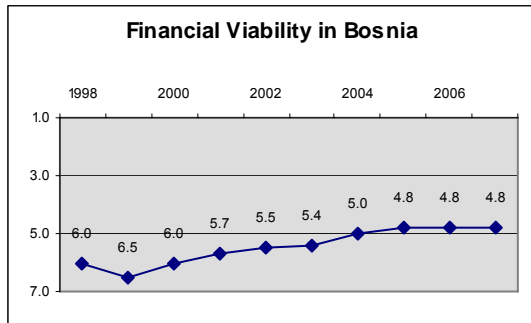
Financial viability remains the weakest dimension of NGO sustainability. The UNDP Donor Coordination Report confirms that international donor funds continued to decline in 2007 following the short-term increase in the previous year for pre-election activism, such as the GROZD campaign. The amount of domestic

Over the past year, the efforts and ability of NGOs to build constituencies and engage the communities and groups that they serve has lagged. During the post-election period, when it took several months to form governments in the Federation of BiH and at the State level, the NGO sector was fully engaged as a government watchdog, pressuring politicians to form a government. In doing so, NGOs focused more on the government than on their own constituencies.

With the decrease in available funding and tighter competition, many NGOs face staffing challenges as experienced personnel are drawn into other sectors that offer more secure employment and better conditions. High taxation and social contributions – including health insurance, unemployment insurance and pension contributions – make it difficult for NGOs to commit to taking on full-time staff. NGOs cope with this by maintaining networks of part-time or short-term contractors who are engaged on a project basis. As a result, many organizations are operated by a small core staff that takes on multiple roles, and remain underdeveloped in areas such as strategic planning, public relations, and effective and transparent management.

Volunteerism is at a very low level in Bosnia compared to the region. NGOs should take active measures to provide information about opportunities for volunteer engagement to reverse this situation. In the Republika Srpska, a working group has formed to work on a Draft Law on Volunteerism, and in the Federation of BiH a Law on Volunteerism has been drafted but has not been introduced into the legislature.

public sector spending going to the NGO sector is estimated at 58 million BAM, or approximately \$44 million, but it is unlikely that the domestic public or private sectors will make up for the decrease in international funds in the near future.



Cooperation between NGOs and municipal governments continues to improve, although municipal funding of NGOs remains modest. Local funding of NGO initiatives often occurs only because of matching funds from donors. In other cases, municipal allocations to NGOs are ad hoc and politically motivated.

Public fundraising is very limited and difficult in practice, but there is increasing awareness among NGOs that it is a necessary and worthwhile effort. Research conducted in 2007 on the philanthropic practices of BiH citizens and businesses by the Center for Policy Studies¹

indicates that citizens and local companies give 40 million BAM (\$30 million) in donations annually, 85 percent of which goes to religious organizations. This reflects the absence of political and civic community engagement, although NGOs are becoming increasingly aware of the general principles of corporate philanthropy.

More organizations realize that their survival depends on improving their fundraising skills and diversifying their funding sources, although they remain heavily reliant on international donor funding. Some NGOs have developed to a point where they will survive further decreases in donor funding, but many others will fail. Most NGOs only search for alternative funding sources when their existing donors pull out or decrease their support.

NGOs largely recognize the importance of transparency and accountability from a fundraising perspective, but few can implement these measures. There is a continued need for training in effective and transparent management.

ADVOCACY: 3.1

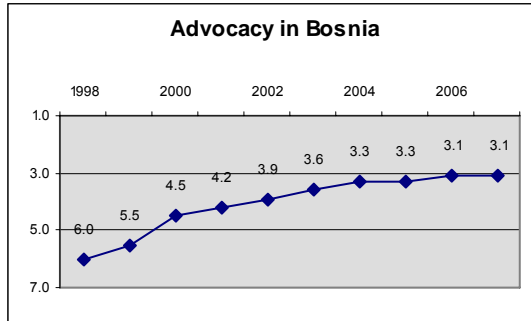
In 2007, NGO advocacy efforts lacked the dramatic and catalyzing focus of the GROZD initiative, which united 200 NGOs and 2,000 volunteers to advocate political parties to adopt the GROZD platform in the lead-up to the 2006 elections. Unfortunately, the activities of GROZD in monitoring and holding political representatives accountable after the elections have not met the high expectations formed in the pre-election period.

Several organizations that were part of GROZD, such as CCI, ALDI, and Transparency International, continued their advocacy and watchdog activities in 2007 on their own, producing analyses and evaluation reports of the work of all levels of government in BiH. These 13 reports were made public and reported on in

the media – there were more than 110 stories about CCI’s semi-annual reports on the work of parliament alone. In addition to highlighting shortcomings of the governments, the reports also offered recommendations for improvement.

Policy analysis organizations and think tanks have continued to develop cooperative relationships with government officials and departments. At the same time, these organizations are starting to specialize in certain policy areas, such as macroeconomics, social policy, or foreign policy. The Association of Policy Analysts was formed to further improve relations with the government, lobby the government to pay for research, and increase coordination among these organizations.

¹ Philanthropy in BiH: Policy Implications for the Government and Non-Government Sectors, Dino Dipa, Emir Dervisevic, CEPOS Center for Policy Studies, June 2007.

