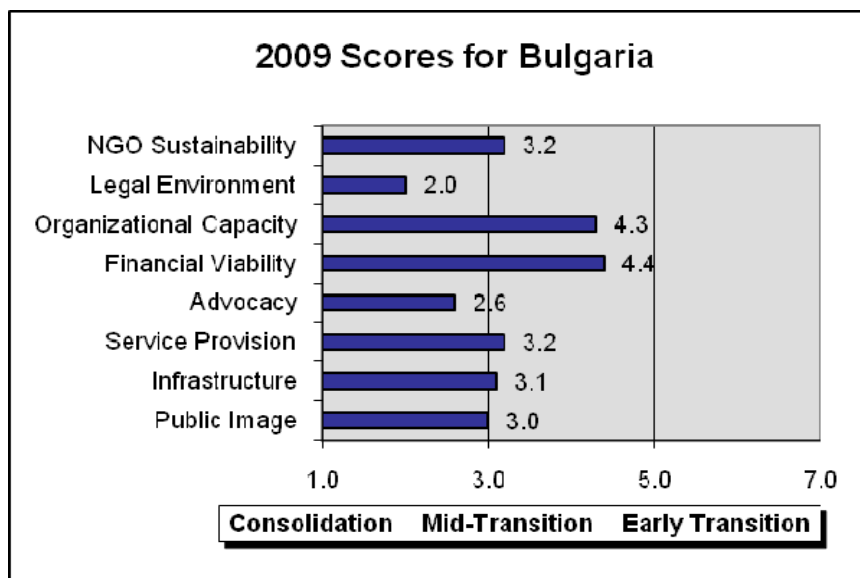


BULGARIA



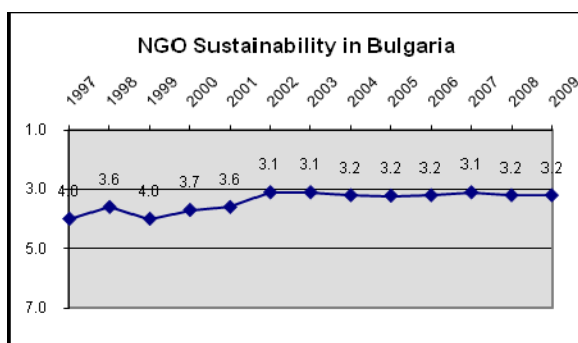
Capital: Sofia

Polity:
Parliamentary Democracy

Population:
7,148,785 (July 2010 est.)

GDP per capita (PPP):
\$12,600 (2009 est.)

NGO SUSTAINABILITY: 3.2



The environment for NGOs in Bulgaria deteriorated somewhat in 2009, though this did not affect the overall score. The deterioration of NGOs' financial situation affects all other areas of their operations. It threatens organizational capacity as paid staff is forced to leave the sector and as NGOs focus on solving their organizational crises rather than fulfilling their missions. It also undermines the potential of NGOs to provide effective services.

The financial crisis led to a sudden decrease in donations to NGOs—a decrease of between 30 to 50 percent, based on data from community foundations. Other NGOs that sought to develop local philanthropy to diversify their funding are probably reconsidering whether it is worth the

effort. Problems connected to EU funding in Bulgaria have had a serious effect on NGOs. The EU Civil Society Development Program was cancelled at the end of 2008, leaving a number of NGOs without funding in 2009, while the EU Operational Program on Administrative Capacity did not announce a single grant competition for NGOs in 2009, compared to more than \$28 million provided the previous year. In addition, those NGOs that managed to get EU funding are faced with serious liquidity problems as these programs require NGOs to first cover their costs and then receive reimbursement.

As of October 2009, more than 1,500 new associations and foundations were registered, increasing the total number to more than 30,500. This number does not include the more than 3,800 chitalishta (traditional Bulgarian community centers). More than 7,400 of the associations and foundations are registered in the Central Registry of Public Benefit Organizations with the Ministry of Justice. This number includes sports clubs, almost all of which are registered as associations in order to receive support from the state, and schools' boards of trustees, which are legal entities.

