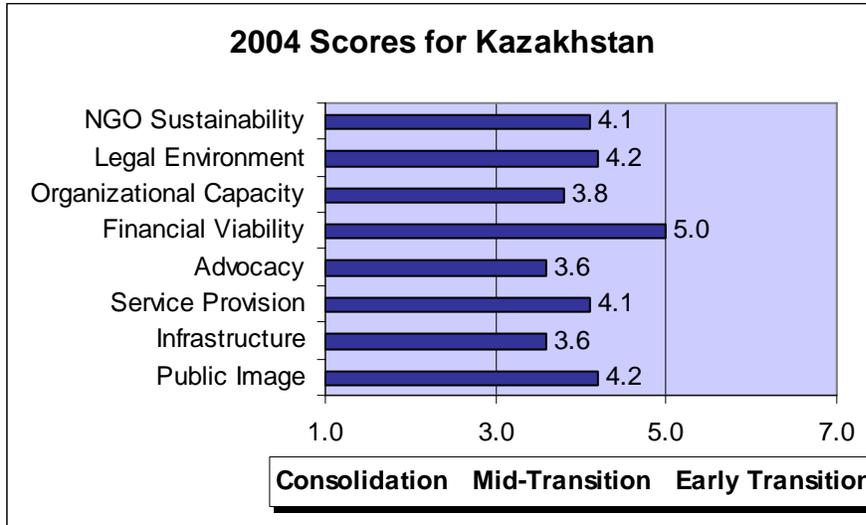


KAZAKHSTAN



Capital: Almaty

Polity: Republic-authoritarian presidential rule

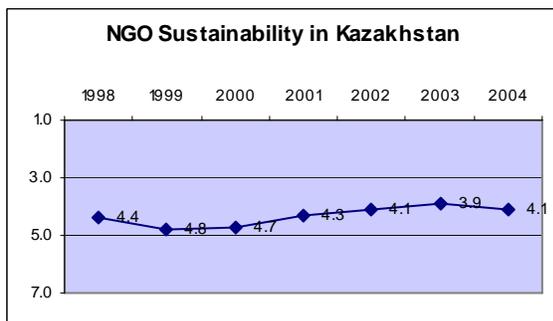
Population: 15,100,000

GDP per capita (PPP): \$6,300

NGO SUSTAINABILITY: 4.0

During 2004, the overall sustainability of the NGO sector declined slightly. Only a small portion of the 4,000 to 8,000 officially registered nonprofit organizations are active, and of those active organizations, the majority is inactive, casual, or quasi-governmental. The number of registered organizations is inflated in part by groups registering so they can access a special government fund for NGOs. Quasi-governmental organizations that compete with politically active and independent NGOs inflate the number of registered organizations even more.

The NGO sector continued to develop its advocacy skills over the past year, lobbying successfully against several pieces of environmental and media legislation. However, the government was at times successful in limiting advocacy efforts, and prevented significant input on matters such as the new legislation on invalids. The legal environment improved, with a new “one-window” registration procedure for legal entities, although the NGO community is concerned that the process allows for corruption and fosters disagreements between government officials. However, new tax provisions that limit exemptions and incentives may well compromise the NGO sector’s financial stability.



The Constitution does not permit the government to fund public associations, and though some agencies have started offering contracts to local organizations, the bidding process does not seem to be open or transparent. The government is still considering a new Law on Social

Contracting, which has received much criticism from the NGO community and expert organizations. The government continues to minimize the impact that international donors have on civil society, so that they may exercise greater control. Some NGOs report that local government officials have discouraged them from accepting international assistance.

Though NGOs are dependent on foreign donors, Kazakhstan's recent economic growth has caused many foreign donors to reduce their funding or withdraw it

completely. Advocacy, human rights, and political groups will be particularly hard-hit by these funding reductions, because the government and business community have not provided any significant support. There are exceptions; for example, the Kazkommertzbank, one of the largest banks in Kazakhstan, established a \$1 million fund in which NGO representatives participate on the grant committee. Otherwise, the entire NGO community is dependent on international donors.

