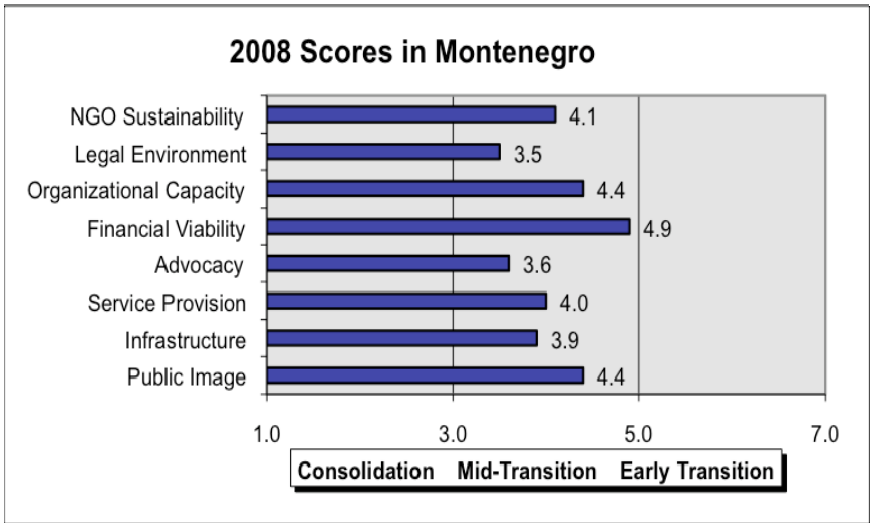
MONTENEGRO



Capital: Podgorica

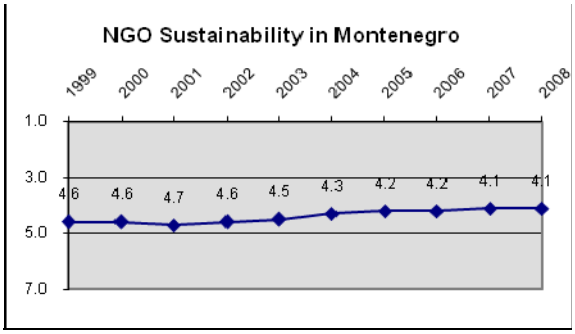
Polity:
Republic

Population:
672,180 (July 2009 est.)

GDP per capita (PPP):
$10,600 (2008 est.)

NGO SUSTAINABILITY: 4.1

More than 4,000 NGOs are registered in Montenegro, although only a few hundred are active. In 2008 leading NGOs improved their capacity to build local constituencies for their work, independent of donor priorities. On another positive note, the government released public funding to NGOs through its parliamentary grants program following a two-year delay. Although NGOs continue to draw the majority of their financial support from international donors, several of the strongest NGOs are making steps towards diversifying their funding.



NGOs generally enjoy a high degree of access to policymakers in Montenegro, and often work with the government on joint initiatives. In 2008, the NGO sector and the national Office for NGO Cooperation jointly drafted a Strategy for NGO-Government Cooperation, which was adopted in late 2008. Advocacy by local NGOs also saw a marked improvement. For example, a group of environmental NGOs in a small coastal municipality prevented a businessman from tearing down a UNESCO-protected hillside to build a block of flats.

In 2008, USAID-funded focus group research on corruption showed that citizens generally trust civil society more than their legal system or their government when it comes to dealing with corruption. Citizens increasingly approached NGOs for assistance with access to information requests, legal advice, and information. A high-profile, prime-time TV program that deals with citizens' anti-corruption complaints live on air enjoyed high popularity, and NGOs contributed to the program with information on corruption cases.

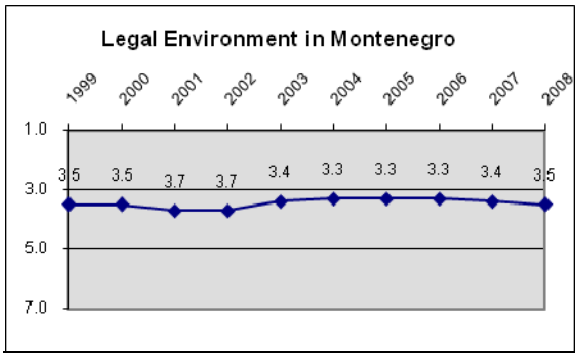
The infrastructure for NGOs continued to improve slightly during 2008. The government Office for NGO Cooperation completed its first year of operation. Although the office remains understaffed and underfunded, it marks a major improvement in the quality of cooperation between NGOs and government, illustrated by creation of the Strategy for NGO-Government Cooperation.

