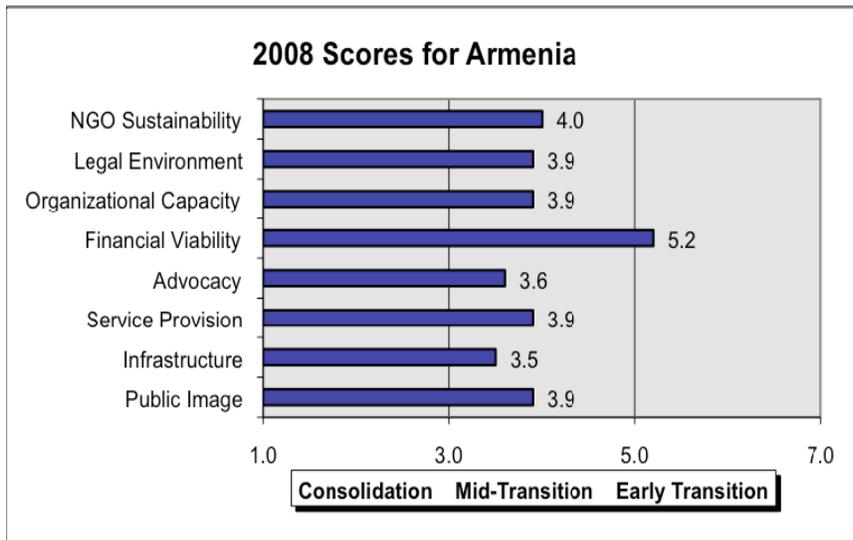


ARMENIA



Capital: Yerevan

Polity:
Republic

Population:
2,967,004 (July 2009 est.)

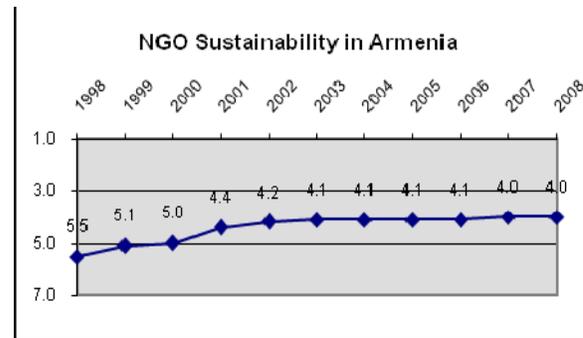
GDP per capita (PPP):
\$6,600 (2008 est.)

NGO SUSTAINABILITY: 4.0

The estimated number of registered public organizations in Armenia, including membership NGOs, foundations, and associations, is upwards of 4,000. By most estimates, however, only 10 to 15 percent of these registered organizations are actively pursuing their missions at any given time.

The overall sustainability of Armenian NGOs remained largely unchanged in 2008. Certain positive trends emerged, in addition to certain setbacks. The post-presidential election unrest in Armenia in March 2008 and the ensuing state of emergency and greater security controls had a notable, albeit indirect, impact on the mobility and activities of NGOs. Because of stringent state-of-emergency rules, NGOs were not able to carry out their regular activities in the capital Yerevan, and had to significantly reduce or cancel public events. After the state of emergency was lifted, well-established and strong NGOs bounced back and resumed their activities with a greater sense of common purpose.

Armenia has typically been a funding-rich environment for NGOs, but the prospects for international funding are dwindling as a result of new demands on foreign assistance and donor



insistence on impact and greater public or private cost-sharing. This decrease in funding has led to a gradual weeding out of weaker NGOs and those focused on ever-shifting donor agendas, leaving stronger, mission-oriented NGOs room to broaden their service and advocacy portfolios. Many NGOs improved their financial and organizational structures, and revised their human resource, financial and programmatic management policies to introduce greater functionality and formality in their operations. NGO training providers noted greater demand for training addressing these issues.