LEGAL ENVIRONMENT: 2.0

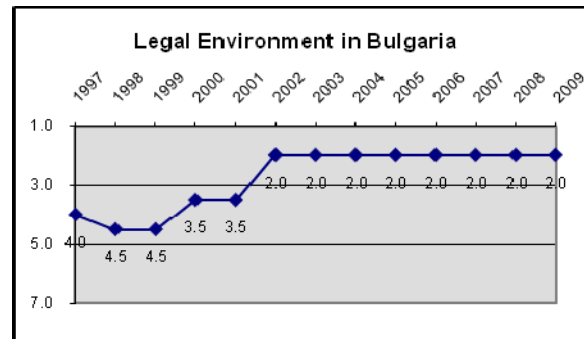
Overall the legal environment for NGOs did not change much in 2009, with the exception of two developments. The first was the adoption of the Law for Prevention of Conflicts of Interest, which put some restrictions on the ability of national and municipal officials and their relatives to take part in the management of NGOs. This affected a number of NGOs that had such individuals on their boards.

The second change was an amendment in the tax laws allowing any EU-based public benefit NGOs to benefit from tax-exempt donations. This amendment is mostly neutral for Bulgarian NGOs, although in the future it might create more competition for donations, as they will compete against NGOs from elsewhere in the EU. To date NGO experts are unaware of any cases in which Bulgarian citizens or companies donated to foreign NGOs.

The NGO Law creates sufficient freedom for NGOs. The registration process is more or less fast and easy. There are no concerns about state involvement in NGO management. Most of the problems in the area of the NGO legal environment stem from the poor implementation of laws and the generally low level of administrative capacity in various institutions. Some courts ask for certificates showing that NGO board members have no convictions on their records, even though such a certificate is not legally required. Another example is the management of the EU Structural Funds to which NGOs can apply. In some cases the procedures were changed several times during the program implementation, or program administrators required organizations to provide documents beyond the program requirements.

A second important issue related to administrative impediments involves the Central Registry for PBOs. The registry should respond to registration applications within fourteen days; a lack of a decision is considered to be a “silent denial” of registration. In numerous cases the Central Registry prolongs its decision for a month. In addition, the Central Registry does not update its electronic database of registered

NGOs and their annual reports. If an organization has changed its board and informed the registry about it, this information is usually not publicly available until two years later. This undermines the transparency function of the registry. Sometimes officials in the Central Registry interpret the NGO Law as not allowing public benefit organizations to carry out economic activities.



In Sofia there is sufficient legal expertise on NGO issues, but in smaller towns it can be more difficult to find quality legal advice. Still, NGOs can seek advice from other organizations or specialized NGOs.

In addition to changing the taxation of donations, the government in its 2010 proposals for tax amendments called for creation of two new state funds whose donors would receive preferential tax treatment. Individual donors to the funds will be able to deduct donations up to 50 percent of their incomes; companies will be able to deduct up to 50 percent of profits. This proposal would create an incentive for donors to support the funds at the likely expense of the NGO sector. VAT continues to be charged for text messages of a philanthropic character (SMS donations).

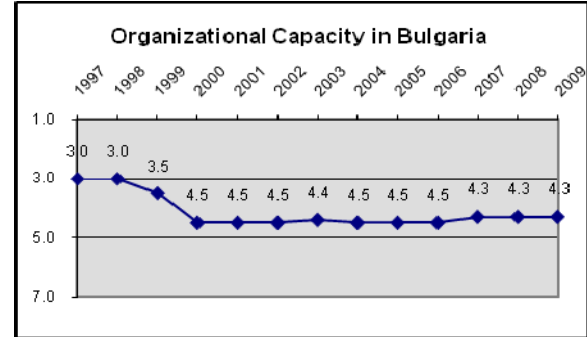
NGOs are allowed to conduct economic activities and to take part in public procurement procedures. Even though there are limitations on NGOs' economic activity (it has to be related to the declared purpose of the NGO and in addition to its main nonprofit activity), in practice tax authorities do not care whether the activity is related as long as it can be taxed.