Despite the efforts of the two hundred-plus member NGO Coalition "Together towards the Goal," which worked with the Ministry of Finance to revise policies and procedures for the granting of public funds to NGOs, the 2008 parliamentary grants program was as poorly managed as in previous years. Public monies continue to be granted to NGOs without any controls such as financial reporting or program evaluation.

Financial sustainability of the NGO sector remains low. Larger, more developed NGOs have succeeded in diversifying funds and in some cases generating income for their organizations. The gap is widening, however, between the large, well-developed NGOs located mainly in Podgorica, and the greater number of small organizations in outlying regions. All NGOs are concerned about the prospects for sustainability beyond donor funding.

LEGAL ENVIRONMENT: 3.5

The 1999 Montenegrin NGO Law provides simple registration procedures, allows NGOs to operate free of state control, and protects NGOs from the threat of dissolution for political or arbitrary reasons. The state's failure on several occasions to investigate and prosecute incidents when criminal elements threatened or attacked critics of the government had a negative impact on civil society morale.



On paper, NGOs enjoy a range of tax exemptions. Membership dues and donations are not taxed as long as they are unrelated to an organization's economic activities. An NGO is exempt from real estate tax as long as its real property is used for the organization's statutory goals.

Dividends on NGO income are not taxed, and deductions are provided for corporate and individual donations to NGOs. In addition, the VAT Law provides broad exemptions for all services rendered by NGOs, as well as "public interest" services, including educational, cultural, sporting and religious services, as long as the exemption is not used to distort market competition. Few NGOs are knowledgeable enough about tax legislation to apply for and pursue exemptions, however. Tax legislation remains overly complicated and confusing, and NGOs are not given any official guidance on how to comply. In several instances in 2008, tax authorities demanded to see certain financial documents that NGOs are not required to have under the tax legislation and the NGO Law, demonstrating the lack of knowledge about NGO financial requirements among civil servants.

NGOs can earn income from the provision of goods and services, and receive tax exemptions on grants and income under €4,000. The amendment to the Law on NGOs, which was adopted in late 2007, specifies that the €4,000 limit applies to total income and not just profit. This was the first year of the amendment's enforcement. Some small businesses that were operating as NGOs in order to be exempt from taxes on their profits have had to shut down operations and reopen as businesses. The future enforcement of this amendment will depend on political will, resources, and capacity of the financial police to monitor the economic activities of NGOs.

The Procurement Law allows for any legal entity, including an NGO, to compete for

government contracts and procurements at both local and national levels. The government released public grant funding to NGOs in 2008 following a two-year delay.

With no financial incentive to specialize in NGO law, few lawyers are capable of offering legal advice to NGOs. Several intermediary support organizations (ISOs) and resource centers have tried to compensate for this deficit by engaging staff with law degrees.

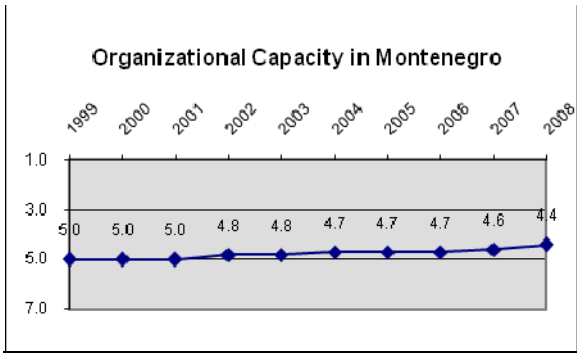
There were some tentative successes in improving the legal framework for NGOs in 2008. One example is the new Lottery Law, amendments to which were drafted by the USAID-supported NGO Coalition "Together towards the Goal" and accepted by the Ministry of Finance. The amended law specifies that NGOs are eligible to receive up to 60 percent of all lottery funds collected in Montenegro. This represents a significant step forward in the efforts of the NGO community to achieve long-term financial sustainability.

