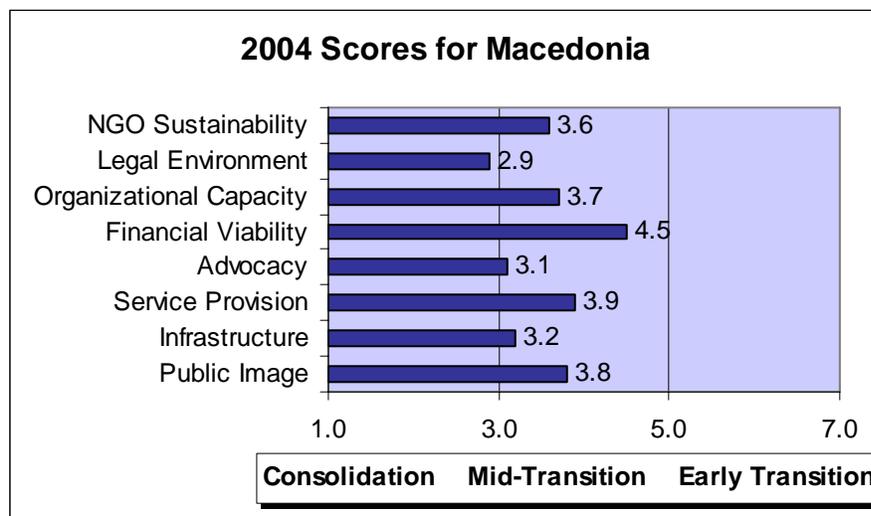
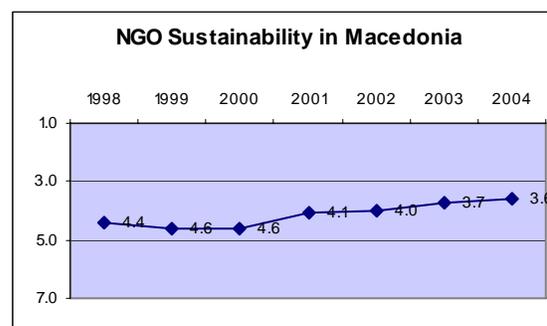

MACEDONIA

**Capital:** Skopje**Polity:** Parliamentary democracy**Population:**
2,100,000**GDP per capita (PPP):** \$6,700**NGO SUSTAINABILITY: 3.6**

Of the 5,500 NGOs registered in Macedonia, approximately 5% are thought to be active. Despite the continuing economic difficulties and political turmoil of the past year, civil society expanded its influence and assumed a more confident role in Macedonian society. The NGO sector is increasingly making positive contributions to the development of democracy and civil society, and shaping the public agenda and legislative process. Over the past year, civil society has improved significantly in the areas of organizational capacity, advocacy, service provision, and infrastructure, while financial viability remains the biggest challenge.

This year, efforts to improve the overall NGO legal and fiscal environment continued. Draft laws to address the legislative obstacles to NGO development were prepared, and although adoption of these laws has been delayed due to other government legislative priorities, the

reforms are expected to move forward in early 2005.



NGOs have also expanded their constituencies and increased their memberships. Over thirty NGOs have undergone strategic planning and a few organizations now have strong governance and well developed Boards of Directors. While only a few NGOs have advanced organizational capacity, they serve as models for other organizations. The majority of NGOs still rely predominately on volunteers for staffing, as only a few

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organizations have a full-time, professional staff.

The economic situation continues to make it difficult for NGOs to increase the small amount of local support they receive. Poverty, high unemployment, and the lack of public awareness and tax incentives are all barriers to NGOs achieving financial sustainability. Research data from the Institute for Sustainable Communities (ISC) reports that up to 75% of all NGO income is provided by international donors.

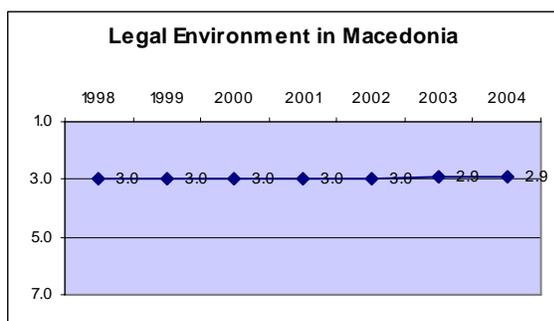
NGOs have led a number of successful policy advocacy initiatives. The NGO community has also made significant advances in building networks and

coalitions. One example is the Citizen Platform, which is a coalition of 35 of the most active organizations and foundations in Macedonia. The coalition is working to develop a strategy for advancing the sector and addressing sector-wide obstacles. New resource centers and intermediary support organizations have also been established within the past year.

