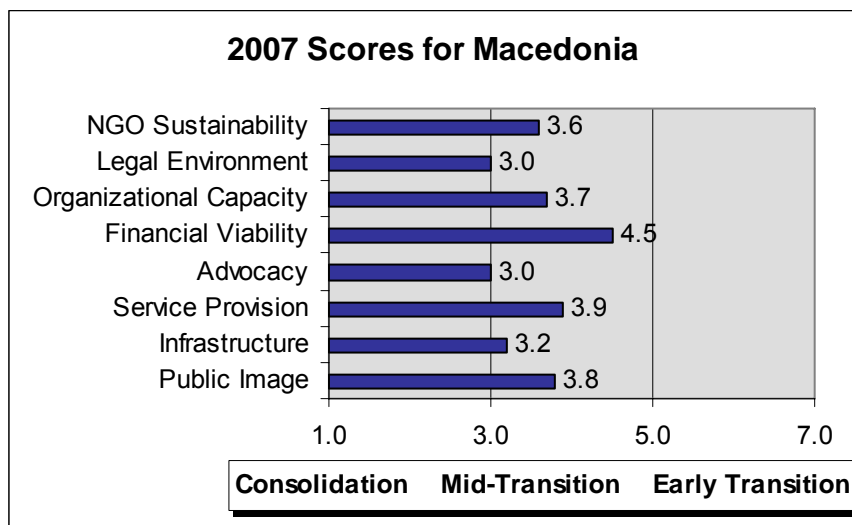


MACEDONIA



Capital: Skopje

Polity:
Parliamentary Democracy

Population:
2,061,315 (July 2008 est.)

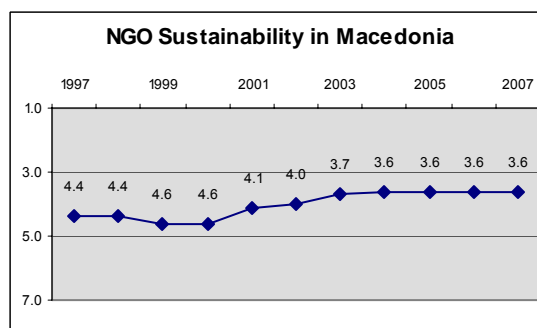
GDP per capita (PPP):
\$8,400 (2007 est.)

NGO SUSTAINABILITY: 3.6

The most significant developments affecting the NGO sector in Macedonia during 2007 were related to the legal environment. Implementation of the Law on Donations and Sponsorships and amendments to the Law on Citizens Associations and Foundations, and the passage of a new Law on Volunteerism, created a more supportive enabling environment for NGOs. Other positive developments during the year included an increase in the frequency and number of NGOs participating in policy initiatives, and progress made in attracting more local support from businesses and individuals.

Major challenges still face the sector. Lack of improvement in public image is particularly damaging as it impacts the ability of NGOs to advocate effectively, create partnerships and raise local funds. According to an annual survey

commissioned by USAID, public confidence in NGOs and their work remains low.



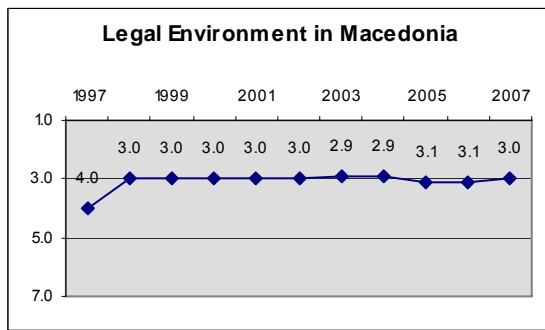
The number of registered NGOs remains at approximately 6,000; however, fewer NGOs – less than five percent – were considered active this year.

LEGAL ENVIRONMENT: 3.0

The slight improvement in the legal environment in 2007 is due to the implementation of various changes in laws that were adopted in 2006, and the passage of the Law on Volunteerism, which has clarified issues surrounding NGOs' use of volunteers.

The amendments passed last year to the Law on Citizens Associations and Foundations included transferring NGO registration from the courts to the Central Register, and shortening the registration period to five days. This has made NGO registration much easier, faster, and less vulnerable to the influence of local judges.

However there are concerns that the short period in which the Register must respond to applications does not allow enough time to properly review the statutes submitted by NGO applicants, leaving the system open to abuse. Also, the transfer of registration files from the courts to the Central Register has not been completed yet. Another provision included in the amendments passed last year allows the Public Prosecutor or any other interested individual to initiate a court procedure to dissolve an NGO unable to fulfill its statutory provisions. NGOs consider this provision to be a potential threat to their autonomy; however, the provision was not used by any party this year.



