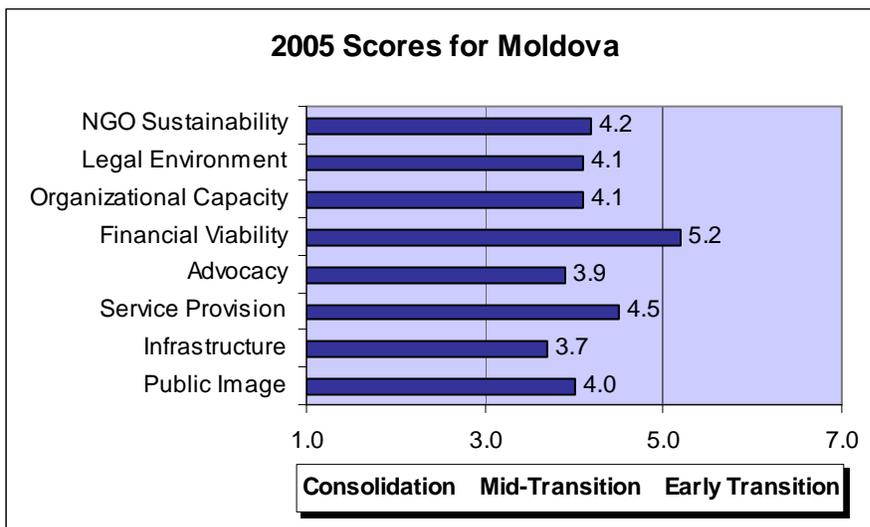


Moldova



Capital: Chisinau

Polity: Parliamentary democracy

Population: 4,466,000

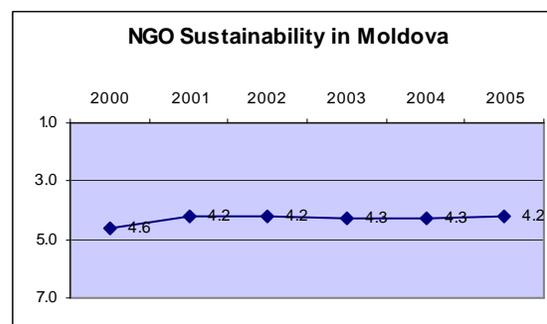
GDP per capita (PPP): \$2,100

NGO SUSTAINABILITY: 4.2

Over the past year, the Moldovan political environment and civil society experienced significant change. One major development was President Voronin's decision not to sign the Kozak Memorandum with Russia, which would have created an asymmetrical federal Moldovan state in which the disputed territory of Transnistria would have been vested with disproportionate representation. In the time leading up to the March 2005 Parliamentary elections, the President and the Communist Party took a dramatic turn to the West, and for the first time created consensus among the country's political parties that Moldova should develop closer ties to Europe. Since the elections, the government has taken decisive actions to implement reforms and fulfill its commitments under the EU Action Plan. As a result, Moldova qualified for Millennium Challenge Account Threshold Status.

Leading up to the elections, Moldovan civil society came together for the first time and formed the Civil Coalition for Free and Fair Elections (Coalition 2005). Coalition 2005 was composed of 200 organizations, and monitored local media coverage as well as the preparation and management of the electoral process. The coalition published reports on the deficiencies

in the process and successfully advocated for numerous changes. On Election Day, Coalition 2005 executed an effective independent election monitoring campaign throughout the country.



The success and visibility of Coalition 2005 and a more conducive political environment have allowed Moldovan NGOs to increase their recognition and credibility with the public, and more easily engage government officials. The challenge for the NGO sector is to consolidate and build upon this success. The sector's new relationship with the government is an unknown, and it is unclear whether it is a beginning of a lasting change in the political culture or merely the government's effort to appease the international community.

Moldovan civil society is evolving into three distinct categories of organizations. The first consists of a significant number of well-organized and advanced NGOs based in the capital and urban centers. Many of these organizations, such as the Association for Participatory Democracy (ADEPT), the Independent Journalism Center, LADOM, IDIS-VITORUL, Access-Info, the Institute for Public Policy, the Moldovan Network of Legal Clinics, the Regional and Republican Union of Agricultural Producers Associations, and others have advanced organizational capacities, sound financial management systems, multiple sources of funding and local fundraising abilities, strong memberships, positive public images, and working relations with national and local government institutions. The second category of organizations consists of lesser-developed NGOs that are often one-man shows with limited organizational and financial management capacity, and that depend on grants. The third category of organizations consists of those in the Transnistria region where civil society exists

in a hostile and authoritarian political environment. The Transnistrian government harasses and restricts the ability for independent organizations to operate, and NGO leaders are under constant pressure to cooperate with Pioriv, an organization supported by the Transnistrian security force.