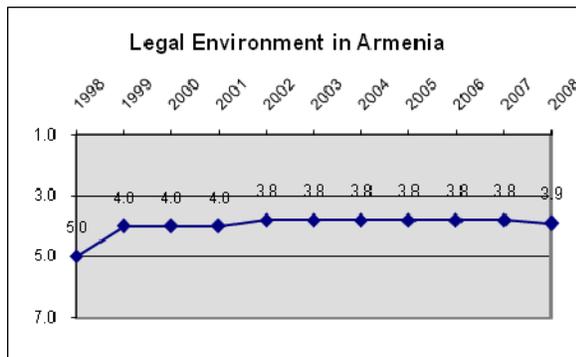
NGOs are pushing harder on both open and closed doors in national and municipal government through focused advocacy

initiatives. The public perception of NGOs remained generally positive. This was a result of their active participation in 2007 parliamentary elections and presidential and local elections in 2008, as well as the visibility of informal youth movements in the run-up to and aftermath of the national elections. NGOs were also successful in developing cooperative relationships with the Armenian government, especially in the regions.

In 2008, sixty Armenian NGOs initiated a new collaborative network with the National Assembly.

NGO sustainability is still adversely affected by the prevailing legal framework, which does not allow for the growing diversity and complexity of the non-state sector.

LEGAL ENVIRONMENT: 3.9



The NGO sector is regulated by three laws: the Law on Public Organizations, the Charity Law, and the Law on Foundations. The majority of NGOs are registered under the Law on Public Organizations, which requires new organizations to register with the State Registry based in the Ministry of Justice. The process is somewhat expensive and burdensome, particularly for groups that have to travel from the provinces. While there are no plans to change the process, there have been some minor improvements. For example, offices that issue required seals have opened in the provincial centers, allowing newly registered organizations to order and receive their official seals locally.

NGOs claim that the registration process is corrupt and difficult in practice. Some NGOs reported that they were asked to pay “fees” to accelerate the process. Officials eventually

registered NGOs, although with delays and additional bureaucratic obstacles.

There were numerous cases of administrative impediments to NGO operations in the aftermath of presidential elections in Armenia. The government banned all public gatherings and discussions under a twenty-day state of emergency. A number of NGOs found it impossible to regroup and work with their communities for as long as six months after the presidential elections because of a fear of government harassment. NGOs practiced self-censorship, a new phenomenon in the post-Soviet Armenian NGO sector, out of fear of government targeting. In addition, tax inspection officers visited several national-level, politically active NGOs on an ad hoc basis in the weeks following the elections, but none of the NGOs reported prolonged or unfair treatment.

The legal framework prevents NGOs from generating income and fails to provide beneficial tax exemptions. NGOs registered under the Law on Public Organizations are prohibited from engaging in direct income-generating activities, although foundations may. In addition, the law only permits NGOs to register as general membership organizations, which prevents the adoption of organizational structures such as boards of directors or advisory councils.

ORGANIZATIONAL CAPACITY: 3.9

NGOs continued to improve their organizational capacities in response to the increasingly competitive environment created by the decline in grant opportunities. Many NGOs are engaged

in strategic planning and are making efforts to identify and advocate for their constituents and beneficiaries. At the same time, however, NGOs demonstrated little to no capacity to mobilize

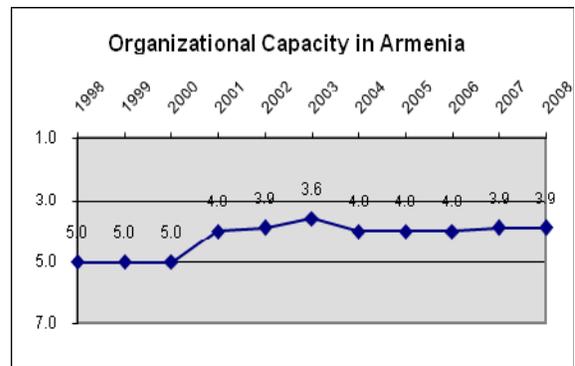
their constituencies or the broader public in the aftermath of the presidential elections. During the elections, NGOs mobilized around the common cause of free and fair elections.

The decline in funding has nevertheless led to certain positive changes in planning and strategic programming practices, which have become institutionalized in stronger national-level NGOs. NGOs placed greater emphasis on actively soliciting funding from corporations and the national government. Three government social service contracts were granted to national NGOs in 2008, and a leading telecommunications company and IT sector organization funded three strategic partnerships. The quality of NGO personnel has improved and, as a result of donor requirements, a number of NGOs now have clearly defined staff responsibilities.

