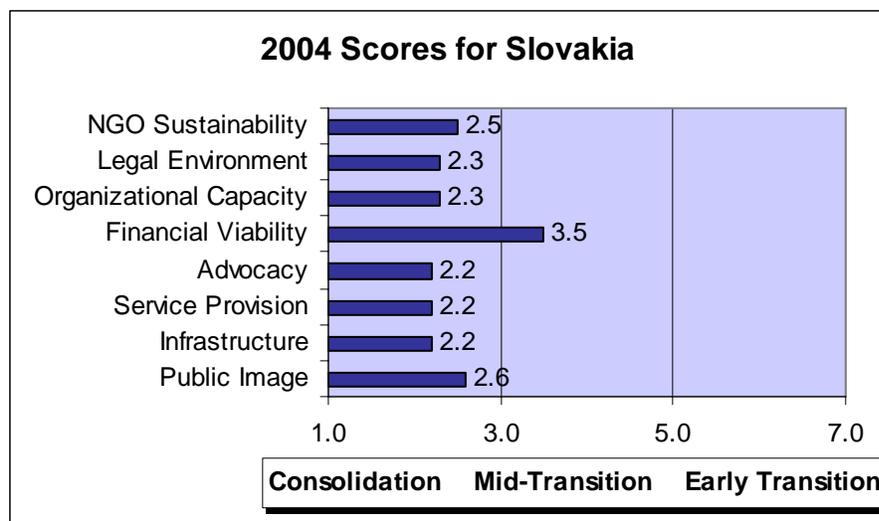


## SLOVAKIA



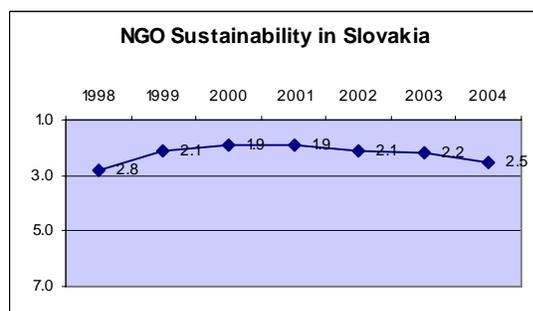
**Capital:** Bratislava

**Polity:** Parliamentary democracy

**Population:** 5,420,000

**GDP per capita (PPP):** \$13,300

### NGO SUSTAINABILITY: 2.5



In 2004, the NGO sector in Slovakia stabilized considerably. Many traditional international donors withdrew from Slovakia after the national elections of 2002, leaving NGOs scrambling for new ways to continue operating and to remain financially viable in 2003. Having survived the transition, the sector is more optimistic now about its future.

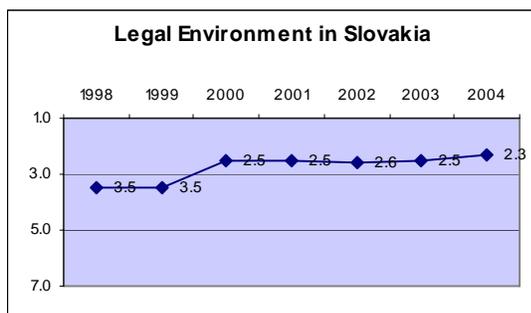
A change in the tax legislation that came into effect in January 2004 was another important breakthrough for nonprofit organizations in Slovakia. The new

provision allows individuals as well as legal entities to award 2% of their tax liabilities to NGOs. The public campaigns about this opportunity—conducted by both the national government and the NGOs themselves—resulted in more than 816 million Slovak Crowns (approximately 27.2 million USD) awarded to NGOs, and a much wider public awareness about NGOs' programs and the benefits of their work. Many NGOs now better understand the value of marketing and public relations, as well as the need to ensure operational transparency and linkages with the business sector.

NGOs have also begun financing some of their core activities with the intention of generating revenue. They have also tended to focus their activities—either geographically or by addressing specific issues within their sectors of expertise.