The Ministry of Justice reported that in 2004, 3,156 domestic, foreign and international organizations were registered in Moldova. The Contact NGO Center reports that the number of active NGOs is much smaller. The number of registered organizations that operate on the national level is double the number of organizations that focus on local issues. A great majority of organizations are based in Chisinau, Balti, and other large cities where groups are able to access information, training, consulting, and donor resources. Few active organizations are based in small towns and rural areas. Most NGOs have community development components in their mission statements, and approximately one-fourth are involved in education and outreach.

LEGAL ENVIRONMENT: 4.1

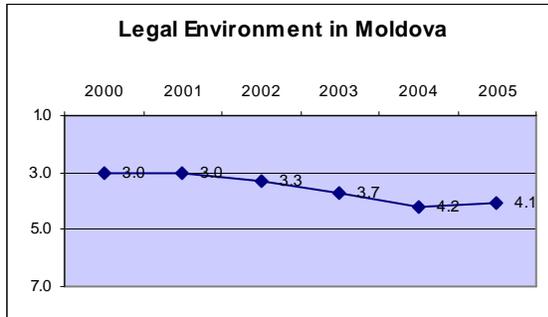
Among the NIS, Moldova was an early leader in democratization and economic reform. On paper, Moldova's NGO laws are among the best in the region. The legal framework, which consists of the Law on Public Associations (1996), the Law on Foundations (1999), the Law on Philanthropy and Sponsorship (2002), and the Civil Code (2003) did not change over the past year.

In 2001, the government began implementing the otherwise progressive laws inconsistently. The government increased its administrative interference in NGO affairs and began controlling financial and technical assistance provided by foreign donors. These actions led to a steady decline in the Legal Environment dimension scores. With the recent political changes, a cadre of young, western-thinking, non-communist technocrats is taking positions of great political power, including offices such as the Speaker of Parliament, the First Vice Prime Minister, and the Minister of Economics and

Trade. This new group of government officials has brought a new attitude concerning NGOs to the Parliament and other government institutions. Parliament has recently proposed the Concept of Cooperation to promote permanent, open and efficient cooperation with civil society. This cooperation will promote the evaluation of societal issues, encourage civic initiatives, facilitate more participatory democratic processes, and give citizens more of a voice in parliamentary procedures. Though bureaucracy and the inexperience of many government officials hampers the registration process, one NGO activist states that the "cultural change may not be happening yet, but the government is clearly not as unresponsive to NGOs as they used to be."

On paper, the process for registering an NGO, both domestic and foreign, is clear, though bureaucracy tends to make it slow and complicated. In one example, it took the Association for the Promotion of Moldovan

Legal Clinics over six months to register. Provisions in the Civil Code further complicate the process for registering public institutions by requiring that a notary public authenticate all registration documents.

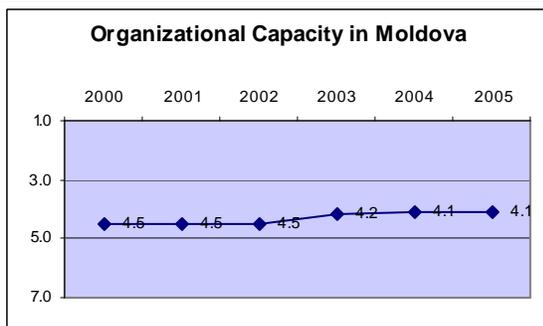


Although NGOs are exempt from paying income tax, they are otherwise taxed like for-profit corporations. An organization is recognized as a public benefit organization if it applies for and is granted a Public Benefit

Certificate (PBC). The PBC allows organizations to take exemptions from certain taxes and state fees. The PBC, however, is not effective and has become more difficult to receive due to vague regulations that allow for diverse interpretations. Organizations are exempt from paying income tax on grants, but re-granting foreign funding by a local foundation is subject to tax. A limited number of attorneys have knowledge of NGO law, and they generally work for legal organizations based in Chisinau. Most legal services are offered by the Center for Non-Commercial Law, an offshoot of Contact, a national NGO assistance and information center.

The Law on Public Associations permits NGOs to engage in economic activities, though mechanisms do not yet exist to encourage and facilitate NGOs' provision of goods or services to generate income.