The Law on Donations and Sponsorships, which went into effect on January 1, 2007, provides both companies and individuals with tax deductions for charitable donations to NGOs classified as public benefit organizations. NGOs, companies and individuals have been enthusiastic about this new law, and it has sparked new communication and partnerships between the sectors. While this is a positive development, the full impact of the law is yet to be seen. The Ministries of Finance and Justice have developed implementing regulations, and the Public Revenue Office created forms for claiming tax deductions that are complex and confusing. Furthermore, public benefit status is not defined in the Law on Citizens Associations and Foundations, so it is unclear if donors will actually be able to deduct donations. The real test will come at the end of fiscal year, when the government processes the tax returns.

In January 2007, the Ministry of Labor and Social Policy began developing a Law on Volunteerism to define “volunteer” and outline the rights and responsibilities of host organizations and volunteers. Two NGOs participated in the working group that drafted the law, and the Ministry was very open to including NGOs in the entire legislative drafting process. A listserv was established to inform NGOs on the results of the working group meetings and to provide them with an opportunity to comment. In the spring, NGOs organized six public discussions about the draft law attended by officials from the Ministry. An informal coalition of NGOs advocated for adoption of the law by participating in parliamentary hearings, contacting members of parliament directly, and working with the media. The law as adopted provides clear guidance to NGOs using volunteer labor, including rules allowing volunteers to be reimbursed for expenses such as transport and per diem without being taxed.

Despite these improvements, major legal framework issues remain to be addressed. Examples include the definition of public benefit status, the right of legal entities and foreigners to establish organizations, and the ability of NGOs to earn income and operate outside of Macedonia. The new government that came into power in 2006 promised to prepare a new Law on Citizens Associations and Foundations by July 2007 that would address these issues. A working group that includes NGO representatives formed in April 2007, but a first draft of the law has yet to be produced. The government expects that the law will be adopted in 2008 as part of a package intended to harmonize Macedonian legislation with the laws of the EU.

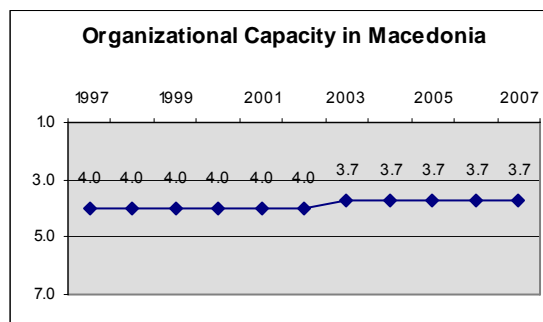
Legal services available to the NGO sector have not expanded or improved this year, despite the fact that NGOs have greater need for legal assistance to take full advantage of the new laws. Legal services available to NGOs outside Skopje are still insufficient.

ORGANIZATIONAL CAPACITY: 3.7

Organizational capacity remains unchanged. Many NGOs still do not recognize the need for ongoing organizational strengthening and do not plan their annual activities and budgets accordingly. With fewer donor-supported capacity building programs and limited funds for local training organizations, NGOs that want to improve their organizational systems and structures have limited options.

As foreign donors continue to withdraw from Macedonia, NGOs are becoming aware of the need to engage their constituents to raise understanding of and support for their work. As a result, this year has seen more NGOs – particularly those working outside of the capital in social services or environmental issues – reach out to stakeholders and community members to increase their involvement in the activities of their organizations.

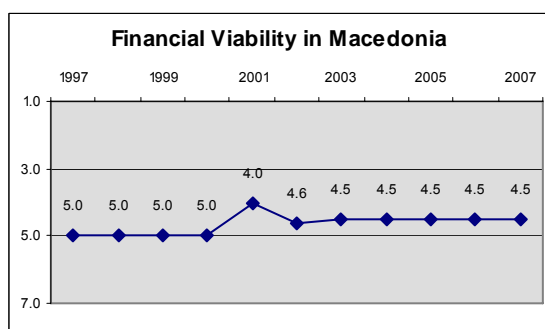
Many NGOs either do not have strategic plans or have strategic plans that are outdated, and pursue projects outside their missions due to funding pressures. A recent survey of OSCE-supported NGOs revealed that less than 10 percent had strategic plans that were being followed. Only a small group of around 30 NGOs update their strategic plans regularly and make concentrated efforts to implement them.



