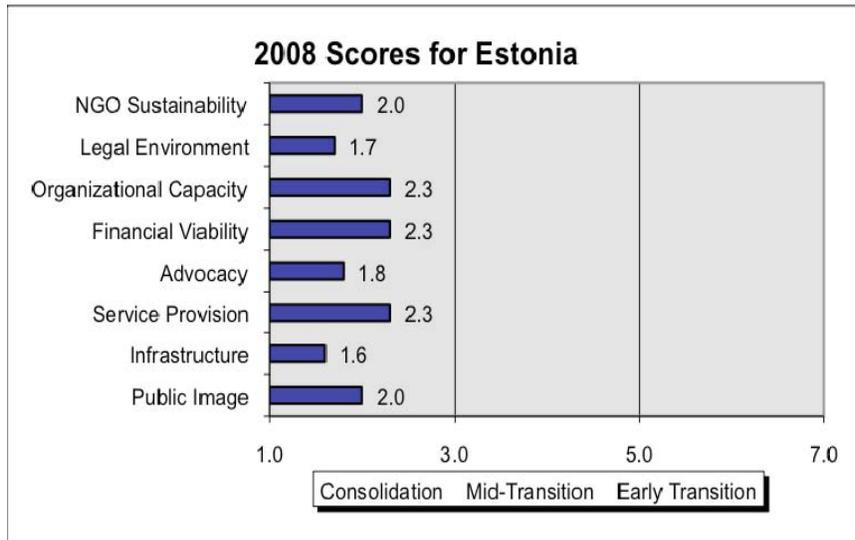


ESTONIA



Capital: Tallinn

Polity:
Parliamentary Republic

Population:
1,299,371 (July 2009 est.)

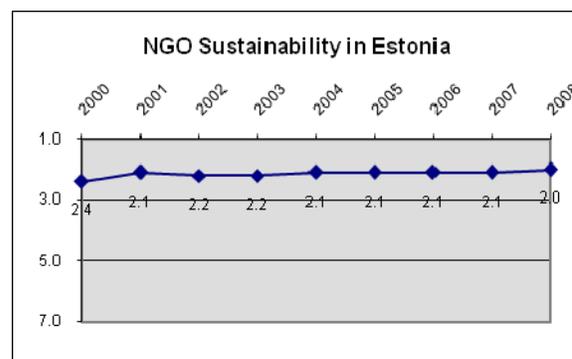
GDP per capita (PPP):
\$21,200 (2008 est.)

NGO SUSTAINABILITY: 2.0

The year 2008 had a mixed influence on NGO sustainability in Estonia. Two new funds started to provide much-needed support for organizational development and capacity building. At the same time, the worsening economic situation during the second half of the year put additional pressure on NGOs, as well as other institutions. NGOs that depend on private donations and income earned from economic activities felt the effects of the economic downturn more quickly than others, but declining public budgets will affect many organizations that get financial support from local or national budgets. NGOs are preparing themselves for a financially complicated year ahead and are looking for ways to reduce their expenses and activities.

Despite the pessimistic feelings at the end of the year, many positive trends continued in 2008. Organizations gained more experience, and a growing number were well managed and visible. Their partners in the public and private sectors were more aware of the role of NGOs in society, and cooperation was more fruitful. Also, the public image of NGO activities continued to be positive. NGOs continued to function well within the established legal environment and infrastructure.

Commenting on the Estonian NGO sector as a whole has become increasingly difficult. The NGO community is diverse, as are the strengths and weaknesses of the organizations and their leaders.



The year's outstanding example of the potential of civic initiatives was the "Let's Do It" campaign implemented in May. Started by a few IT gurus and environmental activists, this campaign used innovative technologies to map more than 10,000 illegal garbage dumping sites all over the country and mobilized 50,000 volunteers (3 percent of the country's population) to clean it up in just one day. The extensive range of partners included many of the largest companies in Estonia and major nonprofits, as well as local and national

government institutions and people from all demographic and socioeconomic groups. “Let’s Do It” gained huge media attention both in Estonia and abroad; similar campaigns were later initiated in some other countries, and it bred intense discussions about volunteerism, public participation, recycling, and laws regulating the waste industry.

