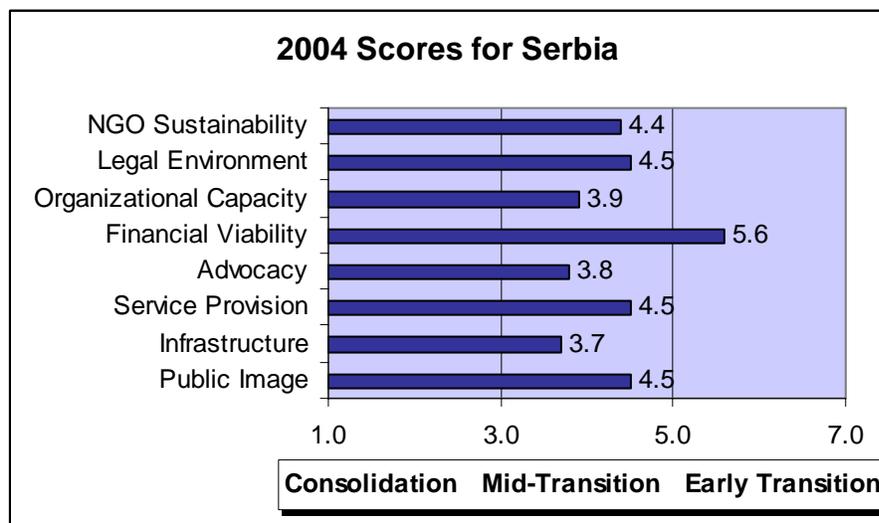


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**SERBIA**


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**Capital:** Belgrade**Polity:** Republic**Population:**  
9,960,000**GDP per capita  
(PPP):** \$2,200

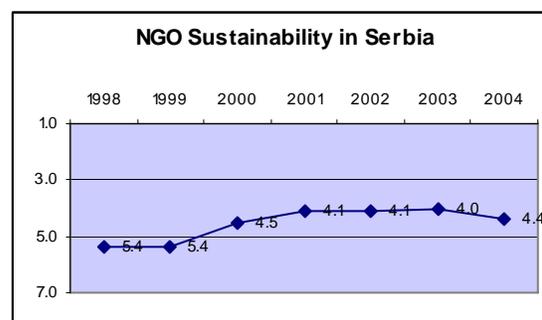
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**NGO SUSTAINABILITY: 4.4**


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The current political situation and lack of an enabling legal framework in Serbia have prevented the NGO sector from achieving higher levels of sustainability, and in fact have caused a slide towards greater instability. Since the current government took office in March 2004, Serbian citizens have been treated more as subjects than as partners. A political and media campaign orchestrated by various officials from the current government has damaged the NGO sector's public image and eliminated from public discourse those issues that have been most important to the NGO sector since democracy began to take hold in 2000. These issues include cooperation with the Hague Tribunal, peaceful resolution to the Kosovo problem, decentralization of powers within Serbia, integration with Western Europe, cooperation with the international community, and others. Though the government no longer considers these issues

to be of national importance, NGOs remain dedicated to bringing Serbian society to terms with its recent past, and to laying the foundation for future democratic reforms.



The NGO sector has not yet formed any significant relationships with officials from the current government, and therefore has not been able to participate in the policy arena as it had in the past. However, after two years of lobbying by the NGO sector, Parliament finally passed a new Free Access to Information Act, although the final

## 2004 NGO SUSTAINABILITY INDEX

version of the bill was altered to lessen its impact. It is difficult to determine the actual number of NGOs, though many

estimate the number of active organizations to be close to 3,000.

### **LEGAL ENVIRONMENT: 4.5**

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As of the end of 2004, the NGO sector operated under an unclear and inconsistent legal framework. A coalition of NGOs organized a campaign in 2002 and 2003 to draft and lobby for new laws, but Parliament has yet to act. The Ministry of State Administration and Local Self-Government drafted a new NGO law, and towards the end of 2004 hosted a roundtable to discuss the new draft. Unfortunately, if it is enacted in its current form, the draft will still provide for less than favorable conditions for the NGO community. There are reports that other drafts are in circulation, though many in the NGO community believe that these are also the work of the government. NGOs are currently surviving by registering under legal forms not appropriate to their purposes.

According to opinion polls and political analyses, the right wing, nationalist parties, which are the home to officials indicted on war crimes, will win control of the Parliament in extraordinary election expected in 2005. Without laws to protect

them, NGOs will be especially vulnerable to pressure and harassment from government officials.



Serbian tax law does not explicitly address whether NGOs are exempt from paying income or profit tax. The law provides exemptions for “other legal entities,” which include associations, foundations, religious groups, and sports organizations. Unfortunately, in the absence of a clear NGO legal framework or explicit exemptions, government officials are able to apply the existing tax provisions as they see fit. The result is disparate treatment of NGOs by the various government officials.

