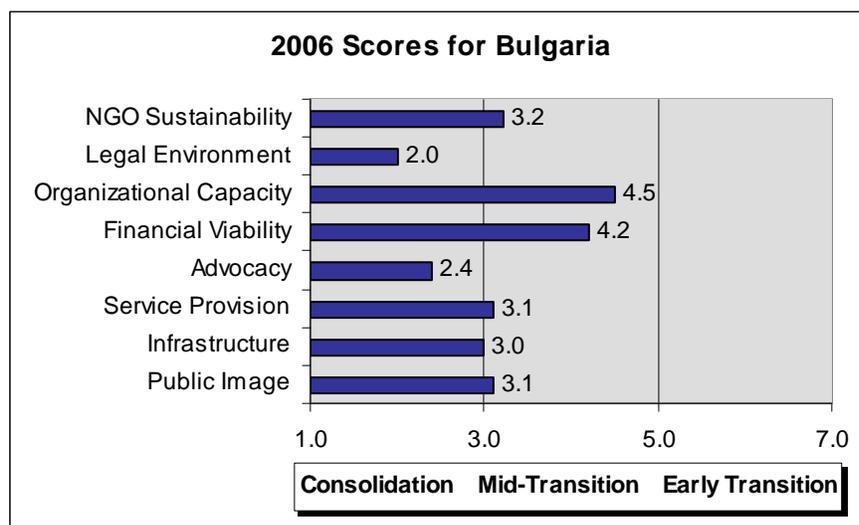


Bulgaria



Capital: Sofia

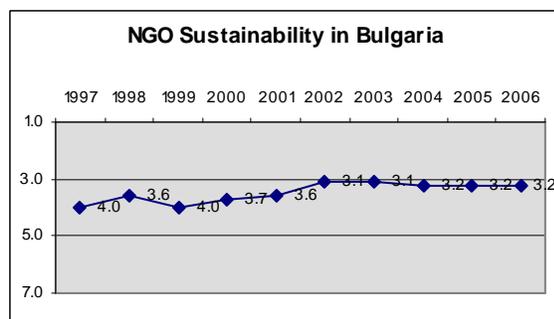
Polity: Parliamentary democracy

Population:
7,385,367

GDP per capita (PPP): \$10,400

NGO SUSTAINABILITY: 3.2

In 2006, 27,000 non-profit organizations were registered in Bulgaria; 2,500 of these NGOs are active and 1,000 were also registered as Public Benefit Organizations. This year NGOs surfaced as strong, reputable providers of specialized technical assistance for the central, regional, and local governments. They also provided technical assistance for social service providers and the public. The increased capacity of NGOs made them welcomed partners in developing and implementing legislative reforms, as well as national and local policies. In 2006, NGOs played an important role in a few wide-scale advocacy campaigns.



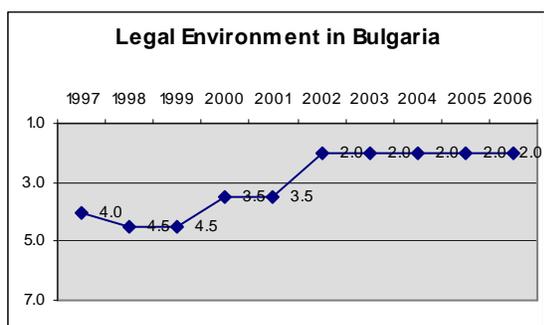
The improved legal environment is largely due to NGO participation and lobbying efforts and

the increase in inter-sectoral partnerships, which are both making the restructuring of civil society in preparation of the decrease in donor funding smoother. NGOs must now depend on local financing and more importantly on their own income or European revenue that is distributed by the Bulgarian government. The change in funding sources has caused instability in many NGOs, especially those that focus on advocacy. Some organizations are reducing their level of activities, while others are making efforts to adopt new profiles or the necessary changes to begin providing technical assistance or social services. The transformation has been difficult for many NGOs and they perceive it as an identity crisis. Some NGOs that have worked with American and European donors in past years are exasperated with having to deal with the bureaucratic procedures of the State, which is now distributing funds and providing contracts.

Despite the positive changes in the Legal Environment, Service Provision, and Advocacy dimensions, Bulgarian NGOs remain weak in the Organizational Capacity and Financial Viability dimensions, which are both key to overall sustainability.