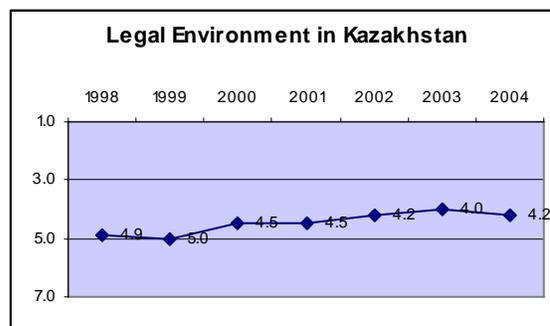
LEGAL ENVIRONMENT: 4.2

The government has not made further attempts to pass restrictive NGO laws this year. However, amendments to the tax code removed two important exemptions. NGOs are no longer exempt from paying tax on income earned from engaging in economic activities. Instead, if they derive 50% or more of their revenue from such activity, they may deduct only 50% of expenses associated with it. NGOs are also no longer exempt on passive income earned from loan securities, bonds, and so on, though deposits are still fully exempt. These amendments have not yet had a widespread effect, and the NGO sector is lobbying the government to find alternatives, such as requiring NGOs to set up separate corporations to conduct economic activities.

The Parliament is now considering a Law on Fighting Extremism, which may adversely affect NGOs. One provision in the draft law increases the penalties against NGOs and their leadership for repeatedly conducting activities outside those stated in their charters. In addition, if an NGO organizes a demonstration that becomes disorderly, the organizers may be held responsible. These

amendments will have no effect on public foundations or associations of legal entities, but may nonetheless affect public associations, which account for 40% of all organizations in Kazakhstan.

The "one-window" registration system was introduced to simplify registration procedures for legal entities, though many believe it only increased corruption, and fueled a power struggle between the Ministry of Justice and Tax Police about who controls the system. The registration fee is still thought to be too high considering the economic resources available to NGOs.



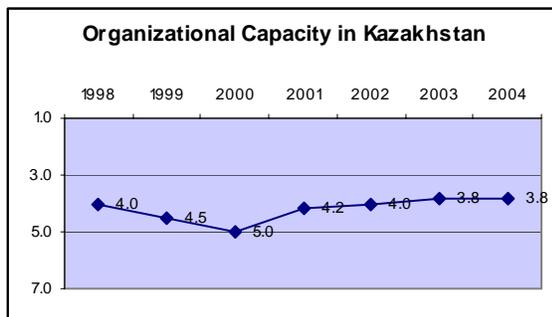
The government is preparing a Law on Social Contracting, which, if passed, will

permit NGOs to compete for social service contracts, ending the constitutional ban on such support for NGOs. Many in the NGO community have criticized the law for its potential negative effects. Criticisms include that the laws regulating the budget process have not been amended to reflect provisions of the new law, and executive authorities still have too much discretion to decide in decisions about distribution of funding. The NGO community has also pointed out that it is not clear under the draft law how funds from procurement contracts will be taxed.

The government continues its efforts to control NGO activities. Organizations involved in political activities or advocacy efforts are often visited by the National Security Committee (former KGB). The government also continues to harass organizations with numerous tax inspections and administrative requirements.

USAID has staffed the Civil Society Support Centers to provide free legal assistance for local organizations.

ORGANIZATIONAL CAPACITY: 3.8



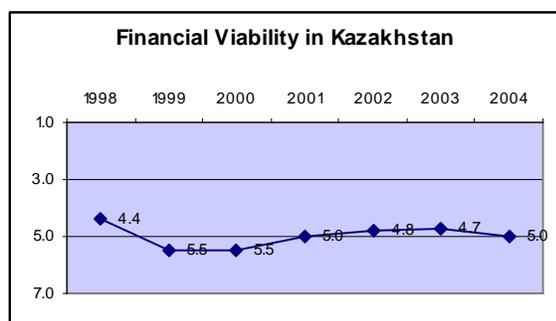
A small group of NGOs has clearly defined missions and strong organizational capacities. However, government rural and community development programs have supported the growth of those NGOs involved with social issues such as health and water, and other small grassroots organizations that are more “casual” and have limited organizational capacity. Thus, while the number of NGOs has increased, the NGO sector’s overall organizational capacity has decreased. The government and foreign donors have not responded with systematic approaches to institutional development; institution building grants are rare and becoming rarer. Internationally funded programs are reducing their presence

in Kazakhstan. As mentioned, higher oil prices and nation-wide economic growth has not led to greater funding for the NGO community or investments in NGO capacity building.

The NGO sector’s organizational development is stagnant in other areas as well. Overall, NGOs have not improved their development of Boards of Directors, due in part to the lack of adequate legal provisions requiring a Board of Directors or addressing conflicts of interest. Most NGOs are still organized around one strong leader, and at most will create an advisory council. Most organizations are only able to employ a few full-time paid personnel, and though volunteerism exists, most volunteers generally work project to project and do not develop long-term relationships with an organization. Many volunteers are students looking to gain work experience and take advantage of computer and internet access when possible. Most NGOs, especially those with outdated equipment, still do not have access to adequate technology and the internet.