Though many continue to be driven by a single charismatic leader, more NGOs, especially youth-led groups, are adopting a more inclusive approach toward management and leadership within the organization and across coalitions.

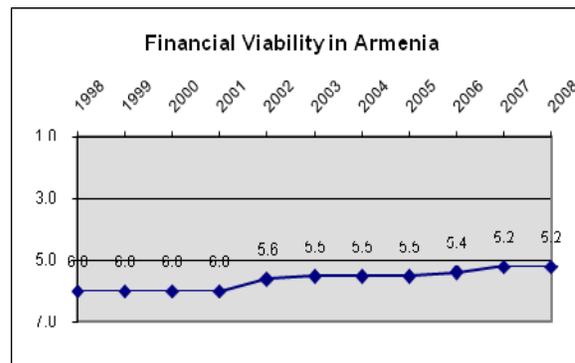
FINANCIAL VIABILITY: 5.2

As a result of the overall decline in grant opportunities, many organizations are surviving from grant to grant or seeking alternative funding sources. NGOs now actively seek private funding as well as support from international donors that have not had a strong presence in Armenia in the past. Local sources of NGO funding are still limited, although there are some positive developments. The government continues to provide small-scale funding to NGOs, primarily in the areas of social services for vulnerable populations, public awareness, and health campaigns. Recipient organizations tend to be pro-government and noncontroversial. NGOs have new, although limited, opportunities to receive funding from local self-governing bodies. Local businesses and individuals have increased their support of NGOs over the past two years. Such funding is still very modest, however. Businesses lack tax breaks or other incentives to engage in philanthropic activities.



The overly simplistic Law on Public Organizations and the Soviet legacy of normative interpretation of legislation prevent organizations from adopting a more effective model of NGO management with boards of directors. NGO boards continue to be poorly integrated into organizations and do not contribute to improved accountability and impact.

Most organizations have adequate equipment for their operations. Access to the Internet, however, is spotty throughout the country.



Discussion between the government and the NGO community on a 1 percent law that would earmark public funding for the NGO sector was tabled in 2007. In 2008, a national NGO, Professionals for Civil Society (PFCS), used the post-election environment as an opportunity to revive a discussion with government agencies on sector-wide legislative reforms, including the 1 percent law. PFCS along with the Foundation for Small and Medium Business, NGO Center,

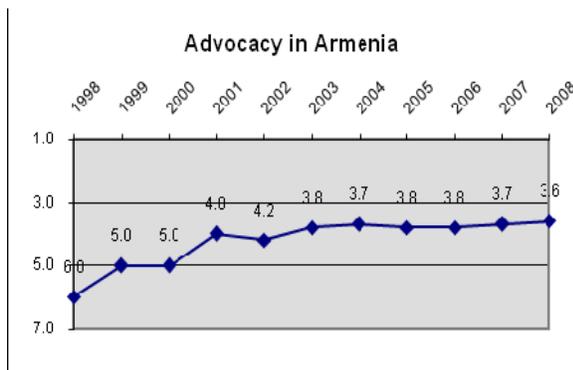
Mission Armenia, and ARAZA Benevolent NGO successfully advocated for the development of social partnership frameworks to provide municipal budget allocations for NGO activities and social services in five large and midsize municipalities. Most of these social partnerships were funded out of the 2009 municipal budgets and only recently became operational.

Many organizations fear that they will be targeted by the tax authorities if they engage in economic activities, although in the last year an increasing number of NGOs began establishing affiliated for-profit entities that were used to

generate income from entrepreneurial activities. The government justifies its restrictions on economic activity by claiming that nonprofit organizations will evolve into de facto for-profit organizations hiding behind their nonprofit status.

NGOs' financial management systems have noticeably improved and more NGOs have effective systems in place. NGOs often fear that by providing accurate records, they will attract excessive attention from the tax authorities. As a result, their financial disclosures may not always reflect reality.