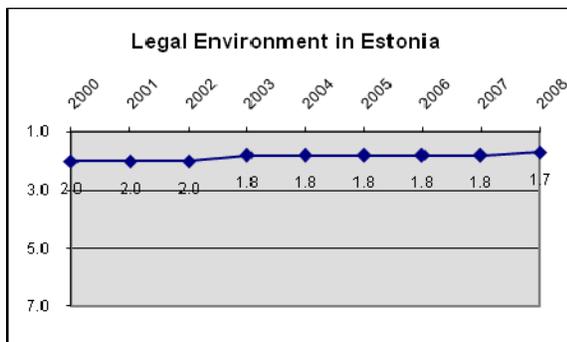
While the overall sustainability of the NGO sector in Estonia is steadily improving, Russian-speaking NGOs are remarkably weaker in

almost all criteria. Although some attempts have been made to reduce this distinction, no notable progress was seen in 2008. Russian-speaking NGOs are mostly smaller cultural organizations that do not participate actively in public life outside of their particular field of activity. Estimating the number of these organizations is difficult, as the registry does not differentiate NGOs based on language.

Close to 28,000 NGOs are registered in Estonia, almost half of them housing associations.

LEGAL ENVIRONMENT: 1.7

After years of delay, the Parliament finally adopted amendments to the law that will make nonprofit associations’ annual reports public from 2010. Associations are currently the only legal bodies in Estonia who do not present their annual reports to the public registry, but to the Tax and Customs Board, where the public has no access to them. This long-needed change will make the sector more transparent and will help to remove defunct organizations from the public registry.



In general, the legal environment is favorable for NGOs. Organizations operate freely, and the government provides for the freedom of assembly and civic activism. Registration of an NGO, reporting and other communications with authorities can be done online.

NGOs do not pay taxes on their income, but on certain distributions. Donations made to organizations on the list of NGOs eligible for benefits from tax incentives can be deducted from a person’s taxable income up to a certain amount. To be eligible for the tax benefits, an organization must be charitable and operate in the public interest. Based on information provided by the organization and after consultation with an advisory committee consisting of NGO representatives, the Tax and Customs Board makes the decision on whether or not an organization is eligible. However, eligibility is problematic for some social enterprises, as tax officials’ ability to distinguish between for-profit and social enterprises is still limited. NGOs have begun consultations with the Ministry of Finance to solve this problem and to seek other incentives to encourage philanthropy. Another discussion connected with the above-mentioned eligibility list is whether or not to exclude from it nonprofit organizations controlled by public sector institutions.

Although NGO awareness about regulation has risen, there is still room for improvement. Regional development centers and umbrella organizations provide basic legal advice. However, more specific legal counseling is still a problem because of the cost and a lack of lawyers specializing in nonprofit issues.

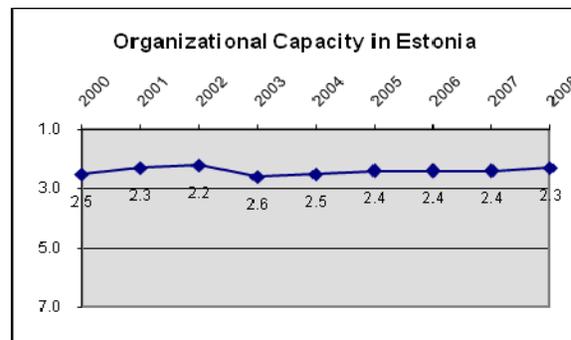
ORGANIZATIONAL CAPACITY: 2.3

Two new foundations that provide support for capacity building—the National Foundation for Civil Society (NFCS) and the NGO Fund of the Norway/European Economic Area (EEA) Financial Mechanism—positively affected NGOs in 2008. Thanks to these new funding opportunities, NGOs have had an incentive to dedicate both more time to thinking through their organizational needs and more resources to solving these needs. Some umbrella organizations help their members to become more effective, mostly by providing training and counseling.