An annual survey commissioned by USAID reports that 48.7% of the population trusts NGOs, and 48% feel that NGOs are effective in solving the country's problems, placing them ahead of the parliament, the executive, and other institutions.

LEGAL ENVIRONMENT: 2.9

Over the past year, amendments to the Law on Citizen Associations and Foundations were drafted by a commission made up of representatives from three ministries, NGOs, and independent experts. The changes introduced include the concept of "Public Benefit Organizations" and the ability for legal entities and foreign citizens to establish associations or foundations in Macedonia. Three NGO networks promoted public discussion on the amendments, eliciting comments from the broader NGO community about the proposed amendments.



The registration process is still easy and routine, without major difficulties, although insufficient judicial training on NGO registration remains a problem. The number of lawyers trained to provide NGO-related services has increased, although in many towns outside of the capital, lawyers are only able to assist with registration, forcing organizations to go to the capital for more complex issues. Few NGO legal services are available in local languages other than Macedonian.

Macedonia's tax code has the fewest incentives for charitable donations from individuals or corporations of any other country in the region. The Ministry of Finance, with technical support from ICNL, has incorporated new tax exemptions and incentives for corporate philanthropy into the draft law on Corporate Profit Tax. The law is pending with the government. In addition, the government has created a working group to consider the introduction of a one-percent payroll tax deduction in Macedonia.

The number of NGOs earning an income by providing goods and services has increased over the past year, even though the current law requires NGOs to create separate limited liability corporations, which are taxed like for-profit businesses. Pending amendments to the Law on Citizen Associations and Foundations will soon remedy the situation by providing tax benefits and allowing

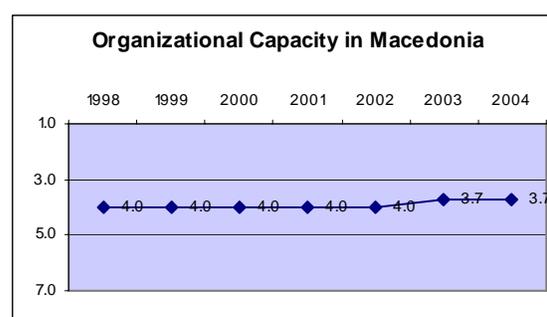
organizations to conduct economic activities without creating separate organizations. Though important legislative initiatives to improve the legal environment were ready to be adopted this year, priority was given to a package of laws necessary for the continued implementation of the Framework Agreement. These amendments are expected to be considered in 2005.

ORGANIZATIONAL CAPACITY: 3.7

Improvements in the Organizational Capacity dimension this year include successful efforts by NGOs to expand their constituencies and increase their membership. NGOs have implemented numerous campaigns to address important issues and needs. Twelve NGO Support Centers around the country now serve as hubs for organization and coordination, not just for NGOs but citizens as well. NGOs have attracted widespread public support for their initiatives; in one example, NGOs organized a campaign to protest the Telecom's increased service rates. NGOs and local governments are cooperating to address local issues, and in Kratovo, NGOs are working together with the local government to promote their tourist industry.

USAID's Democracy Network Program, the Open Society Institute's NGO Support Centers, and the Macedonian Center for International Cooperation (MCIC) have all offered practical seminars and technical assistance, which has resulted in thirty to forty NGOs engaging in strategic planning over the past year. While the number of NGOs participating in strategic planning continues to grow, the numbers of organizations that actually develop and follow through with their strategies are few.

NGOs in Macedonia still have problems with internal organizational management. The majority of NGOs are grassroots organizations that do not have well defined structures or divisions of responsibilities. The concept of a Board of Directors is new for many organizations and not applied with any frequency, with many NGOs questioning how a Board will make them more effective. Some of the stronger, well-developed NGOs do have functional Boards, even though the registration process only requires that an NGO have an Assembly. An increased number of NGOs have developed policies and procedures for internal operations, but these are only applied sporadically.