**LEGAL ENVIRONMENT: 2.3**

NGO registration is relatively easy, as demonstrated by the large number of registered NGOs (21,661 organizations per *Súhrnná správa o stave v spoločnosti*, 2003.) There exists an effort in Slovakia to change the registration process from one where approval is given by an administration officer, to one where the NGO provides written proof of eligibility to the appropriate office. Issues have been raised with respect to international organizations with a branch office in Slovakia, which are often neglected by the legislation. NGOs registered in this form have problems in their everyday lives, and because the legislation does not address certain issues, they manage their activities according the law on civic associations. However, this situation should be solved by the passage of the Code of Non-Profit Law. Other problematic issues are the nonexistence of a unified NGO register, and the fact that volunteerism is not properly defined in the legislation.



NGOs in Slovakia are free from harassment by the central government, local governments, and tax police, and can express their opinions on topics of public debate and make criticisms. For example, the *Alliance for Fair Play* and *Transparency International* are watchdog organizations, both of which openly criticize the political environment in

Slovakia. There are lawyers specializing on NGO legislation in Slovakia and a legal clinic that specializes in NGO legislation at the Law Faculty of Comenius University. In general, officials possess legal rights and control mechanisms but have not yet exercised them. On the other hand, NGOs have not undertaken activities that would provoke reactions by the authorities.

New tax legislation came into effect in January 2004 allowing individuals and legal entities in Slovakia the opportunity to assign 2 % of their tax liabilities to Slovak NGOs. Previously, only individuals were given this opportunity, and only for 1 %. This year individuals and legal entities assigned more than 816 million Slovak Crowns to NGOs (approximately \$27.2 million).

On the other hand, there are other changes in the legislation that are not so beneficial. In the past, legal entities could claim a tax deduction (legal entities up to 2 %, and individuals up to 10 %) for their donations to an NGO – this provision was eliminated. Some NGOs criticized this change quite vehemently. There were also some changes in VAT legislation. Until 2004, NGOs were not required to pay VAT as long as they did not generate income from prize competitions. This term was not understood by many NGOs, and in reality, the majority of them did not pay VAT at all. As of 2004, all income-generating activities are taxed, with the exemption of the income from purpose-related income up to 300,000 Slovak Crowns.

Preparation of the Code of Non-Profit Law is the next important step to unify NGO

legislation. The Code must be compatible with EU legislation. In September, comments on a draft were solicited, provoking significant debate among supporters and opponents of the sector. However, opponents were out-voted, and the Code has moved forward for further work. The Code is expected to come before the Legislative Council of the Government, which will decide how the draft will proceed, in January 2005. Preparation of the Code was the subject of discussion within the NGO sector, and NGOs were polarized. Some were of the opinion that the Code was an unnecessary restriction on the sector, and others saw the necessity of the Code and the benefits that it might bring. An external evaluator has been invited to review the process of creating and passing the Code. With regard to contracts between NGOs and central or local governments or

municipalities, the situation is not yet consolidated. On the VUC (higher administrative districts) level, cooperation presumably will be established in the future, even though it already exists in regions. Cooperation with municipalities is good—there is wide support for NGOs, especially for socially-oriented NGOs, and community, advisory and information centers. These organizations are connected with municipalities, but there is no formal system in place for cooperation, which is often based on individual contacts. These relationships also contribute to the politicizing of the sector, as cooperation exists only when a specific party has power. NGOs have expressed interest in creating formal communications systems between themselves and local government authorities, motivated by the availability of EU funds for joint municipal-NGO projects.

### **ORGANIZATIONAL CAPACITY: 2.3**

In 2004, donors saw declining NGO interest in broad-based, introductory training activities—except from organizations serving Roma communities. Instead, the more sophisticated NGOs, of which there are about 40, requested tailored trainings (e.g., in advocacy, marketing, and financial management), to complement their already strong internal management and strategic planning. In spite of this, there are still NGOs that prepare project proposals not related to their missions for the sole purpose of obtaining funding. To answer the demand for assistance, a group of consultants is available to assist individual NGOs with their needs.



Internal management structures exist in the majority of NGOs, and in 2004 professionalism was on the rise among many of them. Boards of directors are renewed more often than in the past, and their members play a more active role in supporting the missions of their organizations and take their roles seriously. More often now, members of

the business sector are nominated to NGO boards of directors, which is to be expected given the shift in funding sources from international donors to local corporations.

