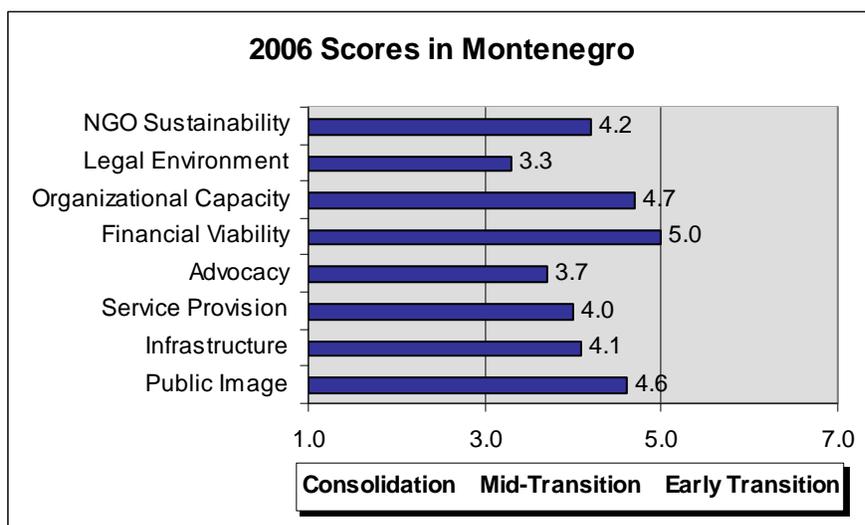


## Montenegro



**Capital:** Podgorica

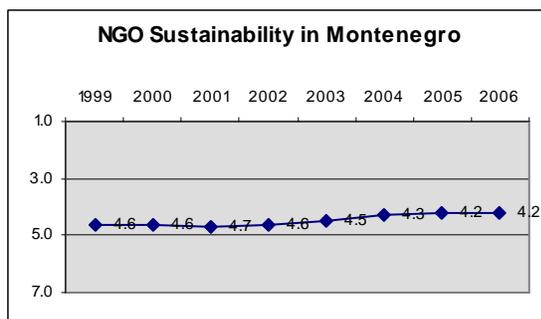
**Polity:**  
Parliamentary  
democracy

**Population:**  
630,548 (2004)

**GDP per capita  
(PPP):** \$3,800 (2005)

### NGO SUSTAINABILITY: 4.2

The overall NGO Sustainability score did not change over the past year. In one of the most politically significant years in Montenegrin history, civil society has advanced in some areas and experienced setbacks in others. The NGO community was able to remain politically impartial during the May referendum and September parliamentary and local elections, which demonstrated an extraordinary maturity. During the elections, NGOs limited their involvement to monitoring the transparency of the referendum and elections.



The NGO Group for Change, however, created the political party Movement for Change, which blurred the lines between the NGO and political sectors and called into question the

credibility and objectivity of the entire NGO community. In addition, the Independence and Union Movements, both political initiatives, registered as NGOs before the referendum in order to facilitate funding and private donations. This did little to assuage the public's view that NGOs are political opportunists. NGO advocacy efforts were similarly upset this year by the actions of a few political interests groups masked as NGOs.

The legal framework regulating NGOs continues to provide simple registration procedures and allows NGOs to operate free of state control. It lacks, however, clear operating or financial management guidelines, allowing a large number of businesses and cafes to register as NGOs, harming the sector's public image. If adopted, pending reforms will prevent businesses from abusing the tax-exempt status of NGOs.

NGOs interested in self-regulation, long-term sustainability, and stronger relationships with the government formed a 21-member coalition called Together Towards the Goal. The coalition already has first drafts of a National NGO Code of Conduct, new regulations that reform the system of public financing of NGOs,

and a memorandum of understanding between the government and NGO sector. Final drafts of all these documents were presented at the National NGO Conference along with public education campaigns to explain their objectives. These documents form the National NGO Strategy for Civil Sector Development.