ORGANIZATIONAL CAPACITY: 4.3

With regard to constituency building, there are signs of improvement in some areas and decline in others. Many NGOs are managed or controlled by a very limited number of people who fail to engage others in their activities. On the other hand, there are some positive tendencies in the environmental sector as more young people show support for environmental campaigns. Informal movements and online social networks also increased. The trend toward informal groups and social networks raises the question of whether NGOs have lost the people's trust.

A number of organizations had to revise their strategic plans in light of the withdrawal of donors, an indication that their initial planning was poor. In addition, experts doubt that many organizations have planned what they will be doing in future years. Organizations might have formal missions but they lack real strategies.

Boards are predominantly formal, meeting once or twice a year, with no real leadership, or input into the NGOs' work, or familiarity with the



problems the organization is facing. Very often the board chair acts as the NGO's chief executive.

Organizations face serious challenges in keeping paid staff. There are many examples of NGOs that have just one administrative assistant. While volunteers are increasing, they cannot replace paid staff.

A number of NGOs have moved to lower-rent offices due to financial difficulties. Technical equipment is not a major issue for NGOs. In 2009 Microsoft began supplying software to NGOs for a modest fee, while the use of Skype has decreased telephone expenses.

FINANCIAL VIABILITY: 4.4

In 2009 NGOs were focused on survival rather than development. The financial crisis affected the NGO sector in Bulgaria in different ways. A survey among community foundations showed that they had a decrease of between 30 and 50 percent in the volume of donations, with the largest decrease in smaller towns.

Companies have increased their donations of goods and services, but decreased their monetary donations. The crisis may have been an opportunity for some smaller organizations who gained access to corporate social responsibility programs which previously targeted bigger organizations with larger grants.

Two other factors affected the situation in Bulgaria. The first was the continuing

withdrawal of donors. The Bulgaria Fund of USAID, implemented by the Balkan Trust for Democracy, exhausted its resources. EU funds for NGOs were also limited, as the last PHARE Civil Society Development Program was cancelled at the end of 2008. In addition, this year there was no EU Operational Program for Administrative Capacity funding for NGOs compared to the 37 million BGN (\$28 million) given last year.

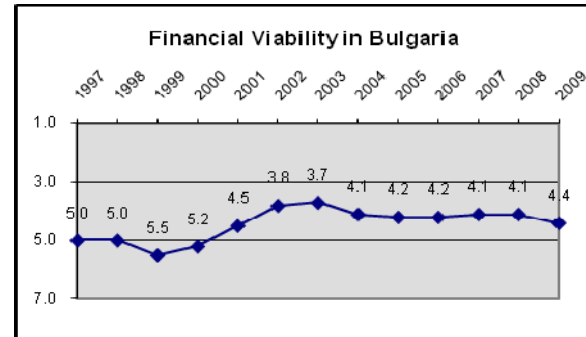
The second important factor was the serious delay in certain project payments, especially those that were EU funded. The traditional way of financing projects with PHARE funding was to provide 80 percent of the grant during the project implementation and reimburse the remaining 20 percent after the final report was

submitted. For many of the programs this last reimbursement takes a long time, in many cases exceeding a year. With the EU Structural Funds the situation is even worse. Except for a small advance payment of about 20 percent, NGOs have to carry out the activities before receiving reimbursement. For small organizations this is very hard, especially considering the delays in reimbursement and the extensive financial reporting requirements.

In January 2009 the Center for the Study of Democracy published a report on corruption and organized crime in Bulgaria which provided data on how the state's distribution of funds for NGOs has led to politicians using NGOs to get funding. The report also noted that the large amount of NGO funding channeled through the state raises the risk of corruption.