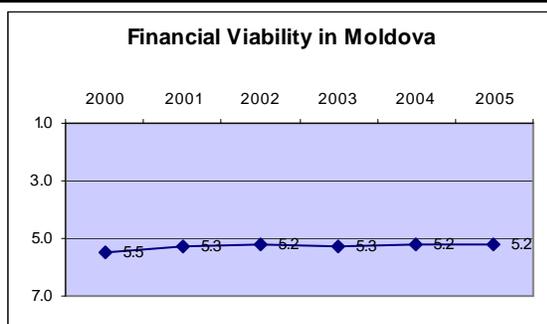
ORGANIZATIONAL CAPACITY: 4.1



The divide between the well-developed organizations and those that are lesser-developed is growing, particularly with regard to organizational capacity. Well-developed organizations have sophisticated management structures, professional personnel that are technologically proficient, a variety of funding sources, and the ability to engage their constituents. Many organizations, however, have

weak organizational capacity; they are one – man shows that organize their activities around receiving grants and satisfying donor interests. Most organizations have mission statements, but few of the lesser-developed organizations have the capacity to engage in long-term strategic planning. The Law on Public Associations leaves the choice of organizational structure to the discretion of the individual organization and as a result, most fail to delineate between the roles and responsibilities of their boards of directors and their management. Lesser-developed NGOs are typically staffed by unpaid volunteers, and any paid staff is generally subject to the organization's access to grant funding. All of the leading organizations have an office with basic equipment and a permanent staff, though their ability to modernize their equipment depends on the availability of grant money.

FINANCIAL VIABILITY: 5.2



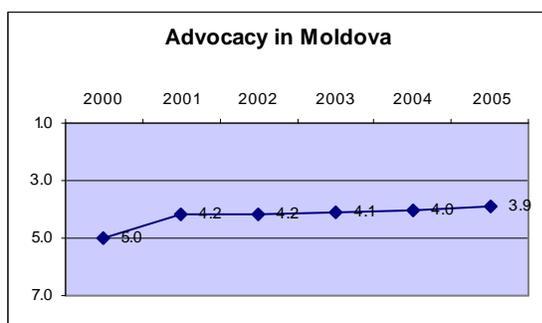
Moldova continues to be one of the poorest countries in Europe, placing constraints on NGOs, individuals and businesses. NGOs continue to depend on the international donor community for support. Fees for services, state support, and income from economic activities are limited but increasing. A significant number of the leading NGOs now receives a substantial portion of annual income from local sources, membership fees, and economic activities. For example, the Mental Health Center Somato in Balti receives a large amount of support from the local government. The Small Business School of Cahul operates a small-business incubator that funds many of its other activities. The Moldovan Network of Legal Clinics receives half of its support from local

universities and is planning to provide fee-based services. The Internet Access and Training Program Centers (IATP) receive support from local governments and are also providing fee-based services. The Association of Agricultural Producers covers almost half of its expenses with fees. The National Association of Farmers receives support from the EU and TACIS and has over 60,000 members.

Despite these positive examples, domestic philanthropy is hampered by slow economic growth and the absence of a culture of charitable giving and social responsibility. Local governments are weak and often lack the resources to provide support for local NGO initiatives, though the national government is increasingly providing grants. For example, the Ministry of Ecology, Construction and Territory Development allocates over \$15,000 in grants every year to NGOs engaged in environmental protection projects. The national government also created the National Ecological Fund that provides more than \$1 million in grants to NGOs. The National Extension Agency is an NGO that bids out approximately \$500,000 in contracts every year to NGOs to provide extension services for the government.

ADVOCACY: 3.9

Civil society must overcome significant obstacles in order to influence Moldovan policy. NGOs are challenged by a centralized political system, a historical absence of public participation, the public's lack of understanding of civil society, and the lack of philanthropy. In addition, NGOs have an uphill struggle to garner the credibility and political strength necessary to influence policy makers and national policy.

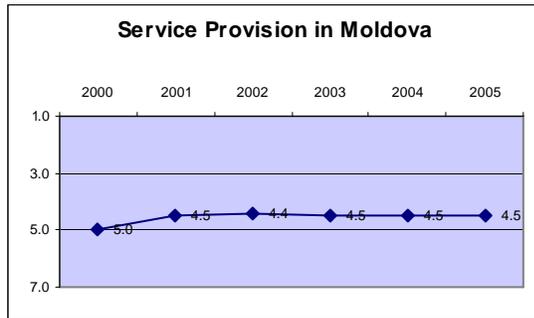


In the past, these challenges were compounded by the government's attitude that NGOs are a nuisance and a threat rather than a potential partner in economic and political development. Such attitudes may be changing however. Some new officials in the executive and legislative branches are more reform-minded and understand the role that civil society may take in providing technical support when government resources are limited. A number of Chisinau-based think-tanks already provide government officials with advice on policy. IDIS-Viitorul and the Institute for Public Policy have influenced the EU Action plan and are active in the NGO-governmental consultations mandated by the World Bank. LADOM and the Center for Human Rights have provided advice to the Constitutional Court and were active in developing the National Human Rights Action

Plan. ADPET and LADOM worked with the Central Election Commission (CEC) and had a significant role in improving many aspects of the election process. During the election, Coalition 2005 advised the government on its new Media Concept, a guide for how the media was to

cover the elections. The relationship between NGOs and the central government is slowly becoming less adversarial, even as some organizations press the government to accept political, economic, and human rights reforms.

