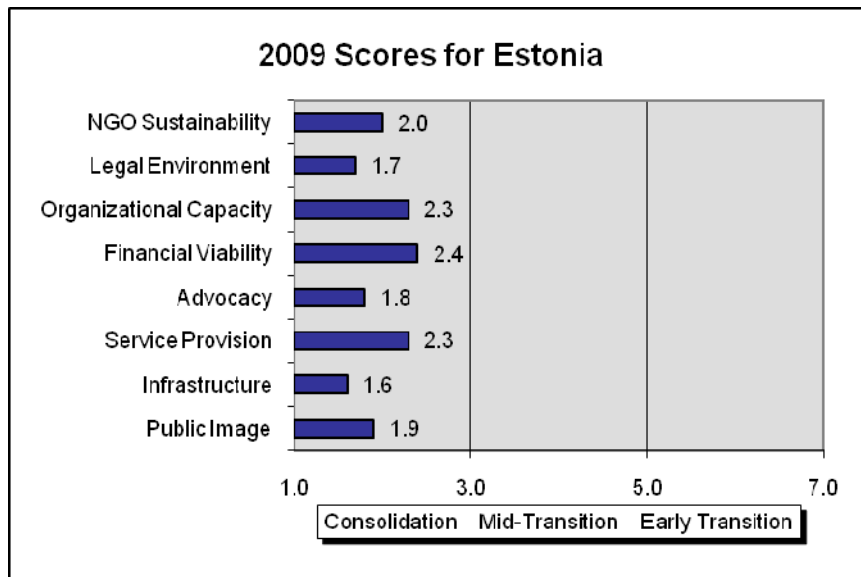


ESTONIA



Capital: Tallinn

Polity: Parliamentary Republic

Population: 1,291,170 (July 2010 est.)

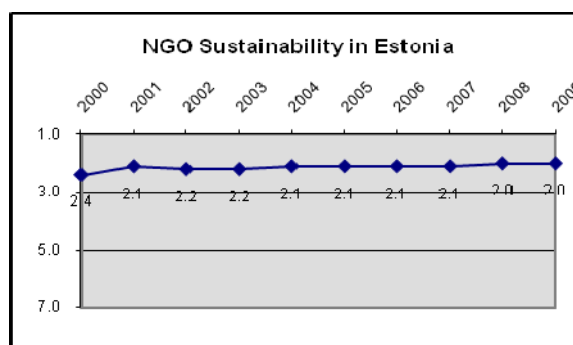
GDP per capita (PPP): \$18,700 (2009 est.)

NGO SUSTAINABILITY: 2.0

The global economic crisis influenced the sustainability of Estonia’s NGO sector in 2009. According to Statistics Estonia, Estonia’s GDP decreased by 15–16 percent in 2009 compared to the previous year. The setback for the NGO sector has not been as severe as initially feared, however. Estonian NGOs have always had to manage with relatively limited financial resources. Many NGOs say that they have seen much worse times. Also, the peak of the crisis may not have reached the sector yet, as many organizations have still been working on the grants they received in previous years.

Nevertheless, the majority of NGOs have had to make cuts to their budgets, and that means fewer services to their target groups. At the same time, the need for NGOs’ work in the fields of both advocacy and service provision has grown as the number of people in vulnerable situations has expanded. Larger workloads combined with smaller budgets can seriously hamper NGOs’ sustainability in the long run.

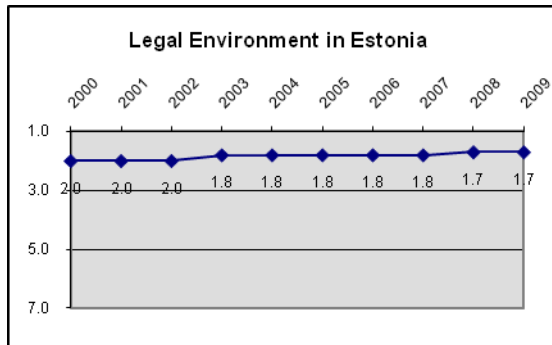
On a more positive note, Estonians’ willingness to volunteer, engage in charitable activities and participate in public life has been growing during the economic crisis. Organizations also note that the crisis has forced them to think through their activities and find ways to be more efficient. Estonian organizations widely cite the Obama administration catchphrase, “Never waste a good crisis.”



The number of registered NGOs in Estonia is 30,267; 813 of these are foundations and 29,454 are associations.