ORGANIZATIONAL CAPACITY: 4.4

The capacity gap between the small number of large, professional NGOs and the large number of small, institutionally weak NGOs continued to widen in 2008. Stronger and more organizationally capable NGOs are edging out small NGOs in the competition for dwindling amounts of donor financing. Donors prefer to invest only in NGOs whose performance is proven, while investing in small, undeveloped NGOs is seen as an unnecessary risk. The NGO sector is still not seen as a favorable source of employment, and many qualified and experienced personnel continued to leave the NGO sector in 2008 for the private sector or universities. As a result, when experienced NGO leaders retire, few staff members are qualified to assume their roles. Declining donor interest in financing training is leaving the new generation of NGO leaders without the educational advantages of their predecessors.

This year, however, saw a marked improvement in the capacity of top-tier NGOs to build local constituencies for their work, independent of donor priorities. This was particularly evident in the areas of free access to information, prevention of illegal construction, and environmental protection. Two of the leading NGOs in Montenegro opened local offices throughout the country to help citizens, moving beyond the traditionally capital-based operations of most NGOs. That said, only the top tier of NGOs, a small and exclusive group, has the financial resources, staffing levels, and know-how to build constituencies in this manner.

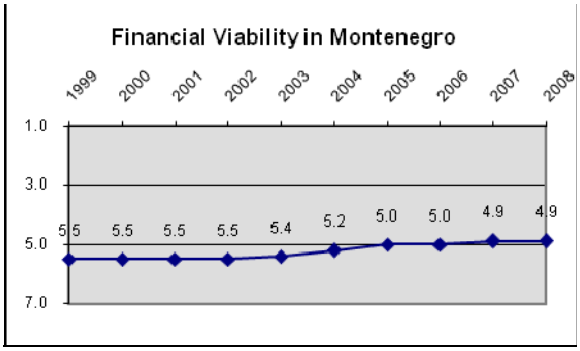
Smaller NGOs depend on staff that moonlights after finishing jobs in the public or private sectors.



Volunteerism is extremely weak due to cultural factors and the lack of an encouraging legal framework. Neither the government nor the NGO sector draws on existing volunteer resources. The Labor Law provides an additional constraint, referring only to "volunteer apprentices," unpaid trainees seeking to complete degrees in law and medicine. Because NGO volunteers do not fall within these categories, the occasional per diems or travel expenses that an NGO might reimburse their volunteer are taxed as they are for paid employees, discouraging NGOs from recruiting volunteers. In 2008, a group of concerned NGOs did succeed in drafting a completely updated Law on Volunteerism to address these issues; the draft law was presented to lawmakers on December 5, 2008, International Volunteerism Day.

NGOs that have access to modern, basic office equipment, such as relatively new computers and software, functional fax machines, and Internet access, are usually NGOs with access to donor funding. Even the smallest and most underdeveloped NGOs tend to have telephones and fax machines, if not a computer terminal. Internet access has not yet penetrated all areas in the north of Montenegro.

FINANCIAL VIABILITY: 4.9



Whereas the majority of small, less developed NGOs continue to draw most of their financial support from international donors, top-tier NGOs have become increasingly sophisticated in the diversification of financing sources. Many of the strongest NGOs now have between four and eight sources of financing a year, lowering the risk of sudden financial failure should a single donor withdraw funding. A small number of large, professional organizations charge fees for goods and services, including translations, training seminars, calendars, books, and design and architectural services. For example, one NGO, Expeditio, was able to finance 30 percent of its program activities in 2008 through fees for services and in-kind donations. Another NGO established a media tracking service to achieve long-term financial sustainability. NGOs have also begun to strengthen their relationships with the for-profit sector, with one NGO in 2008 succeeding in attracting funding from three large companies to finance 100 percent of the costs of its Women in Government program.

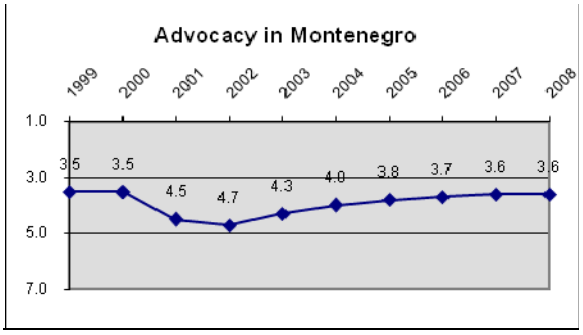
NGOs are also receiving grants from domestic donors such as national and local governments. The parliamentary grants program for NGOs was as poorly managed as in previous years, despite the work of the NGO Coalition "Together towards the Goal" with the Ministry of Finance to revise the grant policies and procedures. The parliamentary commission that manages the grants lacks knowledge of the NGO sector and distributes funds to many weak or inactive NGOs without any controls such as financial reporting or program evaluation. The commission also tends to fund only limited portions of NGOs' projects, so the NGOs are unable to complete them.