As mentioned, the majority of NGOs still rely predominately on a volunteer staff, with only a few organizations employing full-time professionals. NGOs have improved their volunteer recruitment significantly over the past year, although legal barriers to

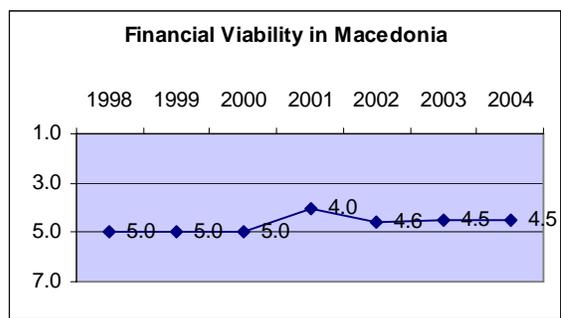
volunteerism remain. The majority of NGOs have the basic technical resources to run a modern professional office, and the NGO sector in general is better equipped

than some public institutions or local government offices. A recent study reports that while only 4% of citizens have internet access, 6% of NGOs have regular access.

FINANCIAL VIABILITY: 4.5

The economic situation in Macedonia prevents NGOs from increasing the small amount of local support they receive. Poverty, high rates of unemployment, and lack of public awareness all stand in the way of organizations generating financial or in-kind support from their constituencies and local communities. The business sector remains generally unaware of civil society, and while corporate philanthropy has increased this year, the source is primarily foreign and joint-venture companies, not domestic corporations. The current law does not provide incentives for businesses to support NGOs, although reforms to the Law on Corporate Profit Tax have been drafted and are before the Parliament. Despite the lack of tax incentives, several NGOs, primarily those working with physically disabled citizens, are practicing social entrepreneurship.

NGOs have not been able to diversify their funding and still rely primarily on international grant programs for their funding. Recent data from the Civil Society Index of Civicus (CSI), implemented in Macedonia by MCIC, shows that between 75% and 90% of NGO income is from domestic and foreign foundations and donors.



In addition to the barriers mentioned, NGO fundraising capacity is underdeveloped, a direct result of weak internal structures. Generally, NGOs still have little internal financial management. Many organizations lack the means to cover their overhead costs, as donors are not willing to pay for them, and NGOs have not yet begun to manage indirect rate mechanisms. Many organizations cannot even compete for projects under the European Financial Support Programs (CARDS) because they lack sufficient financial skills and experience managing large amounts of money. The biggest obstacle to such funding is that NGOs do not obtain audits of their financial statements as required by the EU. In a promising sign, this year ten organizations published their annual reports together in the major daily newspapers in an effort to promote transparency and financial accountability in the NGO sector.

NGOs do not generally have well developed fundraising strategies. Instead, organizations generally rely on personal contacts and ad hoc financial support from individuals and businesses. Some NGOs

have been successful in organizing fundraising events. The SOS KinderHoff Children's Village sells postcards every year to raise money for children, while an international Women's association holds a successful fundraiser in the capital every December and donates the proceeds to those in need.

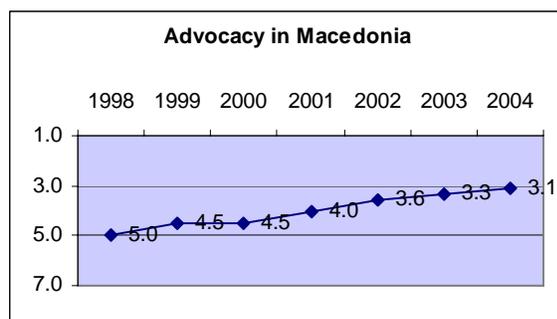
NGOs have limited opportunities for government contracting, with only a few Ministries, such as the Agency for Youth and Sport, the Sector for EU Integration, and the Ministry of the Environment, providing contracts. The Ministry of Finance distributes \$300,000 in grants every year, and while NGOs are able to apply, the

criteria and process for awarding the funds is not clear or transparent. Municipal governments like Kumanovo, Kocani, Prileo, and Kisela Voda in Skopje have dedicated a portion of their budgets for NGO contracts.

More often, NGOs earn an income by providing goods and services, such as training programs, equipment, and internet services, for full or reduced prices. The Association of Beekeepers even created a revolving fund based on an equipment donation, using the proceeds to purchase new equipment for its existing members and to attract new members.