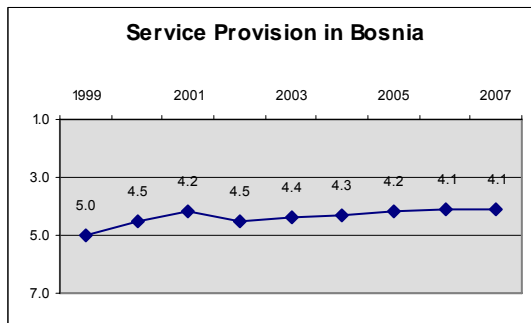


Expertise in advocacy continues to be concentrated within a few leading national organizations, as smaller NGOs lack staff with expertise to conduct effective advocacy. That

said, local NGOs have increasingly approached larger national organizations or actively sought to enter ad hoc or permanent coalitions for assistance in advocating on their focal issues. This positive change in the way that NGOs link efforts is a result of the GROZD initiative's approach to coalition building.

A body of 30 elected NGO representatives from different interest groups formed the NGO Board of BiH. As this Board will represent the interests of the NGO sector to the Council of Minister's NGO Coordination Office, it has the potential to become a significant player in future advocacy initiatives.

SERVICE PROVISION: 4.1



NGOs' ability to provide services has not changed significantly in the past year. Cooperation between the government and NGOs to address social welfare needs continues. Government is slowly recognizing the value of service provision by NGOs, but still does not systematically incorporate them in policy making or issue-based debates. At the municipal level, governments co-fund NGO service provision in some instances, although this is still rare.

Although generally responsive to community needs, service provision continues to be largely defined and funded by foreign donors or identified by NGOs in an unsystematic way in response to calls for proposals. However, donors are increasingly consulting NGOs and involving them in the conceptualization of their programs, which is increasing the focus on community needs.

As reported above, policy think tanks have established or strengthened cooperation with government officials and departments. Departments in the government are also becoming more receptive to consulting with NGOs, recognizing that NGOs can be effective partners. The work of think tanks continues to be predominantly donor-funded and the impetus for government to allocate adequate funds to them is still weak.

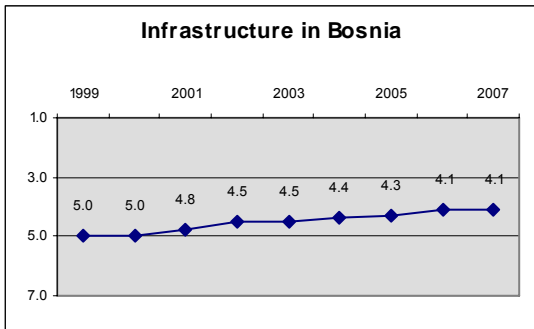
There is an increasing awareness of the need to charge for services and some NGOs have started trying to raise revenue in this way.

INFRASTRUCTURE: 4.1

The most significant development in the infrastructure of the NGO sector over the past year was the signing in May 2007 of the Agreement on Cooperation between the Council of Ministers and the NGO sector, which will significantly increase citizen's involvement in State-level decision making. This agreement was

drafted by the Center for Civil Society Promotion (CCSP), which lobbied for several years for its acceptance. In October 2007, the NGO Board of BiH was formed, which will act as the consultative body representing civil society's interests to the government. The Board

is developing a strategic and action plan and should be fully operational by spring 2008.



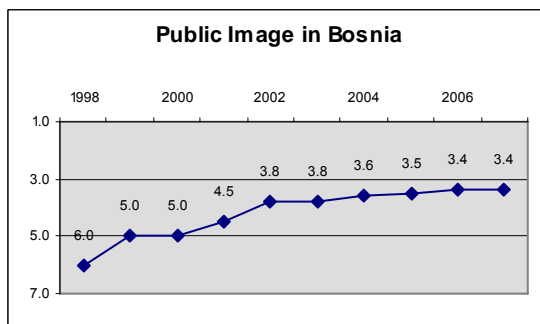
Intermediate support organizations and more developed NGOs continue to include smaller organizations in their joint initiatives. CCSP in Sarajevo remains the only civil society resource center. The Center had an increasing number of visits to its website and inquiries from NGOs

and individuals throughout BiH, indicating the need for an organization to serve as a link between different sectors of society. The lack of NGO resource centers in other major cities continues to hinder the regular and effective exchange of information and opportunities for cooperation. CCSP plans to organize more activities in the field, such as a series of training activities in smaller towns in BiH.

The slow formation of governments at the Federation of BiH and State levels after the 2006 elections delayed further improvements in relationships between the NGO sector and the media, as the media was fully focused on the political negotiations. Relations with the business community remain weak. Businesses still do not recognize NGOs as valuable partners and NGOs still do not involve businesses in their work, except as potential donors.

PUBLIC IMAGE: 3.4

A survey conducted by CCSP in September 2007 assessed the structure, environment, values and influence of civil society in BiH. The survey found that public trust of NGOs is satisfactory. While religious communities are trusted the most, they are followed by the NGO sector.



The period following the October 2006 general elections saw less contact between government and the NGO sector, especially larger advocacy

groups and policy think tanks. In the 2006 pre-election period, the GROZD initiative produced and attracted a great deal of media interest and coverage. At that stage many considered GROZD a “catalyst” for NGOs, and a model for how to develop interesting ways to maintain and succor media interest. Although there was a strong public relations and awareness-raising component to GROZD, the increased publicity did not translate into a markedly improved public image of the NGO sector.

Media regularly invite NGO leaders to comment on NGO activities as well as broader social, economic, and political issues. Some NGOs have developed very effective modes of communication with the media. NGOs must now make it a priority to develop their public relations skills, learn how to use and educate the media, and relay their missions and ideas.