The decrease in potential sources of funding reduces the diversification of income, but there are some new avenues for NGOs. State institutions increasingly contract NGOs for specific expertise. There is also an increase in volunteers. Sofia municipality announced a call for NGO projects, although this is part of an EU-funded project so it is not clear whether it will be a regular practice. Some corporate programs were launched but these tended to be aimed at

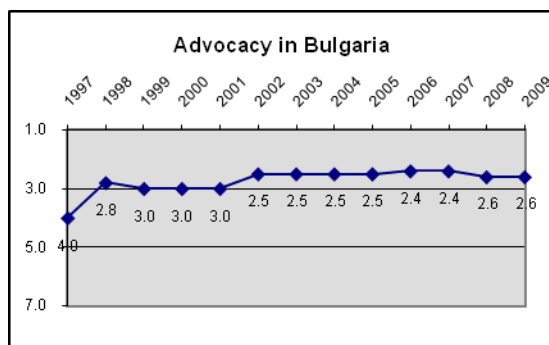
smaller organizations, and the amount of available funding was small. Not many NGOs engage in fundraising from individuals or companies. There are organizations which have managed to build a loyal core of supporters, but those are usually exceptions.



Few NGOs publish their financial reports. While there are accounting standards for NGO reports, the information they provide is not user-friendly so it is hard to understand how an NGO spends its funding.

The America for Bulgaria Foundation has become operational and will provide an opportunity for a number of NGOs, but this cannot compensate for the negative trends in the area of financial viability.

ADVOCACY: 2.6



The new government has shown some signs of a more positive attitude towards NGO participation in decision making. For example, the government made all Council of Ministers decisions public and accessible online.

The newly adopted Law for Prevention of Conflicts of Interest is intended to stop the direct involvement of politicians in the work of NGOs. It prohibits politicians or their relatives from serving in the management structures of NGOs with which they interact.

There are both positive and negative examples of NGO-government partnerships. The Ministry of Environment and Waters includes NGO representatives in working groups and holds a one-day meeting with NGOs each month. On the other hand, the Ministry of Justice for the first time attempted to withdraw the Bulgarian Helsinki Committee's permission to inspect prisons.

The Civic Participation Forum, an initiative of more than fifty local and national organizations, joined efforts to improve the mechanisms for civic participation in decision making. In 2009 the ODA (Official Development Assistance) Platform, which advocates for the government to carry out its obligation to provide a certain percentage of Bulgaria's GDP for international development, was formally established. Its unsuccessful efforts so far demonstrate how the lack of effective dialogue makes it extremely

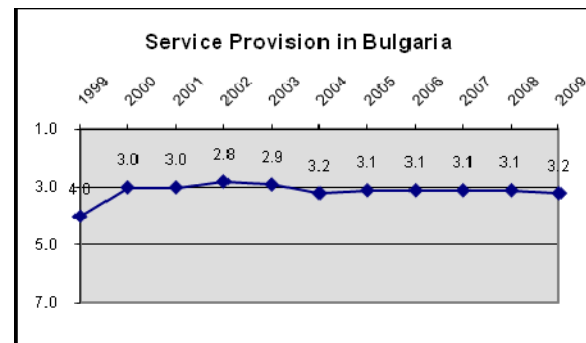
difficult for NGOs to influence some institutions.

As for advocacy for legal reform, NGOs have so far been on the defensive, trying to protect themselves from negative changes in the legal framework rather than pushing for improvements. No state institution has a specific mandate to develop, improve or sustain relations with NGOs.

SERVICE PROVISION: 3.2

The situation with service provision worsened in 2009 as a result of the financial crisis. The funding for social services comes predominantly from the national budget, which transfers the funds to municipalities, which in turn provide services directly or contract NGOs or other entities. The national budget suffered a decrease of around 10 percent compared to the rather optimistic figures in the 2009 Budget Law. Because of this the state withheld part of the planned budget for provision of services, which in turn affected all service providers. In November Sofia municipality, the largest in the country, stopped a program that provided personal assistants to people with disabilities because of lack of funding. The funding for other social services, some of which are provided by NGOs, was also reduced.