ADVOCACY: 3.1

Once again, NGOs have increased their ability to shape the public opinion and agenda, and to have a more direct influence on the legislative process. Information sharing between civil society and government officials has also increased and the government is planning to open an NGO Liaison Office supported by the European Agency for Reconstruction (EAR) and FOSIM.



Government officials and NGOs at the local level have expressed a greater willingness to cooperate with each other than those at the

national level. Community initiatives in Delcevo, Kumanovo, and Veles were all implemented by partnerships between local organizations and government officials. NGO support centers around Macedonia have developed supportive and open working relationships with local government officials. Although these types of cooperative efforts have increased, they are often in word only, with the enactment of concrete projects and joint activities being rare.

NGO advocacy groups were successful with a number of policy initiatives this year. NGO Transparency Macedonia brought together several different stakeholders in drafting a new Law on Access to Information, which the NGO community expects Parliament to adopt this year. SEGA, a coalition of 29 youth organizations, worked closely with the State Agency for Youth and Sport to develop a National Youth Strategy, while FOSIM facilitated the process for preparing a National Strategy for Education. In the "Say

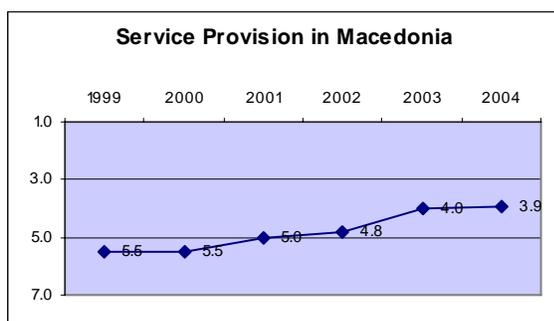
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Macedonia” campaign, a coalition of NGOs organized an effort to protect Macedonia’s Constitutional name with the European Council. Polio Plus organized the “Nobody’s Perfect” campaign to promote the acceptance and inclusion of those with physical disabilities. Women’s groups have initiated changes to the Criminal Code to include provisions that make domestic violence a crime. The Union of Women’s Associations of Macedonia (SOZM) joined with the Macedonian Women’s Lobby to ensure that the laws require that women

make up 30% of the parties’ lists for the municipal elections. Parliamentary committees now include more NGO input in their deliberation on legislation.

As authority and power is distributed to the local governments, NGOs are likely to have more opportunities to become involved in NGO advocacy and other collaborative efforts. The Association of Units of Self-Government in Macedonia worked closely with the Parliament to draft and amend laws that will decentralize government power.

SERVICE PROVISION: 3.9



NGOs have initiated a number of successful new initiatives to improve delivery of services to their constituents. HOPS and HERA, organizations working on HIV/AIDS issues, are expanding their basic care and counseling services for those who are HIV/AIDS positive or in high risk groups. GAMA, from Berovo, provides youth with vocational training and job placement services, while Nijazi from Resen offers alternative tour packages in the Lake Prespa region.

As mentioned, decentralization of government power is likely to result in greater contracting opportunities at the local level. In addition, amendments to the Law

on Social Protection will provide greater opportunity for organizations to contract with the central government to provide social and community services. The Ministry of Education has already started licensing NGOs to train teachers. These new contracting opportunities ought to be viable funding options for the NGO community in the years to come.

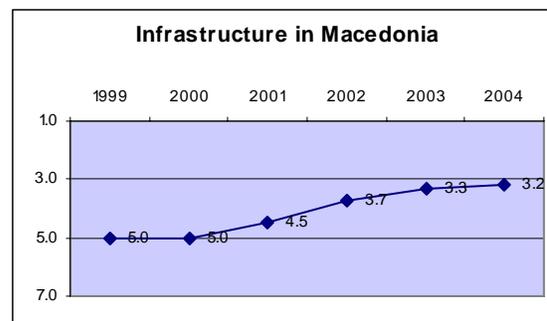
NGO services generally reflect the needs and priorities of their constituents and communities, although mechanisms to assess, research, and gather information on clients is still lacking. Generally, NGOs still lack the entrepreneurial skills or quality control mechanisms necessary to diversify their markets and expand their client-bases to include other NGOs, academic institutions, the government, and the business community. Similarly, most organizations only charge symbolic fees for the services they provide, if they charge fees at all. The general public still has the perception that NGO services ought to be free of charge, and NGOs do little to change this notion.