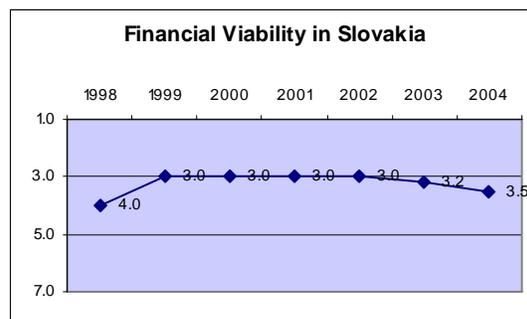
Slovak NGOs are still chronically understaffed because of a lack of funds to pay full-time employees. Many of those who work for NGOs are volunteers or part-time employees. The majority of NGOs employ independent contractors, relieving them of the responsibility of providing social security payments, health insurance, and taxes. There is a need for skilled staff, especially fundraisers and PR managers. This is especially important now that the 2 % percent law is in place, and many NGOs are implementing campaigns targeting individual and corporate donors, both at the local and national levels. Some organizations have

employees of this kind, but many are struggling without them. The “2%” campaigns have been implemented and brought new experience to many NGOs. Grants from the *Institutional Development Programs of Trust Slovakia* are available to pay for fundraisers for NGOs. The impact of this program will be known in 2005 after its completion.

Finally, there have been positive trends in the use of technical equipment. Computers and the Internet are seen as critical tools supporting NGOs’ operations —so much so that individuals who work with NGOs without equipment will access it at work or go to a cyber café. There are some foundations in Slovakia that request applications from grantees only via email. There are also more companies willing to donate computers to NGOs.

### FINANCIAL VIABILITY: 3.5

While the NGO sector in Slovakia is not yet sustainable, 2004 brought several systematic changes that improved the situation significantly. With increased funding for NGOs from the 2% legislation, domestic funding for NGOs has increased significantly. Given that most large international donors withdrew from Slovakia in 2003, this shift has been welcomed and is much needed. There is also continued support for the sector from the local private sector. Many corporations will expand their support for an NGO once they are satisfied with the results of the initial funding provided. For example, two-thirds of Junior Achievement Slovakia’s budget is provided by Slovak businesses.



As a result of the increased attention and competition, Slovak NGOs have become more sophisticated in their fundraising strategies and public relations campaigns. In addition, an informal association of corporations called the Business Leaders Forum formed by the Pontis Foundation will build even more awareness about the NGO sector among corporations in Slovakia. This association aims to promote

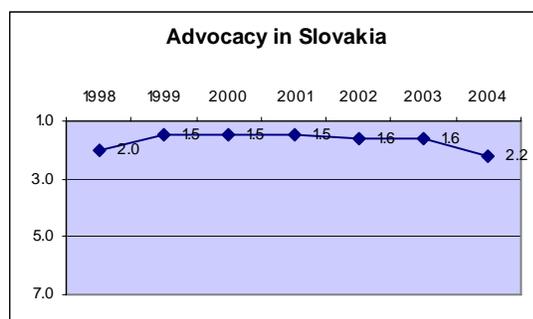
the idea of corporate social responsibility (CSR), and to equip Slovakia's corporate leadership with the tools for mainstreaming CSR. Its members will work to develop a framework, standards, and systems to measure and report CSR activities. The goal is to increase impact on stakeholder relationships, reputation, brand value, and ability to attract and maintain talented people—all based on ethical and intensive partnerships among all three sectors of Slovak society, who will lead by example.

Local government also provides support for local NGOs, mostly those working in the social sectors (which have guaranteed financial support from government ministries), usually in the form of in-kind donations or free rent. NGOs are also exploring their ability to self-finance, and several NGOs with coherent business plans can count on profit generated from self-financing activities. Often, these are small local NGOs sell their products on a small scale, and profit is invested into implementation of other projects. Membership fees have also started to become a reliable source of funding.

NESsT, the Jan Hus Educational Foundation, and Pontis Foundation provide support to NGOs pursuing self-financing as a sustainable method of financing.