Internal management remains a challenge, and NGOs rarely distinguish clearly between executive and governance functions. With the support of USAID's Civil Society Strengthening Project (CSSP), a few NGOs have taken steps to define these responsibilities, restructure their organizations, and recruit external board members. A small minority of NGOs have permanent professional staff, while most rely on one or two key employees and a host of sporadic volunteers or staff hired for project-specific activities when funding is available. Those organizations with permanent staff still lack a strategic approach to human resources management, including clear policies, contracts with employees, and performance appraisals.

Most NGOs have basic office equipment, but the lack of resources means IT systems and computers are not maintained or replaced as needed.

FINANCIAL VIABILITY: 4.5



While NGOs have made more efforts this year to increase local support, they are faced with a

poor economy and lack of citizens' awareness, so more than 90 percent of NGOs' budgets still come from foreign donors. Information collected

by the Macedonian Center for International Cooperation (MCIC) from Civic Platform members and other larger NGOs indicates that organizational budgets have decreased by 20 percent over the past few years.

EU funding has not materialized yet for Macedonian civil society. EU pre-accession funds were not transferred to the Government of Macedonia in 2007 as the necessary administrative and oversight bodies and policies to manage the funds had not yet been established. While CARDS 2006 funding is still being used to support civil society, the pre-accession funds expected in 2008 will include

very little for NGOs as civil society was not listed as a priority by the Government.

Many NGOs reached out to citizens and businesses this year to garner local support. The Law on Donations and Sponsorships has sparked interest among businesses and wealthy individuals in providing support to NGOs. The First Children's Embassy in the World "Megjashi" received the first donation to a public benefit organization from Genel, the distributor for Canon products in Macedonia. For each Canon product sold, Megjashi will receive one Euro for its activities. The Center for Institutional Development (CIRa) helped the Macedonian company INet prepare the necessary documents for tax deductions for its contributions, and presented the advantages of the law to members of the UN Global Compact in Macedonia.

A few NGOs including Planetum and MOST have a core group of volunteers. The development of the Law on Volunteerism has encouraged the Federation of Farmers of the Republic of Macedonia and the Macedonian Civic Education Center, among other NGOs, to recruit long-term professional volunteers.

Many NGOs now understand the importance of diversifying their funding sources and are willing to work towards greater diversification. Nonetheless, the economic situation, public attitudes, and lack of mechanisms limit their options. Many NGOs include overhead or indirect costs as part of the fees they charge when their staff are contracted to perform various services. Perhaps more controversially, NGOs also have a practice of reserving a portion of contract fees and/or project salaries to ensure liquidity when funding runs low, usually without transparency to donors and the public.

Government funding for NGOs from both local and central governments remains low and is

ADVOCACY: 3.0

A number of successful advocacy campaigns in 2007 resulted in the adoption of new laws and strategies at both the central and local levels, including the new Law on Volunteerism,

available only for limited types of projects. Reforms to the Law on Games of Chance and Entertainment provide for two percent of lottery proceeds to be distributed to NGOs to combat domestic violence; however, there are no policies yet on how these funds will be distributed.

CIRa is promoting local philanthropy by educating and motivating both potential donors and NGOs. Challenge grants awarded by CIRa to NGOs are encouraging new fundraising techniques, but these are not yet widespread, and local resource mobilization has not reached critical mass.

It is still not possible for NGOs to earn income legally under the current Law on Citizens Associations and Foundations. Nevertheless, many NGOs engage in income generation on a small scale. More NGOs are requiring membership fees of their members. Both the central and local governments are interested in contracting NGOs for services but lack funds and transparent mechanisms to do so.

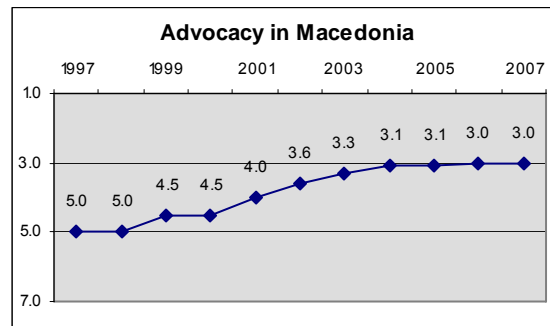
Most NGOs have basic financial management systems and rely on external accountants, but room remains for improvement. The CSSP helped a small group of more developed organizations to prepare organizational budgets and accounting systems to track multiple funding sources. Only a handful of NGOs have systems to calculate and charge indirect costs. While most NGOs have basic annual audits, few publish annual financial reports unless they have donor funding for this. Seven NGO members of the Civic Platform published their annual reports in the main daily newspapers in Macedonian and Albanian languages with their own funding as part of the activity "Together for Transparency."

reforms to the Law on Consumer Protection, the National Strategy for Cooperation between Government and Civil Society, and the Strategy of the City of Skopje for Cooperation with the

NGO Sector. NGOs have been involved in many of these efforts, but with only a slight increase in influence over the processes or results. NGOs feel that their presence is sought merely to fulfill EU requirements to include citizens rather than in recognition of NGO expertise. While still relatively small, the number and range of NGOs invited by the government to participate in these processes increased slightly this year.