INFRASTRUCTURE: 3.2

Over the past year, FOSM and EAR funded eight new NGO support centers that will serve the rural and underdeveloped regions of Macedonia. The NGO Information Center was established in the capital to provide public relations, media and promotional support for NGO activities. The Center for Institutional Development (CIRA), funded by the USAID Democracy Network Program and implemented by the ISC, also opened its doors to provide capacity building programs and support for NGOs and communities. Municipalities, with assistance from the USAID funded Local Governance Reform Project, opened 17 new Citizen Information Centers, responsible for providing citizens with information about the community and the services it provides. Despite their good work, all of the ISOs mentioned are dependent on foreign financial support. NGO support centers provide limited grant support for organizations, although they do little more than re-grant foreign funds. No grant money is raised domestically and community foundations do not exist.

Coalition building has improved, and responsibilities are being delegated among coalition partners with greater efficiency. In addition to the previously discussed Citizen Platform of Macedonia and “Together for Transparency,” NGOs have formed the coalition MOST, which has been successful in working to promote accountability of government institutions and transparency in the electoral process. Another example is

“NGOs for Free and Fair Trials,” which was established to monitor court trials.



Programs throughout Macedonia make high quality training programs readily available. Training resources are also available to NGOs in print and on internet sites. More advanced materials that cover topics such as board development, the use of volunteers, and financial management are in short supply.

Intersectoral partnerships have become more visible, and all parties are more aware that cooperation is both needed and beneficial. Generally, these partnerships exist only on paper, although there have been successes at the local level. One example in Zrnovci is a partnership between NGOs and local officials to create a communal composting facility to handle the problem of waste disposal in the community. Another example is MCIC, which works with daily newspapers to publish an insert that addresses inter-ethnic issues. The National Multi-Sectoral Commission for HIV/AIDS is one final example of an inter-sectoral partnership.

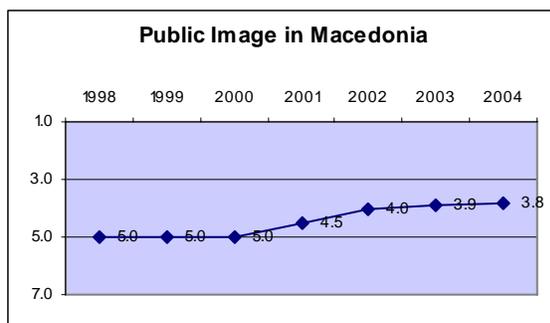
PUBLIC IMAGE: 3.8

NGOs have improved their public image slightly over the last year. An annual survey commissioned by USAID found that the

public trust of NGOs remains around 48.7%, placing them ahead of the executive and Parliament. The media has provided slightly

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more positive coverage of NGO activities, although NGOs are often presented as tied to political parties or serving personal interests. Local media portrays NGOs more positively than the national media, and print media covers the NGO sector more than television. One development is the NGO Media Initiative, in which NGOs have an opportunity to present their activities during a weekly show on national television.



Many NGOs are still paying market price for media services, such as public announcements and advertising, though some local media provide regular coverage for free. The NGO Fair in 2003 was promoted by 30 media sources, free of charge.

The general public's perception of NGOs is strongly influenced by the national media.

Reporters seldom take the time to learn about NGOs and their issues, and base their stories on their audience's interests and not

necessarily importance. NGOs have yet to engage actively the media or package information to make it easier for reporters to understand and cover NGO issues. NGOs have to refine their public relations skills and capacity. Some advocacy campaigns were not well organized and actually damaged relations with journalists and the general public.

Government institutions have made progress in increasing awareness about the benefits of NGO cooperation and the role of NGOs. Encouragement by the EU and international community for greater civil society participation has increased cooperation between the government and NGOs.

The larger, more professional NGOs receive better media coverage than others, due in part to better public relations skills, internal mechanisms for media communication, and relationships with journalists. The NGO Fair last year had official media sponsors to cover the entire event. The "Together Transparency" publication of annual reports was important in increasing public opinion and promoting transparency among the NGO community. The NGO Code of Conduct, published by the Citizen Platform of Macedonia, also contributed to the increase in public knowledge and awareness of the NGO sector.