### **ORGANIZATIONAL CAPACITY: 3.9**

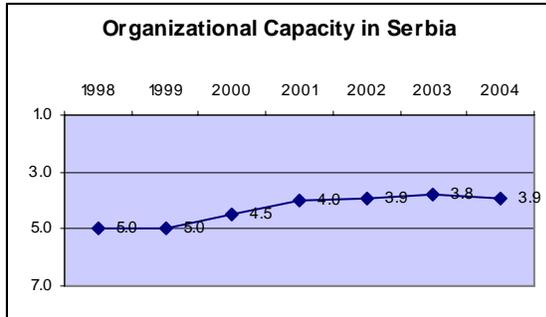
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The organizational capacity of most NGOs is limited by their ability to fund more permanent staff, which would ensure greater stability, strategic planning, and operations that are more efficient. NGOs generally are not capable of generating funds on their

own, and local philanthropy in Serbia is still in its infancy. Few professionals are able to be full-time volunteers, and the public ought to understand that in order for NGOs to produce quality work, they must have more funding. Central and local governments

provide some support for NGOs, although there are no regulations that govern how public funds are to be distributed and handled. Increased support from the international donor community would permit more NGOs to hire the staff necessary to develop their organizational capacity and achieve a greater level of sustainability.

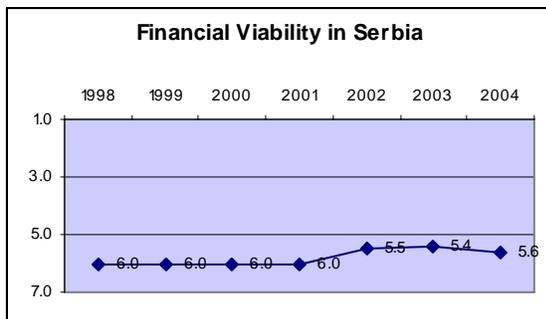
Most NGOs have at least one staff member and a number of volunteers, but they are generally equipped with just a personal computer and telephone. Any equipment that an organization has was most likely donated by a foreign donor many years ago, and will soon need to be replaced. Almost no NGOs own property or have proper business offices.



**FINANCIAL VIABILITY: 5.6**

In 2004, NGOs were not successful in fundraising at the local level, and remained dependent on foreign funding. As donors have imposed tighter criteria on grants, and foreign funding sources have decreased, many NGOs have ceased to exist, while others struggle to comply with donor funding requirements. New VAT regulations take effect in January 2005, and will present the NGO sector with yet another set of challenges. Fortunately, NGOs are generally more informed about VAT provisions than the tax authorities are.

Because the legal framework does not adequately consider the needs of the NGO sector, organizations often have to comply with the financial requirements designed for the business sector; for example, they are in some instances required to maintain point of sale computerized cash receipts that allow authorities to monitor tax liabilities. This is a result of the tax authorities' failure to understand how an NGO differs from a business. One challenge for the NGO sector is to spark a sense of social responsibility and introduce the concept of the "good corporate citizen" among the local and international businesses operating in the country. The primary obstacle, however, is the Corporate Income Tax Law. Although the law provides some incentives to promote corporate philanthropy, its provisions regarding qualifying public benefit activities are construed very narrowly, limiting its effectiveness. This highlights yet another law in need of reform if the legal



environment for NGOs is promote their sustainability.

NGOs may engage in economic activities without rendering their other income taxable. In fact, income under 300,000 dinars is tax exempt if: it is not distributed as profit; it is used to further the organization's purpose; the salaries of board

members and employees are not double the average in the field; and NGOs do not obtain and unfair market advantage, hampering competition. NGOs rarely receive government contracts for services, and when they do, it is a result of pressure from foreign donors. These contracts are limited to provision of training.

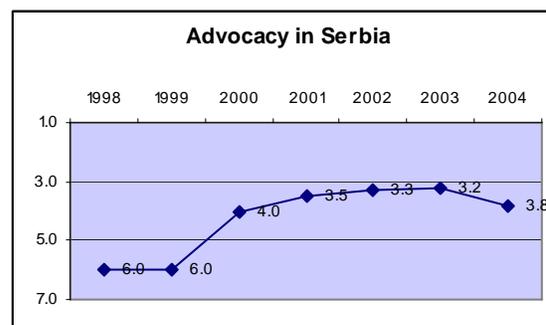
### ADVOCACY: 3.8

In 2000, a civil society-led democracy movement, backed by great popular support, toppled the Serbian government. Since then, the civil society movement has dissipated, and is no longer able to mount national advocacy campaigns as it once did. The sector enjoyed some success collaborating with the Djindjic government on national legislative issues, but since the assassination of Prime Minister Djindjic in 2003 and the inauguration of the Kostunica government in March 2004, NGOs have not had a significant role at the national level. Now only a few strong organizations are able to overcome harassment from the government and keep human rights issues as a part of the public discourse.