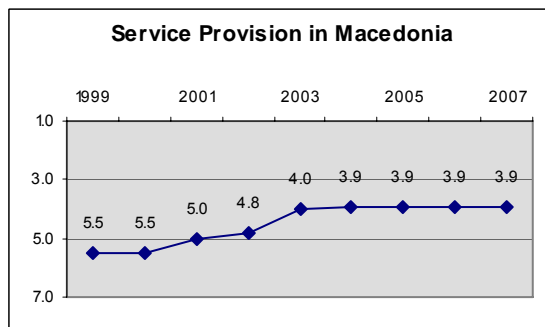
The National Strategy for Cooperation between Government and Civil Society outlines mechanisms and guidelines for government cooperation with NGOs in policy making, but these are often not followed. Poor implementation of the Law on Free Access to Information hinders the ability of NGOs to gather data needed to form policy recommendations. Nevertheless, NGOs have cooperated more often and more substantially with both central and local governments this year. NGOs have taken greater advantage of the Office for Contact between NGOs and the Parliament run by MOST, using the office to lobby MPs for adoption or revisions of draft laws. The Office helped civil society representatives attend parliamentary committee sessions related to the Law on Volunteerism and deviant student behavior, as well as to lobby

MPs regarding amendments to the Law on Citizens Associations and Foundations at the beginning of 2007.



The five-year national strategies for HIV/AIDS and Prevention of Drug Abuse adopted by the Government were prepared primarily by NGOs from these fields. An informal coalition successfully helped draft and advocate for the Law on Volunteerism. The same NGOs have now been invited by the Ministry of Labor and Social Policy to help write the national Volunteerism Strategy. Think tanks increased their credibility this year and many of their recommendations on policy reforms, such as the Law on Higher Education proposed by the Center for Research and Policy Making, were accepted by the government.

SERVICE PROVISION: 3.9



NGOs continue to provide a range of services to citizens, including SOS lines, counseling and shelters for victims of violence, and health services in the areas of HIV/AIDS prevention and treatment, harm reduction programs, and prevention of cancer. Still, some services are not based on the needs of citizens. No significant new services were developed this year, with the exception of think tanks offering broader

research and analytical services to the private sector and government.

The Ministry of Labor and Social Policy awarded contracts to two Roma NGO networks to run Roma Support Centers in eight locations around the country. In other cases, the government recognizes the value of, and would like to contract for, NGO services, but lacks the funding to do so. Examples include legal aid centers for victims of domestic violence run by ESE and the SOS line and shelter for victims of human trafficking currently supported by foreign donors.

NGOs typically provide services free-of-charge using support from foreign donors. However, NGOs are increasingly experimenting with charging fees for services. Examples include a monthly magazine published by the Federation

of Farmers of the Republic of Macedonia offered on newsstands, and the Youth Cultural Center-Bitola renting sound and audio equipment. NGOs still lack the capacity to develop business plans, analyze market

opportunities and set price structures, and the Law on Citizens Associations and Foundations still does not legally allow NGOs to earn income.

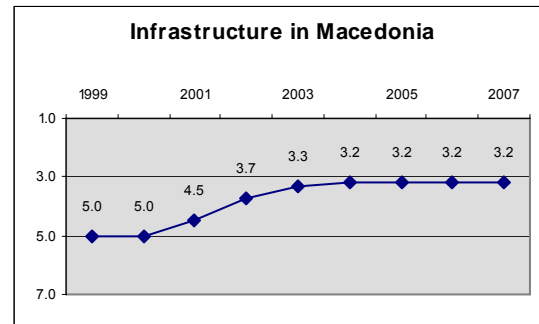
INFRASTRUCTURE: 3.2

The network of ISOs and resources centers in Macedonia continues to provide adequate services to NGOs despite decreases in the foreign funding on which most depend. The twelve NGO resource centers previously supported by the European Agency for Reconstruction (EAR), the Swiss Development Agency (SDC) and the Foundation Open Society Institute Macedonia (FOSIM) successfully transitioned into local independent entities this year. All continue to provide at least minimal services to NGOs in their regions, and only a few charge fees. FOSIM, MCIC, and CIRa all provide training, technical assistance and re-granting services.