SERVICE PROVISION: 4.5

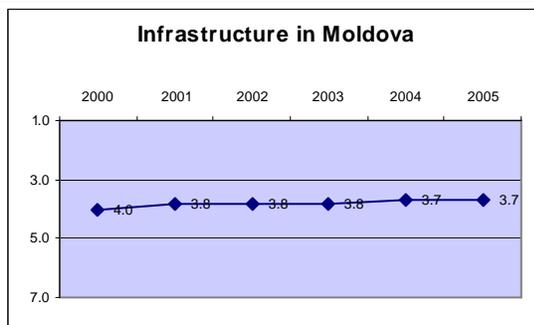


NGOs generally offer a wide variety of services in many different fields. The Contact Center reports that approximately 11% of service organizations work in the area of health; 10% focus on art, research and cultural issues; 10% promote sports; 6% provide social services; 5% are involved in environmental protection; and 3% are in media. While NGOs generally respond to the needs of their constituents, those needs are generally identified by foreign donors in an unsystematic manner. As NGOs

focus more on fee - based services, generating an income, and local financial support, they have become more aware of their markets.

Many organizations recognize the need to charge fees for their services and products such as publications and workshops, though few are ever able to recover their costs. A small number of NGOs, including the Center for Non-Commercial Law, Association of Independent Press, the UniAgro Project, and the Association of Professional Accountants and Auditors, offer fee-based services that comprise a substantial portion of their annual budgets. Otherwise, the ability for most NGOs to charge a fee is limited by the number of potential clients that are able to pay. Though the government is increasingly recognizing NGO service-providers, support is still limited. NGO social programs and policy development activities, however, do receive government funding.

INFRASTRUCTURE: 3.7



Over the past year, NGOs have demonstrated the ability to collaborate in realizing important common goals. Coalition 2005 was successful in mobilizing and coordinating the activities of 200 NGOs across the country. As a result, the NGO sector as a whole earned significant credibility with the public and established a role for itself in society and in the decision making

process. The NGO sector now must demonstrate its ability to capitalize on these successes.

The NGO sector enjoys access to a large network of NGO resource centers that offer a broad range of training, information, consultations, and technical services. The Contact Center's network of resource centers assists NGOs from a variety of fields. In an effort to broaden the Center's local support, the Center's long-term strategy requires that its individual resource centers raise funds locally rather than rely on funds from the parent organization. In the short-term, this plan has created some stress and instability in the network, but it is considered necessary to build sustainability and responsiveness to local communities. CREDO, another network of

resource centers, provides training and 187 different services aimed at strengthening the institutional and organizational capacities of human rights organizations. The Independent Journalism Center (IJC) provides programs, training, information and technical resources, and other specialized services targeted to media organizations, journalists, and students. Other resource centers work with NGOs in environmental protection, youth services, and education.

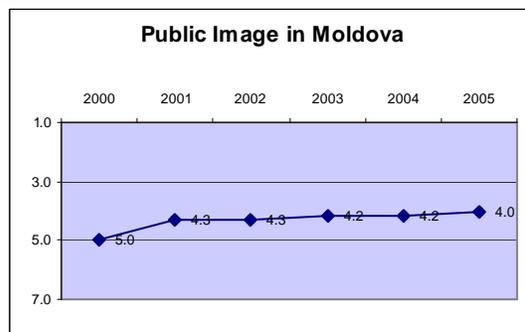
Moldova does not yet have any community foundations or local grant making institutions,

PUBLIC IMAGE: 4.0

With Coalition 2005's success, NGOs have enjoyed a higher profile, greater visibility and credibility, and positive media coverage at the local and national levels. Euro-TV, Vocea Besarabiei, and Tele-Radio Moldova have developed programming that focuses on NGOs and civil society. Numerous NGO representatives have become regular features of public affair talk shows and even appear on Moldova I television.

One issue that NGOs still have to address is their inability to protect their intellectual property. According to the Center for Non-Commercial Law, the legal system provides a copyright protection mechanism, but NGOs have been unable to protect their materials from being used for commercial ends without their permission. NGOs, especially the smaller less-developed organizations, continue to have difficulties drafting their annual reports, contributing to the lack of transparency.

though a group of organizations has started to re-grant funds from international donors. The Contact Center for example, has a re-granting program for community development. The National Center for Child Abuse Prevention uses its grant program to encourage partnerships between NGOs and local governments. The Mostenitorii, a youth organization, provides grants for developing entrepreneurial and vocational skills among the country's youth.



An NGO Code of Ethics has been a topic of the past two National NGO Forums. In 2002, NGOs at the Forum drafted a Code of Ethics that organizations could choose to adopt. In 2003, participants at the Forum urged the NGO sector to amend the Code of Ethics so that it would apply to the entire sector. To date, the NGO sector has not yet adopted a formal Code of Ethics.