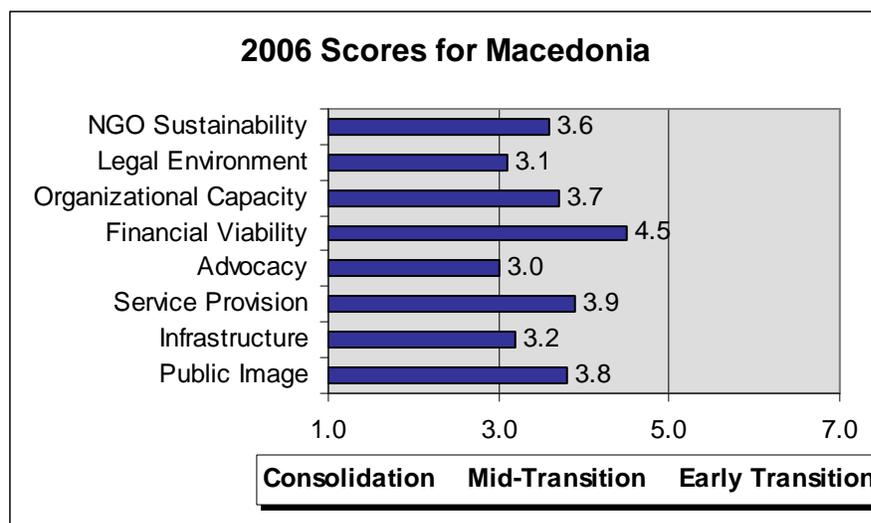


Macedonia



Capital: Skopje

Polity: Parliamentary democracy

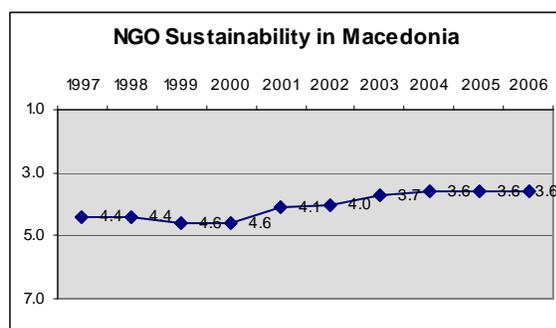
Population: 2,050,554

GDP per capita (PPP): \$8,200

NGO SUSTAINABILITY: 3.6

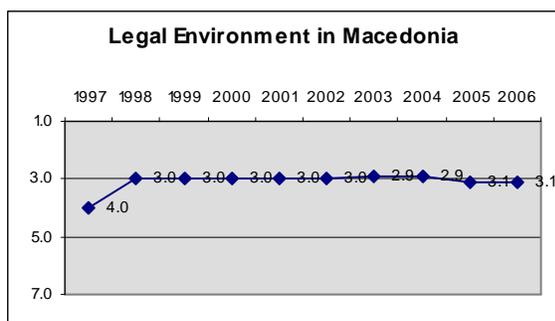
Two of the key developments in 2006 include Macedonia's attaining European Union candidate status, and the change of government following the July parliamentary elections. Receiving EU candidate status is the first step towards EU integration. In the coming years, civil society will have an active role to play in assisting Macedonia to meet many of the preconditions for accession talks, including strengthened rule of law, police and judiciary, as well as anti-corruption measures. One of the first conditions for EU accession was met when Macedonia held free and fair parliamentary elections in July 2006. The NGO sector played an important role in ensuring the success of these elections through election monitoring and voter education activities.

Despite these events, Macedonian civil society did not experience any profound changes in 2006. The number of registered NGOs increased to approximately 6,000, 5% of which are considered active. The Legal Environment dimension had both positive and negative developments. While the government has yet to approve amendments to the Law on Citizens Associations and Foundations, a group of parliamentarians and NGOs introduced a new Law on Donations and Sponsorships, which would for the first time permit a tax deduction for charitable contributions. The Public Image dimension experienced a setback as public opinion of NGOs dropped. An annual survey commissioned by USAID found that 45.3% of the population trusts NGOs, down 4.7% since 2005; similarly, 41.9% are of the opinion that NGOs are effective in solving the country's problems, down 7.3% since 2005. Other dimensions, including Organizational Capacity, Advocacy and Service Provision, experienced modest improvements. The Financial Viability dimension remains the weakest due to the weak economy, among other factors.