EU Structural funds are another large potential source of funding for NGOs. Preparation of project proposals for EU structural funds is very complicated and requires teamwork lasting several months. There are some examples of NGOs, including Integra Foundation, and Foundation-Centre for Contemporary Arts, which have been successful in obtaining EU funding. Because the applications require NGO-local government partnerships, government officials are providing NGOs with much support and encouragement. Many NGOs simply do not have the internal capacity, however, to engage in development of these large proposals, but there is a loan program carried out by the Pontis Foundation to assist with co-financing or pre-financing of some of the activities. Additionally, there are advisors available to provide consultations on the proposal writing.

## ADVOCACY: 2.2



In 2004, there was no issue that brought together the support of the entire NGO sector. The Code of Non-Profit Law could

have had a uniting effect, but instead brought conflict between two groups of NGOs, as discussed in the Legal Environment section. Advocacy activities were focused more on specific topics and areas. As there is no legal framework for lobbying or advocacy, and NGO capacity is stretched, NGOs often do not have the ability or time to monitor the legislative process throughout and ensure that their comments are not lost. In spite of this, they have had notable successes in some

## 2004 NGO SUSTAINABILITY INDEX

legislative efforts, such as the 2 % assignment initiative.

There are a number of examples of advocacy successes resulting from NGO efforts in 2004: environmental NGOs ensured that the secret agreement between the Slovak Government and KIA corporation was made public; Slovak NGOs established an EU Watchdog Fund available for advocacy activities; Junior Achievement Slovakia was active in lobbying the EU for support in the area of youth education on business management; Slovak NGO platforms are active in Slovak Aid; the Open Society Foundation

achieved partial success in its advocacy to prevent further criminalization of drug users in the new Penal Code; Youth Council of Slovakia and other youth NGOs are official partners of the Ministry of Education and make comments on various documents and regulations; the NGO Návrat lobbied the Ministry of Labor, Social Affairs, and the Family to remedy weaknesses in the adoption system; the Alliance for Fair Play criticized the internal political situation. These can all be seen as progress -- progress that took place in spite of NGOs' continued, expressed need for advocacy training.

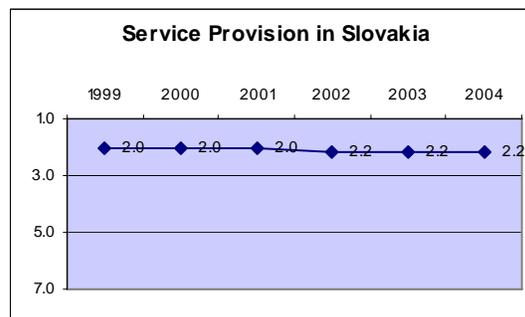
### SERVICE PROVISION: 2.2

---

The majority of Slovak NGOs were established to meet the needs of a particular constituency (especially those working in the social sectors.) In 2004, NGOs began to realize that in order to ensure their sustainability, they needed to get feedback from their constituencies so that they could continue to meet their needs. In general, NGOs charge fees for products and services, and are broadening the range of services they offer in attempts to attract new clients—individuals and other NGOs, as well as corporations and the local and state administrations.

Though not common, grant making is a new service that NGOs have begun providing this year to both the state and the private sector. For example, The Open Society Foundation administers funds of the Plenipotentiary for Roma Issues, which provides scholarships for Roma students. The Center for Philanthropy administers funds for the SPP Foundation (Slovak Gas Industry) and those of Orange (the mobile telephone operator); the Pontis Foundation

administers World Bank grants and funds from various corporations.



Another new development in 2004—one that has especially benefited NGOs that serve Roma populations—is the state's establishment of a system for providing unemployed citizens with public service jobs. Many of these people are trained and placed with qualifying NGOs. Also, the state decentralized almost 74% of the state's own service provision centers. The opportunity for NGOs to get accreditation for service provision by relevant ministries contributes to increasing professionalism

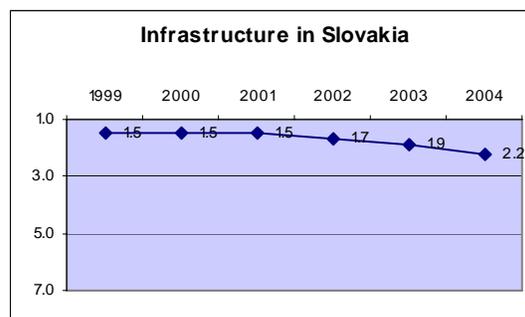
among NGOs, as well as quality of the services provided to citizens.