LEGAL ENVIRONMENT: 2.0

The legal environment for NGOs evolved over the past year due primarily to legal amendments that lay the groundwork for further improvements. The process for registering a new organization does not pose any barriers. Administrative reforms that merged the Bulstat with the Central Tax administration provide “one-stop shopping” registration of new NGOs, which further alleviates registration delays. As the court employees responsible for processing registration applications become more competent, they are able to review applications more efficiently and complaints of delays have become rare.



Over-regulation of governance, scope of activities, and financial accountability by the State are no longer barriers for NGOs. In 2006, the central government eliminated some of the bureaucracy concerning NGO operations including inscription in the Public Registry and the rule for organizing a general meeting of NGOs. The NGO sector considers the increased regulation for those offering social services such as education, health care, child services and others as positive steps that will benefit the sector.

NGOs also consider as a positive measure the new corporate governance regulations that

ORGANIZATIONAL CAPACITY: 4.5

The organizational capacity of most NGOs remained low in 2006, and the number of organizations that operate without a clear

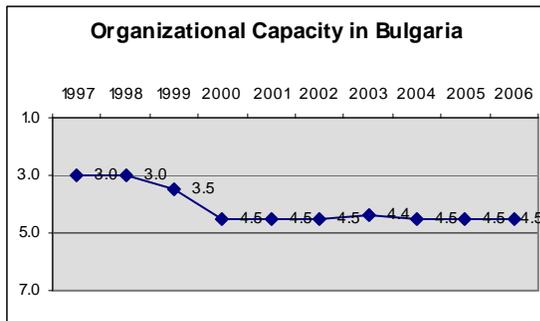
apply to NGOs receiving more than BGN 50,000 (US \$ 33,999) in support from the EU or government. Bulgarian legislation also guarantees NGOs an equal opportunity to participate in procurement of public contracts. The legal framework, however, continues to prohibit NGOs from providing healthcare services, permitting only for-profit or government entities to do so. NGOs grew increasingly concerned over the past year about government regulations that require a minimum for financial turnover in order for NGOs to qualify for larger government contracts. Some of these minimum requirements are so high that they preclude Bulgarian NGOs and limit competition to domestic corporations or international NGOs.

The legal framework contains safeguards that protect NGOs against political or administrative pressures. NGOs frequently exercise their rights to criticize or file law suits against government institutions without direct repercussion. The laws do not, however, protect NGOs against indirect government pressures; an organization that criticizes the government may, for example, be passed over for a contract in favor of others.

The tax exemptions and benefits allowed NGOs and their donors remain unchanged. The Bulgarian Center for Not-for-Profit Law (BCNL) and its network of advisory centers has increased the legal community’s level of knowledge of NGO issues and improved the level of services available. The number of attorneys trained in NGO law has also increased and one of Bulgaria’s leading universities created a Master’s Degree course in not-for-profit law.

mission or strategic plan increased. Other NGOs readily gave up on their stated missions and failed to identify new ones. Donors that provided significant support to NGOs in the

1990s and promoted organizational capacity are withdrawing their support. The funding vacuum they are leaving is being filled by state entities, which are generally unwilling to provide funding to support organizational capacity building. Government entities, rather, view NGOs as project implementers for EU-funded projects. Most new NGOs are created ad hoc to compete for government contracts and lack mission statements and strategic goals. Their only purpose is to access government funding and execute the related activities.



The majority of NGOs lacks a clear management structure that delineates responsibilities and provides job descriptions, which hinders their development. Other than the approximately one-hundred leading organizations that cooperate with foreign donors, the average Bulgarian NGO is unable to guarantee high standards of transparency and accountability. For-profit entities are far more advanced with regards to financial management, giving them a competitive edge over not-for-profit organizations.

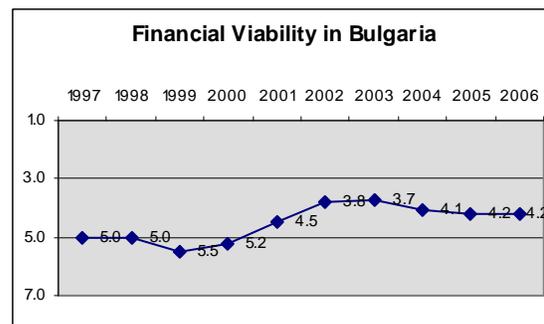
FINANCIAL VIABILITY: 4.2

The level of financial resources available to NGOs increased over the past year, though the sector's overall viability remains relatively low. The Financial Viability dimension experienced numerous developments in 2006. The government increased its support of NGOs and even provided small line-items in the state budget. In addition, the government increased its demand for technical assistance and delegated a broader variety of services to NGOs.