LEGAL ENVIRONMENT: 3.1

Over the past year, the government approved numerous changes to the legal framework governing NGOs. The impact will not be fully understood until these changes are implemented in the coming year, so the Legal Environment score remains unchanged. Following an initiative led by members of Parliament, NGOs, and the business community, the government approved a new Law on Donations and Sponsorship in April 2006. The law, which went into effect January 1, 2007, permits individuals and legal entities to take tax deductions for charitable donations, and allows public interest associations and foundations to receive tax deductible donations. The legal framework, however, lacks a mechanism for granting public benefit status and it is unclear whether any organizations will be able to receive tax deductible donations. Further clarification on this and other provisions of the new Law are needed in order for it to have a positive impact on the sector. The Ministry of Finance and Justice are responsible for enacting implementing regulations in the coming year. Overall, NGO representatives consider the new Law a positive step towards a legal environment that is more conducive to individual and corporate philanthropy.



A working group led by the Ministry of Justice drafted amendments to the Law on Citizens Associations and Foundations that define public benefit status and address other legal obstacles to NGO sustainability. The government considered the amendments, but failed to

approve them before the 2006 elections. If approved, the amendments would have created the mechanisms necessary to grant public benefit status to qualifying organizations and allow them to engage in economic activities related to their missions. They would have also permitted legal entities and foreigners to form associations, as well as enable associations and foundations to operate internationally. It is uncertain, however, whether the government has the political will to adopt these amendments. In October 2006, government officials submitted another set of amendments to the Law on Citizens Associations and Foundations to Parliament though they did not include the key provisions from the amendments drafted earlier in the year. Instead, the new amendments focus on moving NGO registration from the courts to the Central Register, as well as on NGO governance and dissolution and distribution of property. The amendments will also give the public prosecutor and others the ability to initiate the dissolution process against an NGO if it engages in activities contrary to its statutes, which has caused great concern among NGOs. These new provisions and the fact that they were introduced without consulting NGO representatives led NGOs to mistrust the new government. In response to the new amendments, a coalition of more than 50 NGOs lobbied the government to prevent their passage and encouraged it to reconsider the amendments proposed before the July elections.

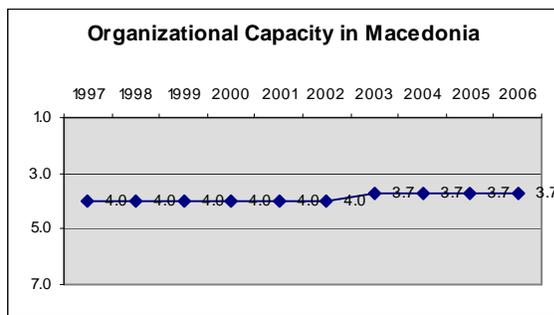
The Ministry of Labor and Social Policy recently began preparing a new Law on Volunteerism. NGOs are lobbying the Ministry to allow them a greater role in the drafting process, though it is unclear whether they will be successful. The registration process and legal services available to the NGO sector remain unchanged, and there is no evidence that the State harassed or attempted to control NGOs. Organizations are free to criticize the government and debate policy matters, and often do so in the media and other public forums.

Macedonian NGOs do not yet receive tax benefits, though the legal framework for private giving and tax benefits for donors will be in place once the Law on Donations and Sponsorship is put into affect in January 2007. The law requires that an organization register separately as a limited liability corporation to

engage in economic activities, and its income is taxed the same as the income of for-profit entities. Despite this requirement, the number of NGOs earning income by providing goods and services has increased over the past year.

ORGANIZATIONAL CAPACITY: 3.7

Between 30 and 50 organizations, a small but growing number, are considered professional with paid staff, clear divisions between their boards and management, sound financial and management practices, and strategic plans that they implement. These NGOs understand the consequences of the withdrawal of foreign donors and are making necessary adjustments. Most of them also publish their financial and annual reports, and make serious efforts to develop constituencies.