Philanthropy remains weak in Montenegro, although larger companies now have discrete funds set aside for corporate social responsibility (CSR) efforts. A disconnect exists between the civil society sector and the business sector in this regard; most of the smaller, less developed NGOs do not know how to approach the business sector with ideas or how to adapt their ideas to appeal to companies, while the business sector finances only those NGOs whose programs align exactly with their specific CSR focus.

Active, experienced NGOs with a steady stream of multiple-donor funding tend to have the most developed financial reporting and control systems. The majority of NGOs in Montenegro, however, have inadequate financial management capacity to handle donor funding. Currently, only a small handful of NGOs publish annual reports with financial statements, and it is extremely rare for NGOs to undergo independent financial audits. According to the NGO Code of Conduct signed in 2007 by over 145 NGOs, it is now a requirement that any donor or state body that wishes to view the financial reports of any signatory has a right to do so.

ADVOCACY: 3.6

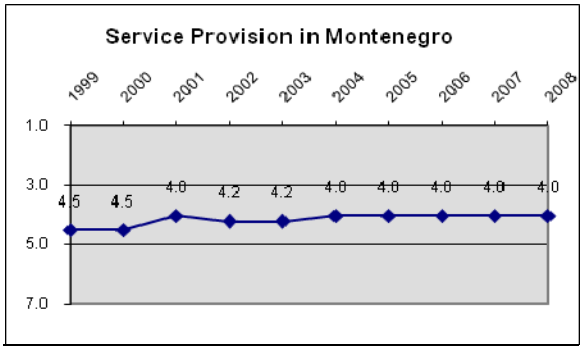
NGOs generally enjoy a high degree of access to policymakers in Montenegro and often work with the government on common initiatives. In 2008, the NGO sector and the national Office for NGO Cooperation drafted a Strategy for NGO-Government Cooperation, which was adopted in late 2008. Many NGOs in Montenegro have been able to form effective, broad-based coalitions and lead high-level advocacy campaigns. These campaigns take place both at national and local levels. One example in 2008 was the anti-corruption campaign "Society without Corruption," which engaged three national NGOs and at least ten local NGOs in a campaign against petty corruption.
Local-level advocacy by NGOs has seen a marked improvement. For example, a group of NGOs in a large industrial town to the west of the capital were able to find a legal solution for citizens affected by pollution from a nearby steel mill. In a coastal town, a group of environmental NGOs prevented a businessman from tearing down a UNESCO-protected hillside to build a block of flats. These cases show a tentative strengthening in the capacity of smaller, more locally based NGOs to organize around an issue and address it effectively.



SERVICE PROVISION: 4.0

The product line of the NGO sector is quite well diversified, with NGOs at both the local and national levels providing services in health, education, environmental protection, and governance. One NGO recently completed an eighteen-month project funded by the European Agency for Reconstruction with the Ministry of Health, Labor, and Social Welfare to improve the level of social welfare services provided to the elderly in local municipalities. Among small NGOs that do not have sustained access to financing, service provision tends to be irregular at best. Larger, more developed NGOs provide services such as information and legal advice to citizens, but again, these services depend on the vagaries of donor financing. A handful of NGOs in Montenegro provide services to citizens irrespective of donor funding. Such services include toll-free hotlines on corruption, HIV/AIDS, and consumer protection.

NGOs must be certified in order to be service providers and receive government funding, but there is no system for licensing NGOs to provide services in fields such as social services, education, and cultural preservation. For those NGOs that are already providing services, there is no control system in place to evaluate and monitor their work.



While still rare, there are some examples of NGOs charging fees for services such as graphic design or training. Some of these services are provided to other local NGOs and some to government bodies. The local market for such services remains small, however.