The number of full-time staff employed by NGOs remains unchanged; the number of temporary staff, however, rose in 2006 due to greater involvement in technical assistance projects. NGOs have a greater capacity for engaging academic professionals in their implementation of specific projects. They are concerned, however, about the large number of experienced professionals that are leaving domestic NGOs for jobs in the government or for-profit sectors or with international NGOs. With few exceptions, NGOs are unable to secure support and assistance from those that benefit from their projects and activities. Those rare exceptions are limited to short-term projects or the result of government pressure. Similarly, volunteerism remains underutilized, even by the leading NGOs.

NGOs generally have the same technical resources that they had last year. As the technical resources that for-profit and government entities have increased, NGOs are even farther behind than they were in the past. To compensate, NGOs are making efforts to partner with their peers and for-profit entities rather than investing their limited resources in buying new equipment.

In summary, NGOs are slowly adjusting to the new donor environment. In the process, they have lost some of their strategic capacity, but acquired other tactical skills.



Finally, a growing number of municipal governments allocated resources to support NGO activities. These positive trends, however, only partially negate the effects of the decrease of foreign funding, and overall NGOs remain unable to improve their financial viability.

Only a few organizations have funding from a broad variety of sources. The business sector is increasingly open to providing charitable support; it prefers to donate directly to the beneficiaries, however, and not to NGOs or private foundations, which have grown in number. This year, a coalition of NGOs and members of the media raised funds for specific charities, though the funding did not affect the organizations' short-term viability. NGOs had the greatest success generating income through economic activities. Organizations that

specialize in providing technical assistance increased their customer bases within the government, local authorities, and business community.

Like last year, less than 100 NGOs have stable financial management systems. The majority of NGOs has difficulty accessing expert financial and accounting services or independent auditors. NGOs also face higher rent and maintenance fees for their offices, as well as other commissioned services. These expenses, combined with their unstable incomes, contribute to the weak financial conditions of most NGOs. The level of financial viability remains steady due to volunteerism and the ability of NGOs to engage in economic activities.

ADVOCACY: 2.4

Despite the unstable Organizational Capacity and Financial Viability dimensions, advocacy organizations experienced numerous positive developments in 2006. NGOs are strengthening their partnerships with central and local government agencies to develop and implement public policy. The public advisory councils within most ministries include NGO representatives in their decision-making processes, and the Parliament seeks out NGO expertise when drafting legislation or amendments.



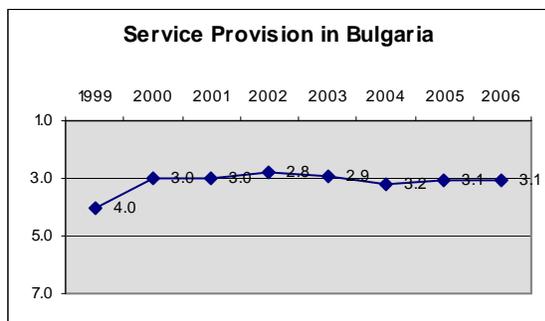
Over the past year, NGO coalitions have executed numerous national and local advocacy campaigns; they include several anti-corruption

campaigns; Greenwatch and other environmental awareness campaigns concerning Sofia, Stara Zagora and Irakli Beach; child-protection campaigns; and projects to prepare Bulgarians for EU accession. In most of these efforts, NGOs demonstrated their improved communication skills by collaborating with the media and informal civil associations. Consumer groups, employers, and professional unions also engaged in more advocacy efforts throughout the year. While the majority of NGOs continues to view political lobbying with some caution and disbelief, this was a breakthrough year with substantial lobbying successes. The improved legal environment is a direct result of these lobbying efforts. The combination of lobbying, civil pressure, and expert assistance by NGOs, for example, was instrumental in the Parliament's adopting of anti-corruption legal reforms.

Despite these examples, NGOs are insufficiently proactive in advocating for broader public interests. More media and civic initiatives were launched as quasi-political parties. GERB, for example, was created as a political party but functions throughout the year as an advocacy organization promoting specific policies. Such

organizations will likely lead to even greater NGO activity.