The vast majority of organizations, however, are less developed with regard to organizational capacity. Many NGOs have strong financial management practices and strategic plans, but

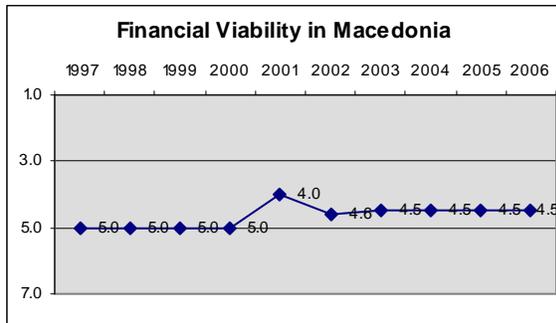
struggle to implement their strategic plans. Most do not have a permanent, paid staff; rather, they hire on a case by case basis. NGOs are generally unable to recruit or make full use of volunteers, and lack the capacity to engage their constituencies, which they could recruit as volunteers.

NGOs increasingly understand the need to define clearly the different responsibilities of their management and governing bodies. Their ability to do so, however, generally depends on whether they have permanent staff. The European Agency for Reconstruction provides training to improve governance and the use of boards of directors, though NGOs continue to lack the capacities and skills necessary for defining and carrying out the responsibilities of their governing boards. The majority of NGOs has basic information technology and the ability to use it, and donors have initiated efforts to support technological advancement. In 2006, the Danish Refugee Council and the European Agency for Reconstruction provided a large number of computers to support NGO network programs.

FINANCIAL VIABILITY: 4.5

As in previous years, the Financial Viability dimension is the weakest and presents the most significant obstacle to NGO sustainability. The official unemployment rate remains high at 37% and economic growth is low, making it more difficult for NGOs to raise funds at the local level. NGOs continue to depend primarily upon grants from the international donor community. An encouraging study on philanthropy commissioned by USAID's Civil Society Strengthening Project (CSSP) found that

some NGOs are increasingly skilled at identifying and soliciting domestic support. Of those surveyed, 70% made donations to support their community needs. NGOs, however, are rarely the beneficiaries of these donations because they lack fundraising skills. In addition, 76% reported that they have never been asked for a donation by an NGO, though 49% expressed a willingness to make a donation if asked.



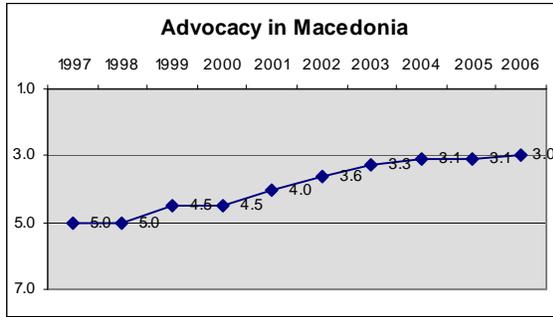
As the international community decreases its support, NGOs are seeking more domestic funds, and those that used to rely on foreign funding are taking steps to build their fundraising skills and strategies. Antiko, a coalition of women’s organizations, for example, raised money for a women’s shelter by hosting a silent auction, while the Students Union of Skopje organized a concert to collect money for new student dormitories. NGOs generally consider fundraising as a way to raise money for a specific cause but fail to consider it a mechanism for funding their operational costs and sustaining their activities, though this is changing slowly. Though NGOs receive in-kind contributions from various sources, including local governments, public enterprises, and businesses, they often overlook them as potential supporters.

ADVOCACY: 3.0

Over the past year, the NGO sector increased its ability to carry out advocacy and lobbying activities, as well as cooperate with local and central governments. The Government Unit for Cooperation with the NGO sector is now operational and drafting the Strategy for Cooperation with the Sector (2007-2011), as well as an accompanying Action Plan for Implementation of the Strategy. NGOs participated in public discussions to identify the priorities for the Strategy and other elements of its preparation. Similarly, parliamentary committees include NGOs in their legislative deliberations with greater frequency and call upon NGO representatives to provide their expertise. Since the July 2006 elections, NGOs have been cultivating relationships with the new

The most active and developed organizations have sound administrations and financial management systems. Few NGOs, however, commission independent financial audits or publish annual reports due to the cost. Organizations collected more membership fees over the past year, though they account for only a small proportion of overall revenue. NGO consultancy services also increased, though they are uncommon due to the lack of skills and the legal framework that prohibits NGOs from engaging in economic activities. Despite these prohibitions, both local and central governments, including the Ministries of Education, Environment, Labor and Social Policy, and Interior, contract with NGOs for services, primarily for trainings and or other community services. The Center for Institutional Development (CIRa), for example, earned almost 9% of its revenue last year by contracting with government entities. A few of the 12 NGO Resource Centers supported by European Agency for Reconstruction, the Swiss Development Agency, and the Foundation Open Society Institute-Macedonia provide services for fees as part of their strategy towards becoming self-sustaining.