LEGAL ENVIRONMENT: 1.7

In general, Estonia's legal environment continues to be favorable for NGOs, without undemocratic restrictions. NGO registration can be accomplished by mobile phone. Reporting and other communications with the authorities are similarly easy.



Some legislative changes were enacted concerning the roles and responsibilities of NGO board members that give more control to NGO members over the board. At the end of the year, the Center of Registers and Information Systems announced a wide-scale training program that will help NGOs prepare for amendments to the law that were made in 2008 and will come into force in 2010. These amendments will make nonprofit associations' annual reports public and

ORGANIZATIONAL CAPACITY: 2.3

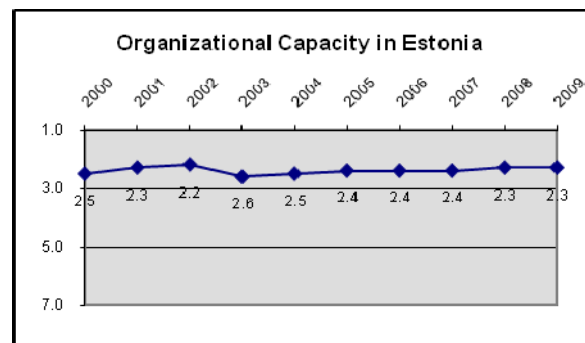
The economic crisis has had a mixed effect on NGOs' organizational capacity. A study conducted by the Network of Estonian Nonprofit Organizations (NENO) showed that as a result of reduced budgets, one-sixth of NGOs have foregone or postponed investing in organizational development. The same study indicated that one-fifth of NGOs have had to reduce their staffs.

At the same time, 40 percent of NGOs say that they now have more volunteers than in 2008; only 4 percent indicate a decline in volunteers. Based on these findings, it appears that almost half of Estonians have done some sort of volunteer work that benefits others within the last twelve months. Many people are unaware

require that the reports be presented electronically. This will help the sector become more transparent and will remove defunct organizations from the public registry.

Despite these positive changes, NGOs have developed more quickly than the legal environment. The issue of NGOs' earned income has become problematic, as the laws are not clear and tax officials' ability to distinguish between for-profit and social enterprises is often questionable. This becomes important when an NGO wants to apply for or keep its public benefit status, which gives it a right to waive taxes on certain distributions and allows individuals to deduct donations to the NGO from their taxable income. The Tax and Customs Board makes the decision of whether an organization is charitable and is eligible for public benefit status, but its officials tend to interpret the term "charitable" very narrowly.

Competent lawyers on NGO issues are almost nonexistent. NGOs and officials who want to ensure that their activities are in accordance with the law often find that no one can provide clear answers.



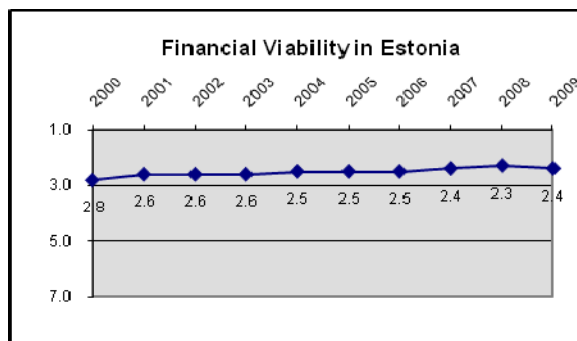
that their activities can be labeled "volunteerism," however. The e-Bank of Happiness was opened in September (www.onnepank.ee) to assist with the exchange of good deeds and promote nonmonetary donations.

NGOs' awareness of the need to develop their capacity is still on the rise. Two funders play an important role here: the National Foundation of Civil Society (financed from the state budget) and the NGO Fund (financed by the Norwegian and European Economic Area Financial Mechanisms). Both provide funds for capacity-building activities and demand from their applicants a thorough analysis of their organizational capacity. A number of umbrella organizations run training and counseling

programs for their members, focusing on issues such as strategic planning and management.

In general, Russian-speaking NGOs tend to lag behind in their development. Some positive initiatives were established this year: NENO launched a program for Russian-speaking NGOs, translating the information these groups need into Russian. Other umbrella organizations are preparing similar projects in their sectors, and more Russian-speaking consultants are working with the network of regional development centers.

FINANCIAL VIABILITY: 2.4



The NGOs hit hardest by the economic crisis were those who received funding primarily from the public sector or from businesses. For example, the distributions from the gambling tax, one of the major sources of funding for Estonian NGOs, decreased more than 30 percent. Although NGOs understand the need for retrenchment, they often view the decision-making process for budget cuts as nontransparent. NGOs that receive their income from sources like EU funds, membership fees, and individual donations did not feel the decline as strongly.