SERVICE PROVISION: 3.1



NGOs are expanding the variety of goods and services that they provide, which stimulates their capacity as service providers. In 2006, NGO reinforced their market position as providers of advocacy, information, public relations, social, and education services. NGO clientele grew to include important government institutions, local governments, international agencies, and the media. For-profit businesses increasingly chose NGOs to provide services, which helped to improve the Service Provision dimension. In response to market demands,

NGOs are increasingly specialized; they are augmenting their portfolios of goods and services, as well as acquiring new marketing skills. In most cases, NGOs compete with for-profit entities and remain competitive. NGOs are unable to gain an edge in public services markets such as health, housing, water, and electricity supply.

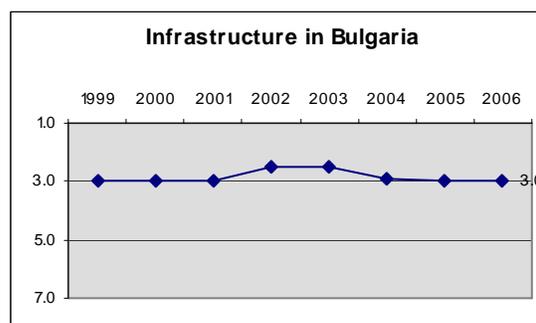
NGOs place the greatest priority on the services and products that they offer for a fee, because these are often their main sources of income. NGOs, however, offer many social services, publications, and trainings to their members, supporters, beneficiaries, and vulnerable population for fees that are often far below market prices. Officials from the central and local government are increasingly aware of the value that NGOs add to the provision of public services. As a result, they often seek out NGO participation and subsidize their activities. This mutually beneficial relationship is limited solely by the inadequate legal framework.

INFRASTRUCTURE: 3.0

Though the Infrastructure dimension was marked by both positive and negative trends, the positive outweigh the negative. The role that ISOs and local NGO resource centers play continues to decrease as foreign donors withdraw their funding. Support from local foundations is practically nonexistent and remains insufficient to replace the funding that international donors once provided.

The NGO sector is in a state of crisis concerning the formation of long-term, sustainable networks and coalitions. NGOs lack an organization or committee to represent and advocate for the sector's interests. The sector did not make another attempt to form a Public Council of NGO Representatives to address the Parliament as they have in the past,

in part because past attempts were not completely successful.



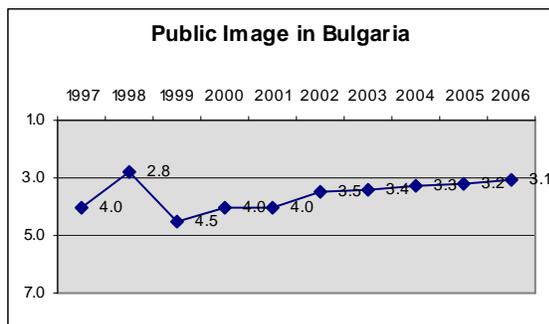
Use of the internet is expanding for many NGOs and serves as an important medium for exchanging information and experiences, providing consultations, and conducting research. This year, general and specialized training opportunities increased as a larger

number of high-schools, NGOs, and consultants offer more services. There is no indication that the sector's needs have increased, indicating that supply exceeds demand. The provision of specialized legal, accounting, financial, and other services improved over the past year, though

the majority of NGOs is unable to afford them. The most positive trends concerning NGO infrastructure are related to inter-sector partnerships with the media, public authorities, and the business community.

PUBLIC IMAGE: 3.1

The media coverage of NGOs and their activities provided a rather positive image of the sector this year. This is the result of an increasingly strong NGO-media partnership and the higher level of professionalism with regards to public relations. NGOs were also able to attract media attention and earn the public's trust by engaging in several good causes of high priority.



Scandals concerning the Bulgarian Red Cross and NGO financing within the EU Accession Communication Strategy by the Foreign Office

in 2005 undermined the public's trust of the sector. The government and business community, however, have more positive perceptions of NGOs, as demonstrated by improved inter-sectoral partnerships. The stronger inter-sectoral partnerships are largely the result of EU-accession funds available to NGOs that partner with business and government partners. All of the large projects implemented by NGOs over the past year included partnerships with government or private sector stakeholders. In addition, local government began providing NGOs with contracts for social services, which allowed NGOs to improve their public image with government officials and local communities.

The NGO sector failed to adopt a common code of ethics, despite an initiative launched this year. Similarly, the call for increased transparency and self-regulation went unrecognized by NGOs, which seemed unwilling and unprepared to initiate any effort in this direction.