A number of active and professional organizations have adopted clear organizational structures, financial accounting systems, and governing bodies, though this is not a widespread trend. The division between the small number of large, professional NGOs with adequate funding and the large number of small,

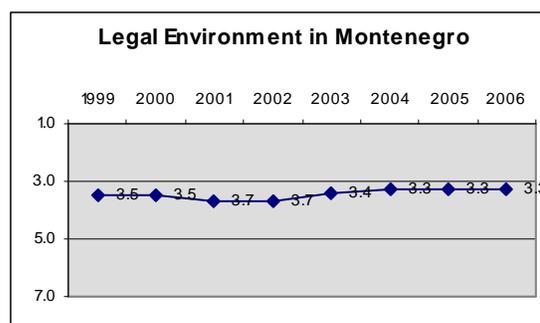
under-funded NGOs with poor organizational and financial management skills is growing. In 2006, the government did not release any grants to NGOs through the Parliament Grants Commission. This is primarily the result of the political tensions surrounding the referendum and elections, as well as the poor management by the Parliament. Similarly, the government has collected millions of Euros in lottery proceeds since the Lottery Law was first adopted two years ago, but no funds have been allocated to humanitarian and social programs as required by law.

### LEGAL ENVIRONMENT: 3.3

The 1999 NGO Law continues to ensure simple registration procedures and permits NGOs to operate free of State control or threat of political or arbitrary dissolution. The law fails, however, to provide clear guidelines for NGO operations, financial transparency, and governance. While the regulations provide an informal and unrestrictive atmosphere for NGOs, it permits hundreds of businesses and cafes to register as NGOs, detracting from the good works of the smaller, genuine NGOs. The USAID/ORT funded efforts to reform the NGO law resulted in an amendment to the NGO law that will end the abuse of the tax-exemptions for economic activities. The Ministry of Justice recommended that the Parliament approve the amendment, which is still pending.

The Ministry of Justice does not adequately regulate the registration process and fails to differentiate between legitimate and illegitimate organizations. In one example, the state failed to recognize the registration of 20 different organizations in one day by one group of people as an attempt to support their nomination of an NGO representative to the Council of Public Broadcasting. Government officials also fail to provide organizations that wish to comply with organizational, financial and tax regulations with support and guidance, which discourages genuine NGOs from complying.

Only a small number of attorneys are specialized in NGO law and able to offer relevant legal services. Three NGOs try to satisfy the need for legal services by providing consultations, though the quality of such services varies greatly. Podgorica offers the most in depth legal services and the other two organizations offer only the most basic assistance with registration.



An NGO is able to earn an income by providing goods and services for a fee, and is exempt from paying taxes on grants and profits under €4,000. The laws regulating NGO economic activities are vague and broad, and government officials and NGOs alike have identified the application of the provisions by the registration and oversight agencies as an area of needed reform. The Parliament is considering reforms that will address the issue.

Under the current legal framework, NGOs enjoy a variety of tax exemptions. Membership dues, donations, and contributions are exempt as long as they are unrelated to the organization's economic activities. NGOs are exempt from paying real estate tax if their property serves their statutory goals; they are also exempt from taxes on dividends. NGOs are also exempt from paying taxes on individual and corporate donations, as well as from the VAT on the services they provide as long as the exemption is not used in a manner to distort market prices. Services of "public interest," including educational, cultural, sports, and religious activities, are all exempt from the VAT. NGOs are required to pay income taxes and social security and pension contributions on the salaries of their staff, which can total almost 100% of the salaries paid. To avoid paying such high tax rates, most NGOs take advantage of the fact that there are no regulations governing

short-term contracts and never register all of their employees.

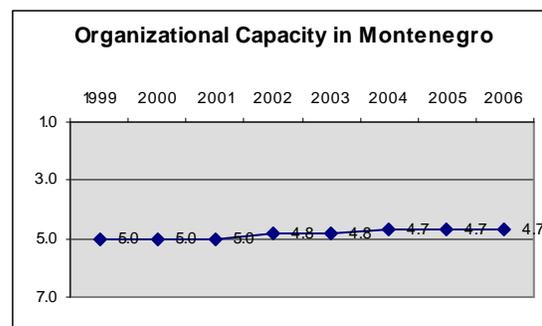
The Procurement Law permits any form of legal entity, including NGOs, to compete for government contracts at both the local and national levels. In 2006, the government did not release any grant funding to local NGOs through the Parliament Grants Commission. This is largely the result of the 2006 referendum and elections, as well as the poor management by the Parliament. Similarly, though the government collected millions of Euros from the lottery since the Lottery Law was passed two years ago, it has yet to distribute any funding to support humanitarian or social service activities. NGOs have made reform of the government's system for distributing grants one of three key points in their ongoing efforts to draft a national NGO strategy.