FINANCIAL VIABILITY: 5.0

Despite the establishment of a new government fund for NGO activities, most organizations remain heavily dependent on international donors. Local governments are offering more contracts, but bidding generally lacks transparency and is open only to those organizations affiliated with the Kazakhstan Government. Advocacy groups and politically active organizations are unlikely to receive government funding anytime in the near future. As international funding decreases and donor programs close, the financial viability of the entire sector, especially local organizations, becomes less stable.



The business sector's increase in philanthropic giving is thought to be a result of a presidential order to support social projects, rather than tax incentives or a sense of greater social responsibility. Similarly, businesses, which generally do not understand the NGO sector, see philanthropic giving more as a public relations opportunity than a benefit to society.

In a recent example of corporate philanthropy, the Kazkommerzbank created a \$1 million fund to support activities of individuals and arts collectives. A number of NGOs are involved in the grant committee, and are now lobbying to include NGOs as potential beneficiaries of the next round of grants. On a smaller scale, other philanthropic activities include farmers and local businesses making in-kind donations to community organizations, and philanthropic clubs in the industrial north that provide financial assistance to NGOs. However, NGOs do little to inform the business community about their activities, or create reporting and other transparency measures that might foster strong relationships and ensure future support.

NGOs have yet to take advantage of all the financing opportunities available to them. Some organizations charge membership fees, but these contribute little to their sustainability. A few organizations engage in economic activities, but these are primarily organizations that still enjoy exemption from tax on the income from such activities, such as the Invalid Union.

Some of the better known organizations tried to improve their financial stability by collaborating with political parties. This was especially true during the recent 2004 Parliamentary elections. Organizations like the Business Women Association and Consumer Rights Protection League had their leaders co-opted by pro-government political parties.

ADVOCACY: 3.6

Advocacy organizations continue to be active on many issues, though there were no nation-wide coalitions like the one that defeated a restrictive draft NGO law in October 2003. One campaign led by environmental advocacy groups introduced a ten-year ban on deforestation, and successfully lobbied against the Law on Ecological Information, which contained many negative provisions. One coalition that had lobbied for years against the Law on Importation of Nuclear Waste was finally successful in getting it repealed. Despite these victories, the advocacy movement still primarily reacts to bad legislation, and is unable to conduct proactive or preventative campaigns.



Local donors generally do not fund politically and socially active advocacy groups, favoring less controversial activities such as street cleaning. Without support from local donors, advocacy groups have become especially dependent on

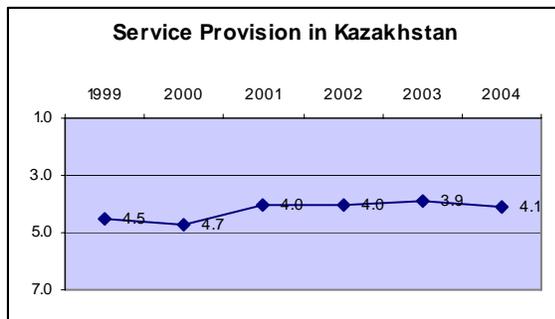
international support. As international support decreases, it is increasingly difficult for advocacy groups to form strong coalitions and take on national issues. This comes at the unfortunate time when the government is applying more pressure and putting up greater resistance to advocacy efforts, making strong coalitions even more important. One recent example is a coalition of disabled person's advocacy groups that proposed amendments to the new Law on Invalids, but whose comments were ignored by the government. Efforts at the local level are even more difficult, as advocacy groups lack the leadership, experience, and strength to push for reforms at the local level. Human rights organizations have developed little and have difficulty acting as successful advocates.

Relationships with the local governments vary from governor to governor, ranging from cooperative to obstructive. In many cases, NGOs that receive support from international donors have a difficult relationship with the local government. Many government bodies have been creating quasi-NGOs to support government positions and programs, and to counter NGO advocacy groups. The government has also been trying to pry into the internal affairs of many advocacy groups by sending law enforcement agents to investigate them.

SERVICE PROVISION: 4.1

NGOs continue to provide a wide range of services in areas such as health, education, humanitarian relief, housing, etc. Most service providers however, are not familiar with marketing, and build programs around their donor's needs rather than the needs of

their constituencies? NGO leaders have access to analytical reports, but few have the resources or experience to conduct any serious research or needs assessments that would improve their services.