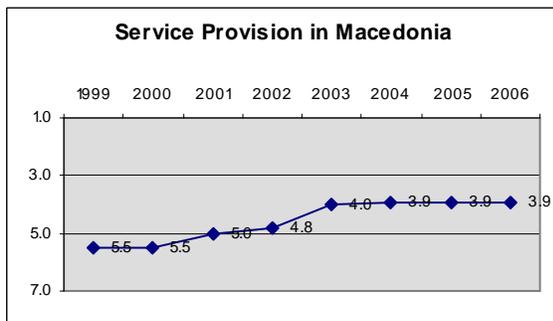
government officials and parliamentarians. In addition, NGOs are building more cooperative relationships with local governments, and the majority of mayors understand the need to partner with the NGO sector. The mayors of Bitola and Prilep have even created NGO liaison positions to coordinate with activities between NGOs and the municipal government.



NGOs engaged in numerous advocacy efforts, and had positive, collaborative partnerships with government officials over the past year. The Consumer's Union is working with municipalities to implement the new Law on Consumer Protection, which requires them to establish local consumer protection councils. The Consumer's Union assisted six municipalities to comply with the new law and establish their consumer protection councils. In another example, NGOs lobbied government officials as they prepared the Law on Donations and Sponsorships, which was approved in April

2006. NGOs also demonstrated greater initiative by coordinating a response to the government's proposed amendments to the Law on Citizen's Associations and Foundations to the Parliament in October. Polio Plus – Movement Against Disability organized an advocacy and lobbying campaign to gather the 18,000 signatures necessary to introduce a new Law for the Protection of the Rights and Dignity of People with Disabilities; the Law is making its way through the legislative process. The Federation of Farmers successfully lobbied the newly elected government to reduce the VAT requirement for agricultural materials related to crop production. The VAT reforms went into effect at the beginning at October 2006. The Federation plans to continue to advocate for VAT relief for products related to animal breeding. The Youth Coalition Sega partnered with the Agency for Youth and Sport to prepare a National Strategy on Youth; they are now working together to ensure that the Strategy is implemented.

SERVICE PROVISION: 3.9



NGOs seem to be providing more services. As donor funding decreases, more NGOs are considering what kind of services they can provide to support their operations, which has led to a greater variety and increased quality of services offered. Macedonia's 12 NGO resource centers are expected to increase the services they provide to achieve greater sustainability and transition away from their reliance on international donors. Currently, NGOs provide services in the areas of health and education, legal assistance for the socially

disadvantaged, support for victims of violence and trafficking, and other social services. ESE, for example, is providing extensive research on the status of services for victims of violence, including the victims' survey of their satisfaction with the services offered. ESE is also partnering with the Ministry of Labor and Social Policy to create standards for services offered to victims that would apply to both NGOs and government institutions.

Macedonian NGOs, including HOPS, HERA, MIA, and Doverba, received grants from the UN Global Fund for HIV/AIDS to offer services related to the prevention of HIV/AIDS and drug abuse, as well as education about sexually transmitted diseases. NGOs are also providing HIV/AIDS testing as well as related physical therapy and psychological counseling for AIDS patients.

The government is the largest potential market for NGO services providers, and officials increasingly understand NGOs and the value of

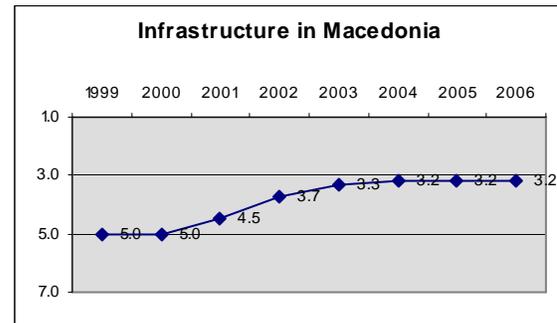
their services. As in previous years, NGOs still have difficulties recovering the cost of providing services. Beneficiaries of NGO services are

either unable to pay for the services they receive, or believe that they ought to be provided for free or a reduced price.