#### **ORGANIZATIONAL CAPACITY: 4.7**

The divide between the small number of large, well organized, professional organizations and the large number of small, institutionally weak organizations is growing. The larger NGOs have greater organizational capacity and are more capable of edging out small NGOs when competing for the dwindling amounts of donor financing. Such competition ensures that the most capable organizations receive grants. Over the past two years, the European Agency for Reconstruction awarded large grants (€100,000 - 200,000 or US \$133,396 – 266,792) that only the NGOs with the highest levels of organizational development were qualified to manage. In addition, donors that are decreasing their funding are most interested in ensuring positive results in their democracy programs and therefore only investing in NGOs that are able to demonstrate their abilities. Smaller, underdeveloped organizations are viewed more as unnecessary risks than development targets.

Only a small number of NGOs makes an effort to build constituencies; they include those with advanced organizational systems, long histories, and those that understand the importance of

strong constituencies in advocacy. Even among the more developed NGOs, however, it is common to develop activities according to the priorities identified by the donor community and not the needs of their defined constituencies. Montenegrin NGOs are in large part still donor-driven. It remains uncommon for NGOs to have well-defined missions, visions, goals, and objectives. Those that have a strategic plan were most often required to develop one by a donor. Once an organization has gone through the strategic planning process, they generally understand its value.

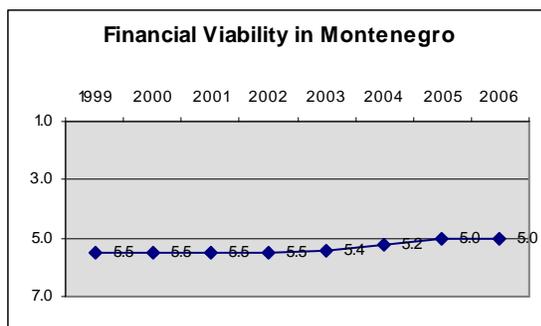


Only a few NGOs have a cadre of permanent, paid staff. Volunteer recruitment is generally

underdeveloped and depends largely on the needs of a specific project. The smaller NGOs depend on professionals that work for the state or private sectors and contribute their time after hours. The Labor Law creates a barrier to volunteerism by only considering “volunteer apprentices,” which are unpaid trainees working to complete a degree in law or medicine.

## FINANCIAL VIABILITY: 5.0

NGOs continue to receive the majority of their financial support from international donors. A small number of large, professional organizations have diversified their income sources to include trainings for fees, the sale of publications and posters, and grants from domestic donors such as the State and local governments. Though the State mishandles the allocation of its funds by approving grants for unworthy NGO activities or only funding part of a proposal, the government has a significant amount of funding to make available to NGOs. One of the goals for the Together Towards the Goal project is to reform the government’s grant distribution system to ensure that a larger amount of funding is made available to NGOs. If the reforms are approved, the funds made available will promote the long-term sustainability of the sector. Another effort to improve the conditions for NGOs is the National NGO Strategy, which will serve the long-term sustainability of the sector.



Both the NGO and the business sectors fail to take full advantage the tax incentives that allow businesses to deduct up to 3% of their income for donations to NGOs. Though individuals are permitted to deduct up to 10% of their income

Generally, only those organizations with access to donor funding have modern office equipment such as computers and software, and internet access. Even the smaller organizations, however, generally have a telephone and fax machine, and at times a computer. Not all areas in northern Montenegro have access to the internet.

for donations to NGOs, they seldom do so. This year, the government proposed that these tax breaks be transformed into a 1% law similar to those in Slovakia and Hungary, in which individuals are able to direct 1% of their taxes paid to NGOs of their choice. A small group of well-organized NGOs dismissed the idea, arguing that while it would likely result in a steady income, there is no guarantee that the government would be any more effective in distributing these funds than it is in managing the current grant programs. In addition, NGOs worry that as in other countries with a 1% law, the government will do away with all other funding programs.

Active and experienced organizations with steady streams of funding from a variety of sources tend to have the most developed financial reporting systems. The majority of NGOs, however, is small and lacks the human resources and capacity to properly manage funding. Only a small number of organizations publish annual reports with financial statements and it is rare for NGOs to undergo independent financial audits.