Though many NGOs and donors believe that there was a decrease in services provided this year, due in part to less beneficial tax incentives for NGOs, the NGO community still provided many valuable services. One example is an NGO that received donor

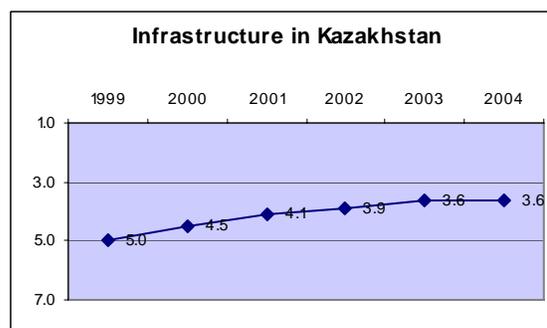
support, government funding, and in-kind donations to provide rehabilitative services for disabled children. Other examples include organizations, generally health providers such as HOSPIS in Pavlodar, which receive payment for their services. The government generally appreciates and respects NGO service providers and has even established the National Grant Fund to provide funding for social service. The funds are not distributed in a transparent manner, however, and are only sufficient to support a few organizations.

INFRASTRUCTURE: 3.6

The NGO Infrastructure dimension included one primary improvement over the past year. With the support of USAID, the Association of Civil Society Support Centers was developed and officially registered. The Association Centers provide technical and legal assistance, offer internet services, facilitate information sharing, and serve as catalysts and resource centers for nation-wide advocacy campaigns, such as the movements against the 2003 draft NGO law and the law on social contracting. The Association also established partnerships with civil society organizations, the business community, and government officials throughout the Central Asia region.

Several coalitions and networks, like the Coalition of Environmental NGOs, Network for Anti-Nuclear Campaign, and Coalition against Deforestation, have addressed various social issues. Following Presidential orders, the government has officially expressed interest in partnering with NGOs, though few government officials take the NGO sector seriously. In instances when

NGOs do work with government agencies, it is often more as subordinates than as actual partners, and in many cases, local governments insist that NGO report to them.



NGOs have the benefit of a network of professional trainers, with training available in both Russian and Kazakh language, though the quality of training available in Russian language is better than that available in Kazakh. Some of the courses offered are directed to the business community and are intended to increase professional business skills. Although they are still uncommon, organizations such as the Association of NGOs in Kustanai serve

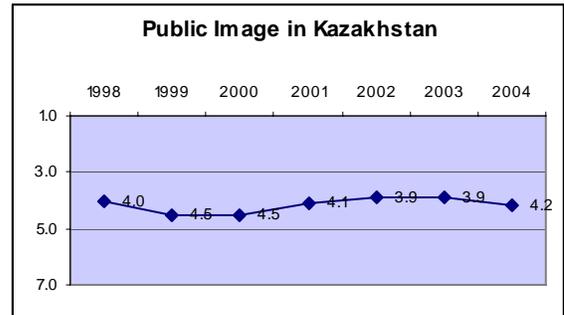
as intermediary organizations and distribute funds received from the business

community.

PUBLIC IMAGE: 4.2

Some NGO leaders argue that the entire NGO sector lost an opportunity to improve its public image following the Civic Forum in October 2003. While there has been some good media coverage of the social service NGOs in the past year, there has also been negative media coverage concerning both domestic and international organizations. Some link the media coverage to the September 2004 Parliamentary elections, arguing that it was an attempt to discredit NGOs engaged in the various campaigns. It is still common that the media covers only NGO activities that are supported by or not a threat to the government. Any advocacy and lobbying efforts, particularly those funded by international organizations, received negative media coverage, especially in the wake of the Rose Revolution in Georgia. These kinds of attempts to target internationally funded NGOs are few, but occur on a selective basis.

Political parties, both ruling and opposition, have realized the importance of allying with NGOs, and have attempted to co-opt them. Several leaders of prominent NGOs have joined political parties and are no longer viewed as independent by the public.



The public remains fairly unaware of the NGO sector. According to a USAID-funded public opinion poll taken in October 2004, 31% of the population was aware of NGOs, and only 2.1% of those surveyed said they were members of NGOs. During a meeting with fourth-year law students, not one could name a single non-profit organization. The public continues to view NGOs as groups created to receive grants and not pay taxes. Many NGOs admit that they are responsible for the lack of public awareness and negative attitudes because they do little to change them. Grassroots organizations and community-based groups have begun to address this problem by increasing their visibility at the local level and among their constituents.