Local grantmaking, while still weak, has been strengthened this year with four NGOs under USAID's CSSP offering small grants and training to local organizations in regions around the country. The Local Community Development Foundation in Stip is in the process of developing into a community foundation and has recruited a new governing board; it has yet to redistribute any funds in the community.

While the overall number of active NGOs is decreasing, NGO information sharing and coalition building is increasing. New NGO coalitions have formed and other coalitions such as "All for Fair Trials" have restructured to become more effective. An informal NGO coalition was formed around the Law on Volunteerism. In July 2007, nine organizations established the Think Tank Network-Macedonia

to provide domestic expertise to the government, business sector, foreign organizations, and donors, as well as create public policies and raise public awareness on certain issues. The Civic Platform of Macedonia has a program to strengthen the role of civil society and its 36 members in particular.



A well-established network of NGO management trainers provides basic training. More advanced training is available in strategic planning, public relations and fundraising, but the quality is inconsistent and the availability of such services depends primarily on foreign support. MCIC is developing a new advanced training course on NGO governance and board development to be offered later this year. CIRa is developing a volunteer management training that will also be available later this year. Training and materials are available in local languages.

Awareness regarding the benefits of inter-sectoral partnerships has increased this year. Partnerships between NGOs and businesses have increased due in part to the Law on Donations and Sponsorships. Central and local governments have also shown an increased interest in partnerships with NGOs as illustrated by ESE's work with the Ministry of Labor and Social Policy on the National Program for Combating Domestic Violence; the Consumers Organization's work with eight local

governments to establish Councils for Consumer Protection; and the Community Forums program implemented by CIRa and FOSIM, which supports NGO-municipal partnerships to address community priorities and needs.

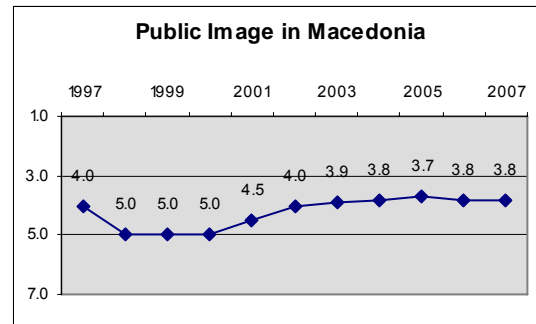
PUBLIC IMAGE: 3.8

The public image of the sector remained largely unchanged in 2007. Although some media outlets continued to look for and report on sensational and scandalous stories about NGOs, the overall media coverage of the sector was positive. NGOs provided expert commentary in both national broadcast and print media, and research by think tanks was regularly covered.

Media accurately and thoroughly covered a number of NGO advocacy initiatives. The coverage was a factor in the passage of new laws for Volunteerism and Prevention of Drug Abuse. Under USAID's CSSP, the Macedonian Institute for Media (MIM) produced 24 bi-weekly radio and television shows called "Our Circle" covering civil society issues and topics; these had the second highest rating for its time slots. MIM also organized the first annual Civil Society Media Award to recognize the media outlet with the best coverage of civil society – A1 Television won. This non-monetary award seemed to motivate more positive NGO coverage among all media outlets. According to media monitoring conducted by CSSP, SMMRI and NGO Info Center, while the total number of media pieces on civil society remained the same in 2007, there was a shift from coverage in print media to television, and from subjective scandalous coverage to objective fact-based reporting that presented NGOs as experts or contributing to the community.

As a result of public relations training conducted by MIM, a number of NGOs appointed specific staff to develop ongoing professional relationships with the media. The results can be seen in the more savvy press conferences organized by NGOs this year. The NGO Info Center also continues to support NGOs by

providing free space for press conferences, public relations training and consulting. However, the majority of NGOs still do not take a proactive approach to working with the media and improving their public images.



As a result of these efforts, there is a feeling among NGOs that business and government officials have slowly started to change their perceptions of NGOs. However, research shows that public perception of NGOs remains poor. The annual survey commissioned by USAID in 2007 showed that 42.7 percent of the population trusts NGOs, down 2.6 percent since 2006; similarly, 41.3 percent are of the opinion that NGOs are effective in solving the country's problems, down 0.6 percent since 2006. While these decreases are relatively minor, NGOs feel that the public's opinion of them has worsened.

The Annual Plan of the Civic Platform of Macedonia for this year included development of the first Code of Ethics for its 36 NGO members; however, the Code still has not been developed. There was an increase this year in the number of NGOs publishing their annual reports, which includes all of the Civic Platform members supported by EAR.