INFRASTRUCTURE: 3.2

The number of resource centers and ISOs in Macedonia is appropriate for the number of NGOs. The twelve NGO resource centers, which were opened to provide services in both the rural and underdeveloped regions, are overcoming their dependency on foreign donors and improve their financial sustainability. Some resource centers are considering becoming foundations, while others are looking to become service providers. These resource centers have had a significant impact on the communities where they operate and motivated grassroots NGO activities; their survival is vital for Macedonian civil society. Other NGOs are serving as ISOs; the Macedonian Center for International Cooperation and the Foundation Open Society Institute Macedonia provide NGOs with training and technical assistance, and re-grant foreign funds. The Youth Cultural Center from Bitola provides technical assistance and training on volunteer management and leadership for NGOs in five towns. CIRa offers NGOs technical assistance and training on a variety of topics, and opened a resource center in Skopje. The infrastructure for re-granting foreign funds is weak. Under USAID's CSSP, four grantees are offering grants to local

organizations to support partnership initiatives.



NGOs formed numerous coalitions around a variety of issues. The Macedonian Network for Harm Reduction is combating drug abuse and HIV/AIDS and All For Fair Trials monitors court proceedings. MOST is the prominent election monitoring organization and the Roma NGO Coalition is dedicated to the Decade of the Roma. SEGA and other coalitions focus on women's rights issues.

NGOs have access to trainings and materials in the local language. Local trainers offer training in advanced topics, though there remains a need for expansion of specialized courses on topics such as monitoring and evaluation.

PUBLIC IMAGE: 3.8

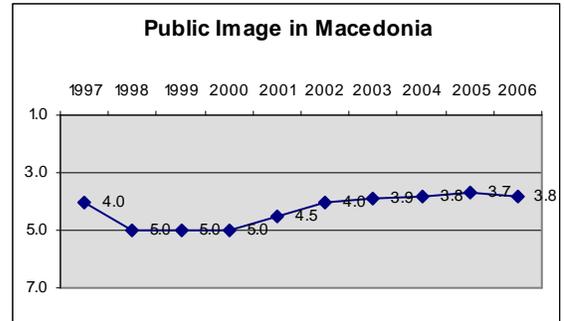
The Public Image dimension is the most controversial dimension of 2006. Despite numerous positive developments, one isolated but well-publicized incident negatively affected the public's opinion of the NGO sector. In October 2006, the Macedonian chapter of Transparency International was closed following a public dispute over who would be its next president. The argument dominated the news for weeks, fueling a series of negative reports that adversely affected the entire sector's public image. Many believe the incident was used to launch an organized attack against the NGO

sector. The negative publicity was evident in the annual survey conducted in September 2006 and commissioned by USAID.

Other than this one event, most media coverage involving NGOs was positive. The media, for example, covered the Polio Plus – Movement against Disability campaign to gather enough signatures to allow introduction of a draft Law on the Protection of the Rights and Dignity of People with Disabilities to the Parliament. The media also provided positive coverage of MOST's efforts to monitor the parliamentary elections, and the Women's

Lobby Group's efforts to amend the election law to increase the number of women on the list of candidates for Parliament. Most recently, the media provided comprehensive coverage of the efforts to amend the Law on Citizens' Associations and Foundations, which included a discussion of the content of the proposed amendments and an overview of the past efforts and recent developments.

As in the past, national media focused on political issues and events in the capital, while local media provided coverage of local issues associated with the NGO sector. The cost of media coverage is an obstacle for NGOs. In most cases, NGOs are treated like any other client and have to pay market prices for advertising or public service announcements. Overall, the cooperation between NGOs and the media is satisfactory. Increasingly, NGOs have better relationships with government officials than for-profit companies. As a result, local and national governments increasingly rely on NGOs for credible information and expertise rather than for-profit entities.



Though codes of conduct are not prevalent, some NGOs are beginning to use them. The Civic Platform, a network of 30 organizations, is developing a code of conduct for its members, which it will make available to the entire sector once it is complete. The Platform is currently conducting a comparative analysis of the experiences that NGOs in other countries have had with codes of conducts. The next stage in developing the code of conduct will involve creating mechanisms for implementation and monitoring its use.