NGOs' poor financial management skills have also become more apparent during the economic downturn, as many organizations have no other

way of coping with diminishing funding sources besides reducing their activities. As a positive effect of the crisis, however, some NGOs focused on developing new financial models or building nonmonetary assets.

Another result of the crisis is increased competition for public grants and tenders. NGOs may be forced to compete with businesses in areas where businesses formerly had no interest. On one hand, the competition complicates the situation for NGOs, but it also ensures better quality for beneficiaries. Some new funding opportunities have also emerged; most notable among them is the Emergency Fund financed by George Soros that is designed to help NGOs and their target groups overcome the crisis.

The government prepared a concept draft outlining public funding issues for NGOs based on a thorough analysis of existing practices. The document should harmonize funding practices between different public institutions, increasing transparency and efficiency and making it easier for NGOs to apply. Implementation should begin in 2010.

ADVOCACY: 1.8

Consultations between NGOs and government continued at a stable rate in 2009. The government's consultation portal, www.osale.ee,

is continually being upgraded; in addition to being able to comment on draft laws and strategy papers posted by ministries, people are

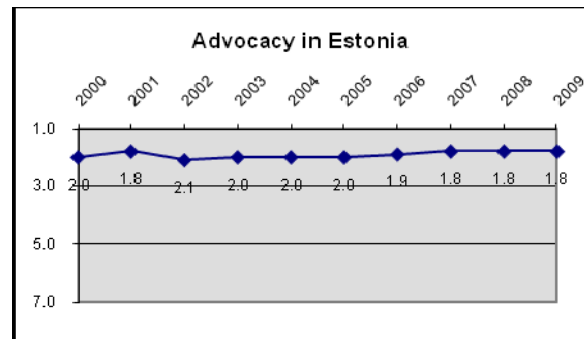
also able to post ideas and seek others' support for petitions. A number of joint working groups for public officials and NGOs (mostly umbrella organizations) in every ministry facilitate discussion of sectoral strategies.

Some NGOs even note experiencing "consultation fatigue" because the public sector is better at sending out draft laws than at setting clear goals for involvement, identifying the necessary stakeholders, providing them with concrete questions, or giving them feedback. Short deadlines are also a persistent problem.

Estonia experienced two elections in 2009: European Parliament elections took place in June, and local elections were held in October. NGOs launched "Good Campaigning Practices" guidelines for political parties and monitored their compliance. In addition, NENO developed the NGO Manifesto (www.ngo.ee/28229), proposing various activities to local governments that are aimed at strengthening civil society. Many other NGOs conducted nonpartisan election activities; for example, the Estonian Debating Society organized a series of online debates between top politicians, as well as critical thinking trainings for voters. Similarly, Transparency International Estonia trained people to be election observers.

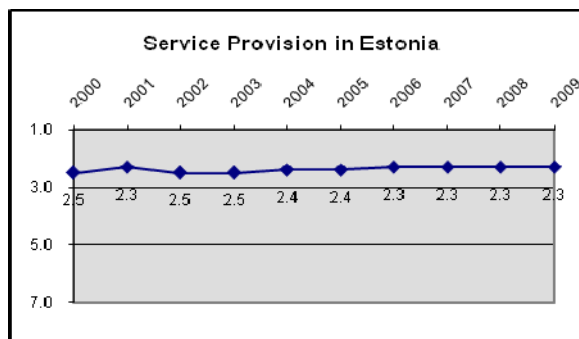
The most notable civic initiative of the year was "My Estonia," which was run by the same team that organized a nationwide cleanup day the year

before. On May 1, more than 11,000 people gathered in 400 spots all over Estonia to discuss their vision for the future of their communities and for the country as a whole. Approximately 5,000 ideas were submitted to the "My Estonia" website (an analysis of the ideas is featured in English at www.ngo.ee/29957), the majority of which are implementable by the communities themselves. As a result, a number of new networks have sprung up.



The Civil Society Development Concept (EKAK in Estonian) serves as a strategy agreement between NGOs and the public sector. Over the past few years, dissatisfaction among the NGO community with its slow implementation has grown. At the end of 2009, consultations on a new activity plan for 2011–14 were announced, which should address NGOs' current dissatisfaction by making the new implementation plan more concrete than its predecessor.