The NGO sector continues to become more professional in terms of planning and implementing their activities and working with partners. Some organizations use sophisticated strategic planning models; others trust their common sense and instincts. The best practices of more progressive organizations are followed by others. Nevertheless, many organizations keep their eyes open for funding opportunities and determine their activities that way. NGOs sometimes learn to use certain buzzwords such as sustainability and accountability without really understanding the concepts behind them and see strategy as a formality for donors rather than a basis for their day-to-day activities.

According to Statistics Estonia data, approximately 30 percent of NGOs have some paid staff members. The staffs of NGOs have been growing over the last couple of years; however, the worsening economic situation

towards the end of the year made organizations very careful when considering taking on additional financial obligations.



The vast majority of NGOs in Estonia have always depended on small core teams of volunteers or short-term project teams. According to studies, approximately 30 percent of the population is doing occasional volunteer work, and the estimated value of this is 2.7 billion EEK (\$216 million) a year. The interest in volunteering has been growing; at the same time, not many organizations make the best use of this trend. Some organizations see volunteers only as physical labor for helping with mundane tasks like trash cleanups or stuffing envelopes, and they fail to take advantage of volunteers who are interested in doing more sophisticated work such as consulting and helping with finances. Volunteer Development Estonia started consultations on developing a Code of Best Practice on Volunteerism to harmonize the principles from which volunteers, NGOs and their partners could proceed.

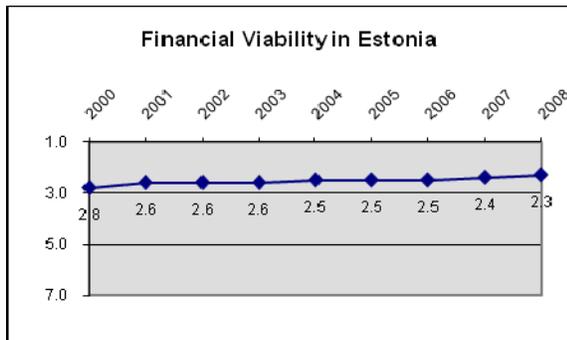
FINANCIAL VIABILITY: 2.3

Despite growing pessimism towards the end of the year, 2008 was the best year ever for NGOs financially. In addition to the funding channels that existed before – for example, in 2007, ministries were funding NGOs with nearly 700 million EEK (\$55 million) – two new channels are worth mentioning. The NFCS started in 2008, financed by the state budget, and distributes 20 million EEK annually (\$1.6 million). Also, the Norway/EEA Financial

Mechanism's NGO Fund distributed the first grants from its budget of 36.5 million EEK (\$2.9 million) for three years. Both new foundations attempt to support organizational development and activities that improve the environment for civil society activities, as opposed to merely funding projects. Although a few ministries, local governments and private donors provide similar support for NGOs, this type of funding is

not yet common; therefore, these new foundations have been welcomed.

Three notable studies on public funding were conducted on funding practices of ministries, distributions from the gambling tax, and feasibility of a percentage law in Estonia.¹ Based on these studies, a working group of public officials and NGO representatives is currently developing a concept for the public funding of NGOs.



The amount of private donations went up in the last few years. In 2007, around 280 million EEK (\$22.5 million) in donations was reported to the Tax and Customs Board. A growing number of NGOs, mostly in the fields of health and child

welfare, run regular campaigns for donations by encouraging people to call or text to charitable phone numbers. Swedbank opened its donation portal where people can easily make online donations to NGOs who have been previously approved by a selection committee of bank and NGO representatives.

The worsening economic situation has already hit organizations that depend on donations from businesses, as corporate social responsibility costs are usually among the first to be cut if a company has to reduce its budgets. Some NGOs who earn income from selling goods or services have indicated a decline in demand. On the other hand, the demand for some social services such as unemployment assistance has increased, although people's ability to pay for services, and outside funding, have decreased. Cuts have already been made in public budgets, both on national and local levels; however, the impact of these cuts will become more apparent in 2009. The general economic downturn after years of remarkable economic growth has highlighted that many NGOs are unable to find alternative funding sources or make use of nonmonetary assets. It is expected that the financial viability of the sector may face a setback in 2009.