A small but growing group of NGOs charges fees for goods and services that include translation services, training seminars, calendars, books, design and architecture services, and others. The ability of NGOs to provide such services is limited by the inability of the market to pay. Businesses generally do not contract with NGOs, though government entities at times hire them to provide training for ministry staff and others. The government also provides NGOs with sub-grants available through the Parliament or local governments. Some NGOs have developed membership bases

but they do not yet charge membership fees or offer specific lines of services.

### ADVOCACY: 3.7

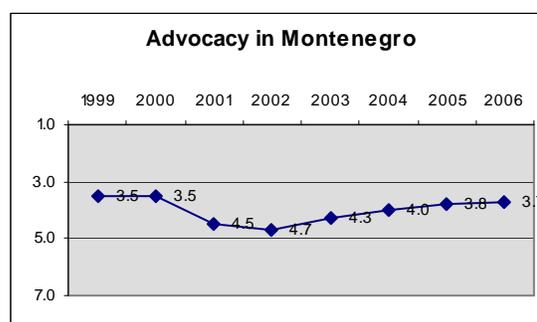
The NGO and government sectors often collaborate on common initiatives and NGOs generally enjoy a direct line of communication with policy-makers. In

2006, government officials called a meeting with the NGO community to present an NGO-Government Cooperation and Strategy paper. NGOs welcomed the initiative, but they did not have input in the draft and proposed that it be a starting point for more detailed discussions. In response, the government assigned an official to work with a coalition of NGOs on a National Strategy. The government's reaching out to the NGO sector demonstrates that officials are willing to cooperate, which could mean productive strategy meetings in the future.

Despite the broader cooperation between top levels of government and NGOs, the daily interactions between NGOs and government officials depend on the reputation and influence of the NGO involved rather than a formal system open to all NGOs. Similarly, cooperation tends to be with individual ministries and not the entire government. The memorandum of understanding between the government and NGO community drafted by Together Towards the Goal proposes formalizing the channels of communication so that they are open to all NGOs regardless of size, location, or level of influence.

Many NGOs have been able to form effective, broad-based coalitions to initiate high level advocacy campaigns. While advocacy efforts were previously limited to the national level, in 2006, NGOs began to conduct effective advocacy campaigns at the local and regional levels. Two separate NGO networks in the South, for example, have led efforts to increase the transparency of Morsko Dobro, a maritime tax collection agency, in its collection and use of public funds. At the national level, the Network of Affirmation of the NGO Sector (MANS), the

Center for Development of NGOs (CRNVO), the Association of Paraplegics, and others, have loose NGO networks to monitor government activities and engage in advocacy efforts. The Association for Paraplegics and other NGOs, for example, formed groups to pressure the Ministry of Education to build wheelchair access ramps for nearly all primary schools in the Capital.



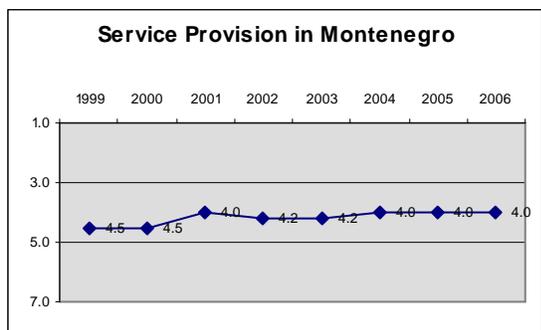
NGOs are able to participate in the political process by proposing legislation or submitting discussion papers directly to Parliament if they have either 6,000 signatures or a sponsoring parliamentary party willing to act on their behalf. In addition, NGOs may also indirectly influence the political process by monitoring government activities and through the media, which often gets politicians to respond. Most NGOs are comfortable with lobbying and in many cases, they are able to influence, amend or even propose legislation at the national or local level.

In addition to their high level of success as advocates, NGOs have developed monitoring activities to ensure that the government implements laws correctly. This year, the Association of Young Journalists tested government officials on their compliance with the new Law on Free Access to Information by sending 1,000 requests for information to government institutions and monitoring their responses. It also publishes a list of those government institutions that are the best and

worse in terms of providing the information requested. MANS monitors government officials and reports on their conflicts of interests by filing complaints and even law suits.