SERVICE PROVISION: 2.3



At the end of the year, the Ministry of Interior drafted a concept paper for outsourcing public services to NGOs. At year's end, the draft was

still under discussion and had not yet been presented to the government. A survey was conducted in 2009 among local governments showing that 60 percent of local governments are already outsourcing public services. The volume of such contracts has doubled in two years from 54 million EEK (\$4.7 million) in 2006 to 108 million (\$9.4 million) in 2008, although the amount may decline a bit in 2009 because of local governments' reduced budgets.

Today, NGOs essentially help to fill the gaps in local governments' abilities to provide certain services. According to the survey, the most

popular fields of services provided by NGOs are sports (20 percent), social services (18 percent), and culture (17 percent).

The public sector often views outsourcing as a favor to NGOs, rather than as an opportunity to improve the quality of services provided. As a result, it looks for the cheapest opportunities, while NGOs emphasize the need for longer-term contracts and sufficient funding to guarantee quality. Service providers usually have no financial reserves, and the sustainability of

services suffers, as NGOs lack the resources to finance development activities.

Outsourcing services depends significantly on the perceptions of local government leaders. There are governments that have systematically developed services based on the needs of citizens, and have found ways to outsource them to NGOs. Other governments have not acknowledged the potential of cooperation with NGOs in service provision.

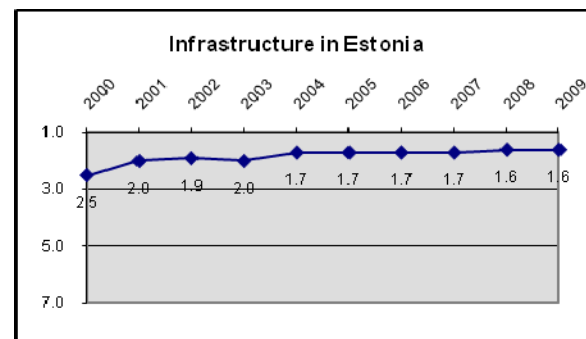
INFRASTRUCTURE: 1.6

Infrastructural building blocks have been in place for years and NGOs function well within the established framework. Regional development centers exist in every county, providing consulting and basic training for NGOs free of charge. Still, these centers could develop themselves more to keep pace with the ongoing development of the third sector.

At the national level, NENO serves as the umbrella and advocacy organization for public benefit NGOs, dealing with issues common to all organizations, such as funding and working within the legal environment.

In addition, there are sectoral umbrella NGOs that serve as development and advocacy bodies on behalf of their members, such as the Estonian National Youth Council, the Estonian Council of Environmental NGOs, the Estonian Roundtable for Development Cooperation and many others.

There has also been a rise in regional networks, partly because of the above-mentioned “My Estonia” initiative, and partly as a result of the work of the National Foundation for Civil Society, a foundation financed from the state budget that supports the establishment of a favorable environment for civil society and runs special grant contests to enhance regional cooperation.



PUBLIC IMAGE: 1.9

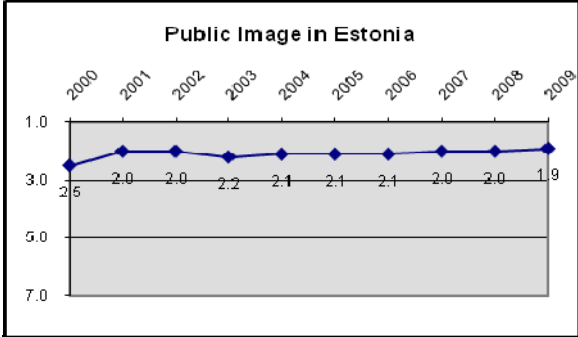
Public image is probably the fastest-developing aspect of Estonia’s NGO sector. This is an area where the economic crisis has had a rather positive impact, as people are now more interested in social issues. Additionally, the media is often seeking positive stories that can balance the negative news resulting from the bad economy. It is increasingly common for NGO representatives to be covered in news stories and features, but media coverage focuses largely on

the emotional aspects of NGOs’ work, ignoring analysis and other data.

NGOs are also becoming more professional in their public relations; besides utilizing websites, blogs, and social networks like Facebook and Twitter, many are running their own newspapers and magazines.

There have been no major scandals concerning the NGO sector in Estonia, but it is expected that the change in the law making associations’

annual reports public beginning in 2010 will make many NGOs' poor reporting skills



apparent. So far, NGOs have only had to present their annual reports to the Tax and Customs Board (whose officials hardly read them) and it has been up to the NGOs themselves to decide whether to publish the reports on their websites.