ADVOCACY: 1.8

As a result of the independence movement, the Estonian NGO sector has always seen advocacy as one of its central functions. The year brought stable progress in advocacy with no qualitative leap. NGO participation in policymaking is increasingly seen as a normal part of the process and an opportunity to get additional expertise. Both the public sector, when preparing legislative processes, and NGOs, when presenting their proposals, can still make progress in this area, but in general, both demonstrate a commitment to developing skills for more meaningful cooperation.

Policymaking can be more complicated if political parties have clear preferences towards

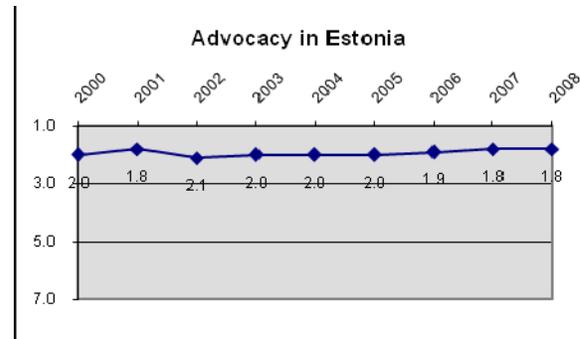
one or another decision. The law requires stakeholders to be consulted when drafting legislation; however, the law does not set requirements for the range of consultations. More explicit principles are written in the Code of Good Practice on Involvement which, while not binding, is a recommended document. Still, ministries are able to exclude some unwanted groups, as was the case when environmental NGOs were left out from Ministry of Environment consultations on administrative reform. This behavior caused protests by a wide range of NGOs who demanded that the government should adopt the Code of Good Practice as a compulsory document. The state secretary responded by declaring his willingness

¹ PRAXIS Center for Policy Studies, Tallinn University, and BDA Consulting conducted the studies; the reports can be found (in Estonian) at www.ngo.ee/uuringud.

to take the code to the government; however, he made no promises regarding a deadline.

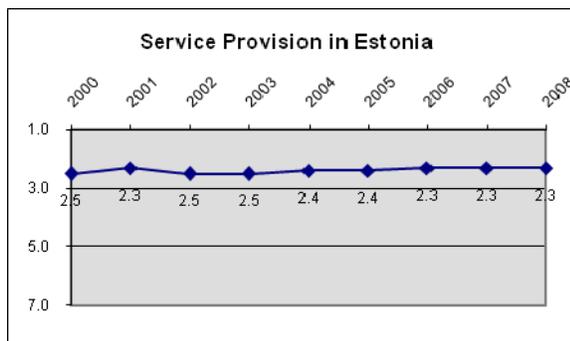
The advocacy initiatives of NGOs have become more professional, and many of them are successful. A notable example is the case of the Employment Contracts Act, which was met with wide dissatisfaction and sent back for consultations until a consensus was achieved. Many advocacy campaigns take place at a regional level. A growing trend is for NGOs to use Internet opportunities for mobilizing support, such as collecting signatures for petitions.

While there were no major developments in the field of advocacy, some minor advances took place. Additional features were added to the government’s participation portal www.osale.ee, so that people can now post ideas and look for others’ support for new initiatives, in addition to commenting on draft laws or strategy documents posted by the ministries. NENO (Network of Estonian Nonprofit Organizations) and the State Chancellery organized a number of trainings for public officials on public involvement that were very popular.



The Civil Society Development Concept (EKAK in Estonian) serves as a strategy agreement between NGOs and the public sector. Although EKAK has certainly been instrumental in shaping cooperation and defining common goals, NGOs have been dissatisfied with the slow process of EKAK implementation since its adoption by the parliament in 2002. Several proposals were presented at the first Estonian NGO “clamoring” (debate) in October on how to proceed with EKAK, including changes in legislation, better implementation mechanisms and the formation of similar agreements at local levels.

SERVICE PROVISION: 2.3



Service provision by NGOs did not change dramatically in 2008. The public sector expects that NGOs will play a more active role in service delivery, and NGOs see it as an important way to fulfill their social missions, in addition to assuring stable funding. However, developments in this field have been slow. Expectations about outsourcing are mismatched: while the public

sector sees it as a way to minimize costs and encourage competition, NGOs emphasize the need to have longer-term contracts and sufficient funding to guarantee quality.