NGOs rarely self-regulate, which leaves the sector vulnerable to a poor public image and a

**SERVICE PROVISION: 4.0**



The NGO sector experienced little change in the Service Provision dimension over the past year. NGOs offer a wide range of services in areas such as education, health, environmental protection, governance, and others. The type of service available depends on the orientation of the service provider. Small NGOs in the municipalities provide basic, under-funded social services such as care for the disabled, the elderly, or children. NGOs that are stronger and institutionally developed provide advocacy and monitoring services on behalf of wider constituencies. The smaller, community-based

**INFRASTRUCTURE: 4.1**

Several ISOs and NGO resource centers operate in Montenegro, including CRNVO, MANS, FONDAS, the CEMI PR Resource Center, Expeditio, and Natura.

These centers provide access to training and network resources, legal assistance, project strategies, grant writing, as well as technology such as the internet and fax machines. The CEMI PR Center charges businesses a fee, though NGOs are able to use these services free of charge. Montenegro's rugged terrain makes it difficult for NGOs outside of an ISO's geographic area to access services. Otherwise,

reputation as untrustworthy. The National NGO Strategy of 2006, however, includes an NGO code of conduct. A Bosnian NGO that led a similar process in Bosnia helped motivate NGOs finally to address the issue.

organizations have well-defined constituencies due to the nature of their activities, while constituencies for the larger organizations are broader and less defined.

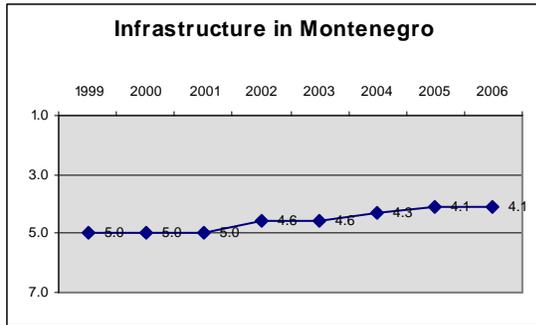
NGOs are generally unable to recover their costs, though there are increasing examples of NGOs charging fees for their services. NGOs recover some of their overhead by providing fee-based services such as graphic design and training. The market for these services is limited, though NGOs do provide some services to other NGOs and government bodies.

Most NGOs that engage in advocacy or similar activities do not have membership bases. The small number of associations with memberships generally works to address the issues of their members; whether disabled persons, refugees, minorities, market vendors, and alcoholics. Many advocacy-based NGOs and associations produce expert publications and workshops for other NGOs and the government.

NGOs in only three municipalities, including Podgorica, have access to support services on a regular basis. Similarly, the NGOs in the outlying regions and remote communities do not have the same access to information, donor resources, and the central government as those in the municipality of Podgorica.

Resource centers are inconsistent in the quality of services they provide. Those in Podgorica provide higher quality services than those in the regions. As a result, NGOs vary in their levels of development. Those in Podgorica and other urban areas are very well developed, while

those in the regions are often underdeveloped and struggling.



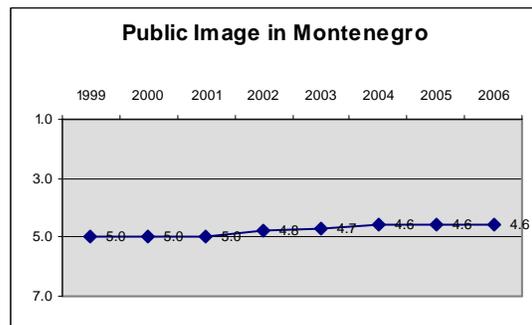
The NGO sector is very competitive, and networking does not come naturally. NGOs share information with one another, but only when it benefits both parties. The NGO sector has yet to develop a means to promote their greater interests; NGOs generally act on their own unless they need the support of others to address more difficult issues.

Though trainers and training opportunities for NGOs are available and even exceed demand, NGO interest is considered low. Inter sectoral relationships have improved, and many of the well-developed NGOs work directly with government officials on common initiatives.

## PUBLIC IMAGE: 4.6

In 2006, the NGO Group for Change formed a political party called the Movement for Change, which crossed the line separating the NGO sector and political parties. In addition, the two main political groups involved with the referendum created NGOs to facilitate fundraising. These acts created greater doubt in the public about the credibility and objectivity of the NGO sector, and fortified the public's view of NGOs as political opportunists.

Similarly, a few illegitimate NGOs undermined the efforts of the legitimate NGOs working on law reform and monitoring government officials.



The media continues to provide high quality coverage of NGOs and their initiatives. NGOs have become quite skilled in effectively communicating their goals to the public, and are able to fill any gap in media coverage.