## INFRASTRUCTURE: 2.2

In January 2004 the Service Center for the Third Sector (part of Slovak Academic Information Agency) ceased to exist, although there are other organizations working nationally or regionally that provide services for the NGO sector, including: the First Slovak Non-Profit Service Center (1.SNSC), Forum Information Center, STUŽ, VOKA, the Association of Supervisors and Social Workers, Fenestra, and ProFamilia. Information services are provided by an Internet portal (ChangeNet) and are focused on activities for the sector as a whole, with several active servers focused topically, such as socio-forum (social issues), mladež.sk (youth issues), a mail server for environmental NGOs, and a Web page focused on partnerships between sectors ([www.partnerstva.sk](http://www.partnerstva.sk)). A monthly magazine, *Efekt*, published by 1.SNSC, also covers events in the sector and includes supplemental products like “Flash News” and “Monthly Information Summary” about changes in laws and regulations, and implementing procedures governing taxes, accounting, and management. *Efekt* currently has 800 organizational members, and an associated Web site [www.mvoservis.sk](http://www.mvoservis.sk).

In 2004, several national NGO conferences were cancelled due to lack of interest, but the sector-wide coalition—the Governmental Council for NGOs—has been active in its advocacy role, serving as a point of contact for the sector in negotiations with the Slovak government.

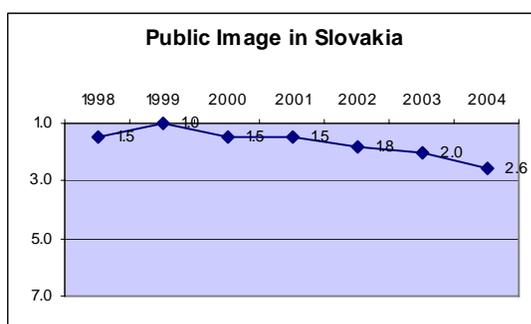
Several research efforts were undertaken this year on the NGO sector and its relationships with other organizations, including the PANET study on inter-sectoral cooperation, and three studies published by the Institute for Public Affairs: one on corporate philanthropy, one focused on opinions of politicians on how NGOs function, and one entitled *The Global Report on the NGO Sector*.



In 2004, libraries of NGOs were mapped and 1.SNSC started the preparation of the Database Informational System (DIS). DIS is a comprehensive, adjustable, and thoroughly Internet accessible system that provides statistical and analytical information about NGOs, projects, activities, donors, and finances. This tool will help to improve exchange of information among donors, and should also help to identify unsupported programs and geographic areas, and to increase transparency of NGOs. DIS is currently in the pre-realization phase, and it should be made public in the spring of 2005.

**PUBLIC IMAGE: 2.6**

Thanks to the 2 % campaigns organized by many NGOs, there was a slightly positive change in the public image of NGOs. These campaigns were implemented on national, regional, and local levels, and there was also one general campaign implemented by I.SNSC with the goal of raising public awareness on the opportunity to assign 2 percent of tax liability.



Cooperation with journalists is still difficult and depends on individuals' contacts with the media. In addition, journalists often misrepresent information and omit important details when covering NGO activities, thus confusing the public and requiring an affected NGO to clarify.

That said, media coverage of NGO projects is quite wide, and specific events such as *One Hour for Children* and *Daffodil Day* are usually well covered. Media are usually willing to provide discounts for NGO advertisements as well.

The public is generally interested in sectors such as health care, children, and social issues, but the perception of human rights, watchdog, and environmental NGOs is weak. The state and certain politicians use the expertise of NGOs in the some policy areas.

There are several other developments in 2004 that contributed to the transparency of the sector and the positive public image of NGOs: a code of ethics established and respected by donors; obligatory audits for foundations and NGOs that earn more than 1 million SK through the 2 % provision; and the requirement that NGOs earning more than 100,000 SK must inform the public on how they spent the funds (published in *Business Magazine*).