Most NGOs in Montenegro that practice advocacy or similar activities lack membership bases and their efforts are aimed at the wider public. The small number of associations that do

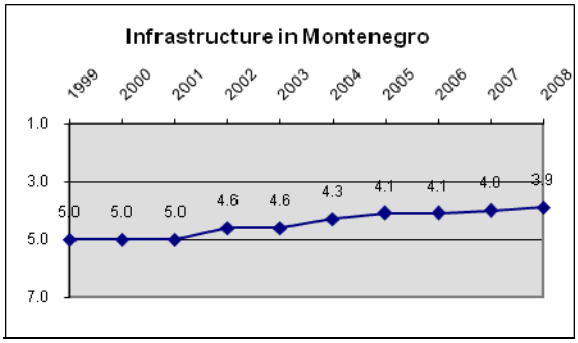
have membership bases mostly engage in initiatives and advocacy to improve the situation of their members, such as disabled persons, refugees, minorities, market sellers, or alcoholics, rather than a broader constituency.

INFRASTRUCTURE: 3.9

The infrastructure for NGOs continued to improve during 2008. The government Office for NGO Cooperation completed its first year of operations, and although the office remains understaffed and underfunded, it represents a significant improvement in the quality of cooperation between NGOs and government. Particularly noteworthy was its role in developing the Strategy for NGO-Government Cooperation, which was adopted at the end of 2008. The NGO coalition "Together towards the Goal" drafted the strategy, which aims to formalize communication between government and civil society and strengthen civil society's role in policymaking.

Several ISOs and NGO resource centers in Montenegro provide NGOs with training, learning and networking resources, legal assistance, and project writing assistance, as well as access to technical services like Internet and fax. In reality, however, only NGOs in three municipalities, including Podgorica, have access to support services on a regular basis, as the rugged terrain of the country makes travel expensive and difficult. Resource centers outside of Podgorica cannot provide the same level of services and knowledge as their counterparts in the capital. NGOs in outlying regions and difficult-to-reach municipalities suffer from limited access to information, donor resources, and contacts with the central government, resulting in very different levels of NGO development.

The NGO sector in Montenegro is highly competitive, and networking does not come naturally. NGOs will share information with each other, but only in cases where cooperation or information-sharing will benefit both parties. In 2008, however, there was an increase in the number of relationships and mentorships formed between top-tier NGOs and local-level NGOs on specific campaigns and initiatives.

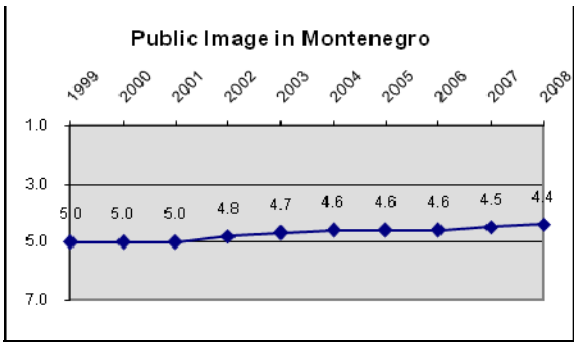


While the range and quantity of training opportunities and trainers are largely satisfactory, NGO interest in trainings is still quite low. Intersectoral relationships have improved, with many of the larger, more developed NGOs at the national level working directly with government counterparts on common initiatives.

PUBLIC IMAGE: 4.4

In 2008, the trend towards improvement in the public image of NGOs continued. Focus group research on corruption showed that citizens generally trust NGOs more than their legal system or their government when it comes to dealing with corruption, a finding supported by the numbers of citizens approaching NGOs for information and legal advice. The TV program *Robin Hood*, which deals with citizens' corruption complaints live on air, was popular with viewers. A public opinion poll conducted by CEDEM, a local research institute, revealed that for the second year in a row the most popular public figure in the country was an NGO leader.

The quantity and quality of media coverage on NGOs and their initiatives increased in 2008,



following a lull in the previous year caused by the media's focus on national elections. In general, NGOs and media enjoy a mutually beneficial relationship, with a strong two-way flow of information.

As noted above, this was the first year of implementation of a national NGO Code of Conduct signed by over 145 NGOs, although it remains to be seen whether the code will be rigorously upheld. The NGO sector elected a seven-member self-regulatory body to enforce and monitor its implementation. No cases were brought before the self-regulatory body in 2008.