ADVOCACY: 3.6



NGO advocacy campaigns resulted in important impacts on the community and national levels during 2008. NGOs continued to be articulate in engaging the government at all levels and became savvier about targeting their advocacy initiatives. In general, there is broader cooperation between NGOs and local governments. While many NGOs take part in decision making at the community and regional levels, they are more passive at the national level and have less access. This may be because national government agencies do not recognize NGOs' capacity to contribute to the process, or because the NGOs are unable to demonstrate their added value. Nevertheless, NGOs make regular, substantive contributions to legislation and ongoing policy issues. A noteworthy example in 2008 was in the area of consumer protection rights. NGOs challenged the circumvention of consumer safety standards

by importers and chain markets owned by government-affiliated business entities. NGOs, led by consumer rights groups, succeeded in removing expired consumables from chain supermarkets at the importers' and market owners' expense.

The executive branch is taking NGOs more seriously in the implementation of public policy. In mid-2008, two national NGOs, Community Cooperation and Dialogue Initiatives and Professionals for Civil Society, successfully lobbied the Ministry of Social Security and Labor to include provisions in its revised charter mandating NGO feedback mechanisms and consultations on policy issues such as pension reforms and disabled services.

The new presidential cabinet began mandating greater transparency in operations at the ministerial level, both as a result of increased pressure from civil society and political forces and as a means of engaging NGOs. The government working group charged with revision of the anti-corruption strategy reached out to Transparency International Armenia for its expertise, even though TI had quit monitoring the last strategy to protest government inaction and former officials' inflammatory remarks.

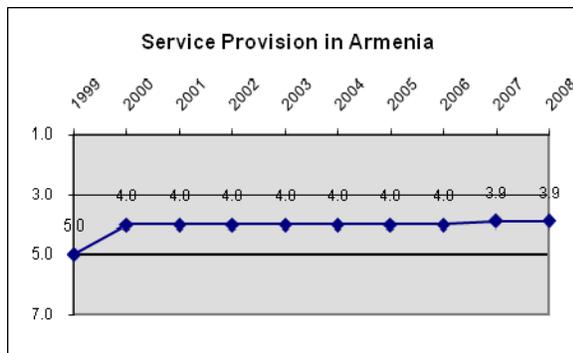
At the end of 2008, a group of sixty organizations began formalizing a collaborative network to work with the National Assembly.

The network started working with parliamentary standing committees on organizing public hearings and developing policies.

Municipal government bodies have also been active in soliciting NGO input on policy and program implementation. After the successful

adoption of social partnership policies and budget allocations in five cities in 2008, six more cities, Kadjaran, Meghri, Agarak, Noyemberian, Masis and Artashat, made local budget disbursements to NGOs and sought NGO participation in government grant selection committees.

SERVICE PROVISION: 3.9



Service provision by NGOs has continued along a trajectory of consistent growth, better quality and greater transparency. NGO services range from soup kitchens and medical assistance to the elderly and vulnerable, to legal advising, capacity building and grant management. NGO services enjoy broad public recognition.

To some extent, NGOs are developing social partnerships with government ministries. After the appointment of the new cabinet and at the urging of the new prime minister, ministries began tapping into the wealth of NGO expertise. The government took advantage of NGO capacity in areas such as consumer safety (particularly food safety), pension distribution, and small and medium enterprise development. The prime minister included verbatim proposals from the USAID-supported Foundation for Small and Medium Business in his SME

development programs and budget requests to parliament, which approved the proposals.

Even though the national government greatly limits the authority and budgetary independence of municipal governments, the period leading up to local elections in fall 2008 was used by a number of NGOs to push forward service-oriented programs at the local level. Examples included grantmaking efforts on behalf of local government to disability organizations. NGOs also cooperate with the Ministry of Social Security. The ministry contracted out the operation of one of its disabled day care centers to the Mental Health Foundation. Three new soup kitchen operations were contracted out to Mission Armenia, and Meghvik NGO in Gyumri received a major government grant to renovate and rebuild its children’s service center to provide *marz* (province) level services to socially vulnerable children.

NGOs and coalitions provided citizens with services such as legal consultations and advice on consumer and electoral issues. One national coalition, the 2008 Legal Initiative, provided legal representation on electoral fraud cases.