The majority of NGOs have not yet figured out how to be effective advocates under the current government, which offers few democratically oriented officials with whom to partner. Many of the older human rights organizations have recently begun to consider strategies on how to restore the image of democracy organizations and confront what they see as the state of crisis state in the third sector.

Many in the NGO community report that the government neglects the interests of minority groups and focuses primarily on

protecting ethnic Serbs. Complaints have come primarily from the Vojvodina region in the North, and Sanjak in the South. In Vojvodina, some Hungarian families have begun to leave Serbia for Hungary, while those that remain try not to speak the minority language in the presence of police or representatives from the nationalistic political parties. NGOs that are involved in ethnic issues have been labeled "destabilizing" by the government.

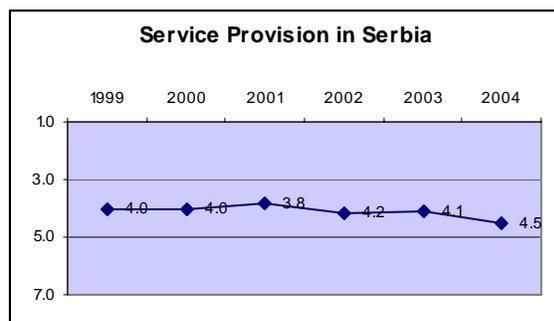


The NGO sector's greatest advocacy achievement in 2004 was the passage of the new Free Access to Information Act, which was adopted after two years of lobbying and even then was amended to limit the Act's impact. Many NGOs do not believe that the government will adhere to the law, and instead will make efforts to ensure that information remains inaccessible. In the past, the government has labeled NGOs that request access to sensitive information as

“traitors of the national interests” or “foreign agents.” In fact, the government is quick to

call NGO actions confrontational or acts of animosity.

### SERVICE PROVISION: 4.5

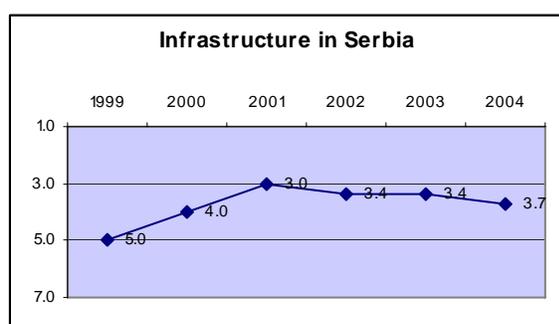


Just as advocacy groups face growing challenges, service providers are concerned that the implementation of restrictive laws will make their work more difficult and demanding. For example, CeSID, the most prominent national election monitoring NGO, experienced difficulties obtaining permission to monitor recent elections. The government first denied CeSID access to the

polling sites, but finally granted permission under pressure from the NGO community. The government made it more difficult for civilians to serve their mandatory military service working for civil society organizations, a program for which the NGO community had advocated. Confronted with a large number of civilians who wanted to participate, the government has reduced the number of requests it approves, decreasing the benefits of the program.

Despite the harsh environment, NGOs continue to provide a wide range of services including social welfare, education, environmental protection and management, and others. The services that are in highest demand however, are those associated with human rights.

### INFRASTRUCTURE: 3.7



The largest NGO support center, originally located in Belgrade, has established offices in several parts of the country, and remains the primary center for gathering and disseminating information concerning NGOs. Recently, the EU and other foreign

donors have helped create other NGO information centers that provide information on NGO activities and grant opportunities from EU donors.

The Federation of NGOs (FENS) is still the largest NGO coalition of in Serbia. Though FENS has 400 members, some of the most active organizations are not affiliated. Coalitions are frequently formed on an ad-hoc basis to address important issues, and generally only last as long as their advocacy campaigns. The government does not partner with NGOs unless pressured by foreign donors to do so. The few organizations created by the governing

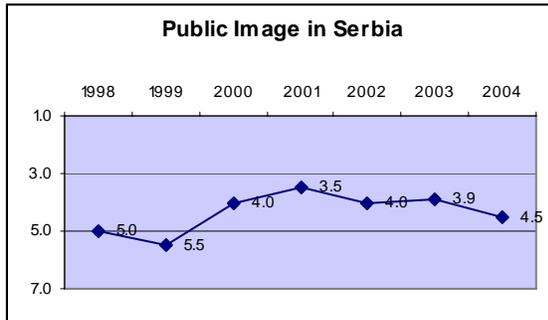
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political parties are exceptions, as they have received favorable attention from the state

controlled media.

### PUBLIC IMAGE: 4.5

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Because NGOs continue to address controversial social and political issues, the government-controlled media, including the Serbian State Television, has made a

concerted effort to promote an unfavorable public image of the NGO sector. Other media outlets controlled by powerful Serbian interests have joined the campaign against NGOs. One media corporation with political connections has filed suit against a human rights activist who has five separate cases pending against her. In the past, NGOs have found some professionals in the media with whom they could partner in their advocacy efforts. This year however, the sector has not been able to form any such partnerships, in the media or government.