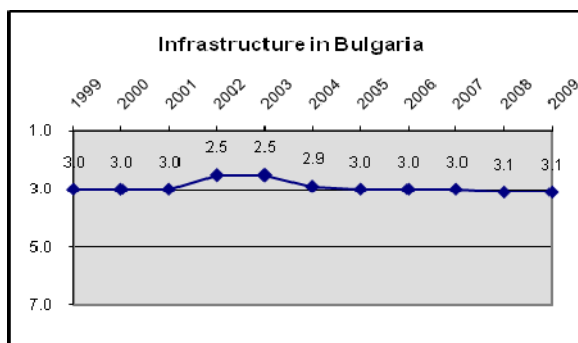
The government recognizes the importance of NGOs in certain areas of service provision, especially social services. Sometimes NGOs are too few to meet the high demand for services in



certain towns, while some local authorities still do not fully trust NGOs. NGOs are barred from engaging directly in the provision of health services.

The services NGOs offer are often determined by the possibility of state financing or donor funding. NGOs cannot charge fees for the services they provide to the elderly or other vulnerable groups, for example, because these groups are usually among the poorest in the country.

INFRASTRUCTURE: 3.1



The financial crisis has affected local grantmaking. Community foundations face serious challenges; although they are still functioning, they are few in number and no new community foundations have appeared.

Thematic coalitions are especially active in the area of social protection. Examples include the National Network for Children and the Social Policy Platform. In addition, a coalition of

NGOs formed to monitor the national and European Parliament elections. There is no national NGO umbrella group and often NGOs are not included in important debates because institutions claim they do not know who is a legitimate representative of civil society. In general, NGOs still face problems uniting on a long-term basis for the protection of joint interests.

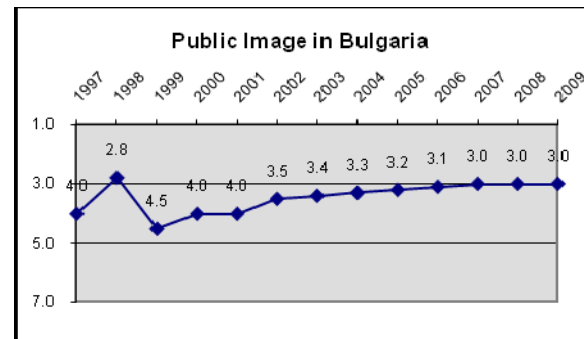
There were several good examples of partnerships between NGOs and the state. Transparency International was invited to monitor the procurement procedure in two ministries.

There is access to training for NGOs, but most of the trainings are fee-based.

PUBLIC IMAGE: 3.0

The public perception of NGOs did not change in 2009. The majority of the population still does not fully trust NGOs. Low public trust is the result of the lack of positive media coverage of NGOs and NGOs' insufficient PR efforts, as well as some negative incidents, such as profit-making schemes designed as charitable activities. According to an Open Society Institute omnibus survey in October 2009, only 22 percent of respondents stated that they trust NGOs. In addition, most NGOs are not known to the public. According to research carried out for the CIVICUS Civil Society Index in spring 2009, more than 51 percent of respondents did not know an NGO or could not point out an NGO they trust, while another 10 percent did not trust any NGO.

Even when the media publicizes an NGO event, it does not report who was the event organizer, so the NGO remains unknown to the public. NGO activities are better covered at the local level, while at the national level politicians are the focus of media attention. In addition, TV outlets are reluctant to publicize companies that organize charitable events because they are afraid this will be considered covert advertising. As a result, news coverage of fundraising events is inadequate.



To some extent the government has a positive attitude toward the work that NGOs do, which is shown in the increased number of contracts for NGO services and in the number of consultative bodies with NGO participation. Businesses also increasingly interact with and support NGO initiatives. A number of companies have already built partnerships with NGOs, participate in various corporate social responsibility programs, and consider these activities an important part of their public relations.

What NGOs are missing is some form of self-regulation. All public benefit NGOs are required by law to submit their annual reports to the Central Registry, but the registry does not publish them on the Internet quickly. In addition, a number of NGOs do not put their reports on their own websites, and a significant number of NGOs do not even have working websites.