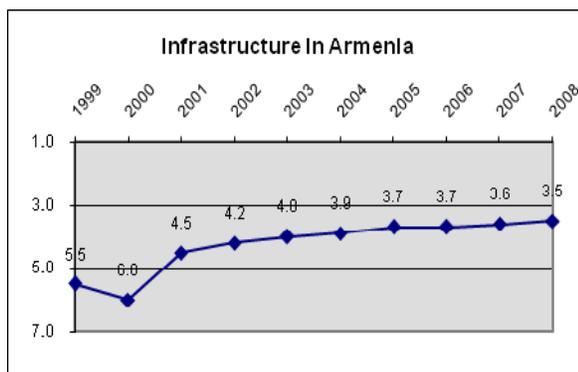
Discussions between the government and NGOs on issues related to the legal environment governing service provision, including fees for services, licensing and procurement, resulted in little movement.

INFRASTRUCTURE: 3.5

Intermediary support organizations (ISOs) operate throughout Armenia with donor funding, and continue to bolster their service portfolios. Services provided by ISOs supported by USAID, UNDP, OSI, and the EU grew in

quality and quantity. ISOs’ client bases diversified to include small business, local government and international organizations, as well as Armenian diaspora entities.

ISOs' incomes increased more than threefold compared to the previous year, confirming a change in NGO culture as more NGOs are willing to pay for the services of Armenian ISOs and experts. Of the total income generated, 81 percent—about \$50,000—was money paid for services, independent of donor funds. Nevertheless, not all NGOs are able to pay for services without donor assistance. Legal limitations on income generation prevent ISOs from becoming sustainable in the long term without continued donor funding or the



PUBLIC IMAGE: 3.9

Media coverage and public perception of NGOs has improved, especially after NGOs' active role in the 2007 and 2008 elections. NGOs are becoming increasingly sophisticated in their media outreach efforts and the media shows more interest in their activities. NGOs are no longer defamed as "grant-eating" organizations. Generally NGOs continue to conduct public relations in a reactive mode, rather than proactively building relationships.

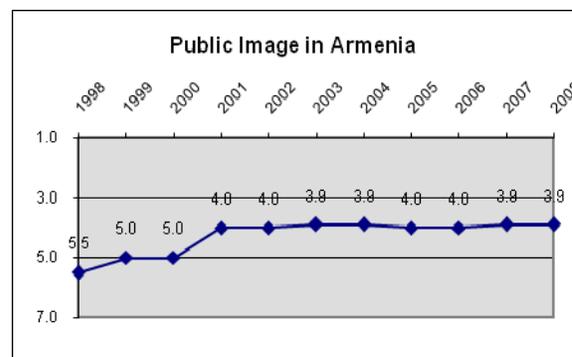
During the post-election turmoil there was a media blackout and no NGO-organized events were covered, even outside of Yerevan, where the state of emergency did not extend. Regional NGOs, including human rights and media freedom groups in the northern towns of Gyumri and Vanadzor, defied informal local blackouts and continued their activism in the post-presidential election period.

In one national advocacy campaign, which pitted environmental and transparency NGOs against

establishment of for-profit subsidiary organizations.

The number of NGO coalitions has increased and there is anecdotal evidence of long-term coalition planning. Although coalition initiatives are increasingly driven more by NGOs rather than dictated by donors, their sustainability still depends greatly on donor funding. At least eight coalitions formed and began operating as a result of a USAID-supported grants program for election outreach and advocacy campaigns. Of these eight coalitions, three transformed into permanent networks, including an anti-corruption advocacy network, a network working on legal reforms to facilitate NGO sector sustainability, and an election observation and reform network in the southern provinces of Armenia, which parlayed a major election observation program into a permanent network of electoral and governance reform activists. At the end of 2008, this coalition began operating anti-corruption centers in the politically volatile southern region.

government agencies and big business, NGOs were regularly labeled by the media as foreign agents and spies in an effort to discredit their efforts.



The government's perception of NGOs has improved and government entities recognize that NGOs can be an asset in their policy agendas, as evidenced by greater efforts to turn NGOs into GONGOs or PONGOs (NGOs created or co-opted by political parties to give political activities the appearance of civic activism).

NGOs lack effective self-regulation and publish annual reports only in isolated cases. They operate in a regulatory vacuum and an environment in which accountability is not

regularly demanded by members, beneficiaries or public authorities. When authorities demand accountability, this is usually linked with politically motivated objectives.