Nevertheless, NGOs do provide a wide range of services to their members, other institutions and to the public, both on national and regional levels. With the growth of experience, professionalism is also rising. The concept of social entrepreneurship is slowly taking root; the Good Deed Foundation has done a lot to raise awareness in the area of service provision. Additionally, the Village Movement Kodukant is helping smaller village associations to develop services in and for their communities.

More changes in this dimension are expected to take place in 2009, as the government has

declared its willingness to start developing the concept of outsourcing public service delivery to nonprofits. A survey will map the current

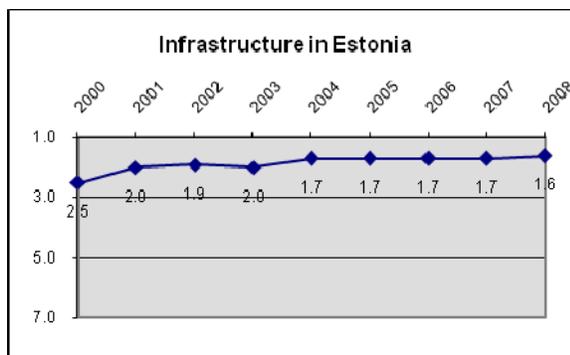
situation and practices, as well as propose policy recommendations for further developments.

INFRASTRUCTURE: 1.6

Regional development centers, financed from the state budget, exist in every county, providing consulting and basic trainings for NGOs free of charge. In 2008, increased funding allowed the centers to increase the number and quality of trainings. Funding for organizing trainings and conferences is relatively easy to find; consequently, a number of events covering a range of issues take place every week. Nevertheless, the efficiency of these can be questioned, as often the same people attend one event after another without any visible improvement in their organizations' work.

The system of sectoral umbrella organizations is well established. These organizations serve as development and advocacy bodies on behalf of their sectors. Although good examples of regional umbrella bodies exist, cooperation between NGOs could be better at the regional level. To encourage this cooperation, NFCS put forth a special call for applications for new regional umbrella organizations to receive start-up funding and for existing umbrella organizations to receive support funding. At the national level, NENO serves as the umbrella and advocacy organization for public benefit NGOs, dealing with issues common to all organizations.

While financial support by for-profit companies may have gone down towards the end of the year, cooperation between businesses and NGOs has improved steadily. Both sides are more aware of the potential forms of cooperation such as joint initiatives, counseling, and volunteer work. The most remarkable example of cross-sectoral cooperation was the previously mentioned "Let's Do It" campaign.

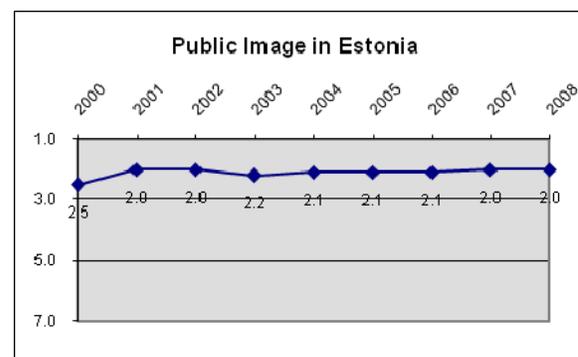


PUBLIC IMAGE: 2.0

The positive trends of previous years continued in 2008. NGO activities and their positions on topical issues are increasingly covered in both national and local media. Journalists are more aware of NGOs, and NGOs are more professional in their communication. However, while NGOs long for more analytical media coverage that emphasizes their essential role in society, journalists are more interested in emotional or controversial stories.

number of respondents were unable to provide an answer, even though the public usually welcomes concrete NGO initiatives.

The public perception of NGOs is generally favorable, although people may not necessarily use terms such as NGO, nonprofit association, third sector, or civil society. For example, when NGOs were included in a regular survey of the trustworthiness of various institutions, a large



The NGO Code of Ethics was adopted in 2002, and it serves as a tool for anyone to be able to evaluate whether an NGO is acting according to the code. Some organizations have developed their own ethical statements based on the code.

NFCS has included the code in its requirements, so that every organization applying for NFCS funding has to explain how it follows these principles.