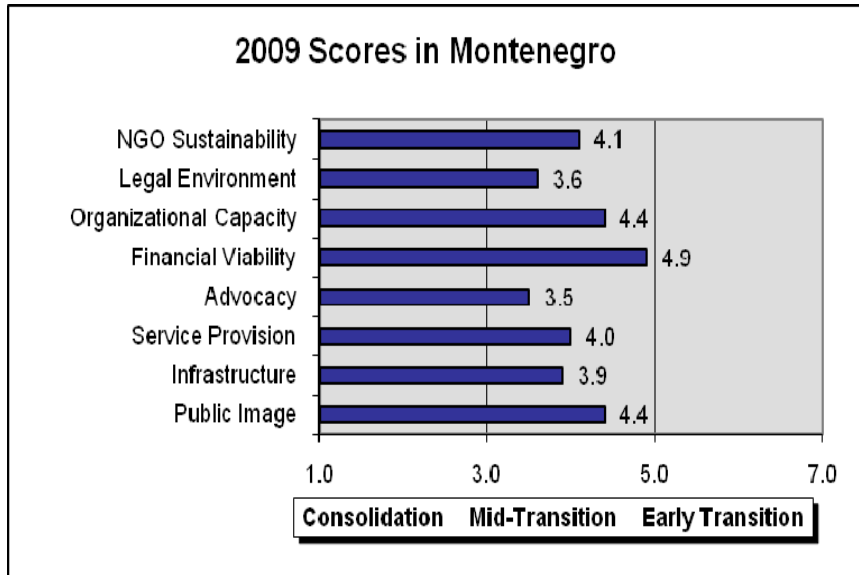


MONTENEGRO



Capital: Podgorica

Polity: Republic

Population: 666,730 (July 2010 est.)

GDP per capita (PPP): \$9,800 (2009 est.)

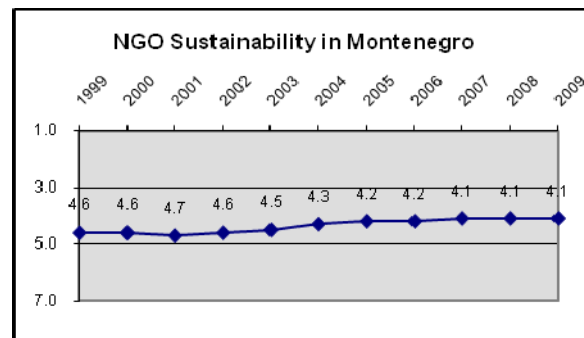
NGO SUSTAINABILITY: 4.1

Close to 4,500 NGOs are registered in Montenegro, although only a few hundred are active. Over the course of the year, setbacks in the development of NGOs were balanced by improvements.

State harassment of NGOs increased noticeably, as seen in the increasingly hostile rhetoric used by government officials against NGOs that express criticism of the state, and legal action by the state against NGOs. Government officials initiated a wave of libel actions against independent media outlets and NGOs following several early court rulings in favor of the government. These suits are very expensive for the civil society sector and may have a dampening effect on free speech.

On the other hand, NGOs have aggressively used all of the legal tools at their disposal to force the government to be more accountable. NGOs now regularly use the Free Access to Information Law and the various court processes open to them to force the government and political system to be more open, transparent, and responsive.

NGOs generally enjoy a high degree of access to policymakers in Montenegro, and often work with the government on common initiatives. NGO representatives participate in several important national bodies. The government formally signed the memorandum of understanding that sets out the Strategy for NGO-Government Cooperation.



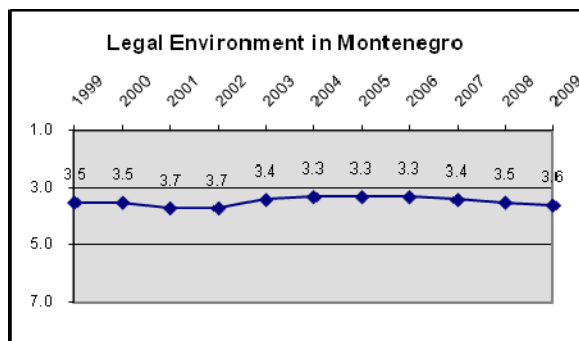
Financial sustainability of the NGO sector remains low, and most NGOs are concerned about the prospects for sustainability once foreign donor funding subsides. One local foundation, however, has begun to spark awareness about philanthropy, and another NGO is publishing a series of newsletters on corporate social responsibility. There has also been an

increase in public-private partnerships and cross-sector initiatives.

Despite the increase in official government rhetoric against NGOs, public trust in the sector remains high. An influential Montenegro Corruption Assessment report by Management

LEGAL ENVIRONMENT: 3.6

In 2009, deterioration in state protection of NGO rights and freedoms undermined the legal environment for NGOs. The threat of dissolution for political or arbitrary reasons increased, even though the law guarantees protection to NGOs.



There was a noticeable rise in open hostility on the part of the government towards the NGO sector. In a highly publicized speech to mark the third anniversary of Montenegro's independence, the prime minister specifically referred to NGOs as enemies of the state and of democracy. Top-ranking government officials openly discounted two key international reports¹⁰ that called attention to Montenegro's failings in the fight against corruption and the important role played by NGOs in fighting corruption, stating that the information presented in these reports was not reliable because it came from Montenegrin NGOs.

There has been a noticeable trend of the state taking legal action against civil society actors. One court found the main daily newspaper guilty of libel in a case where a visiting op-ed contributor (an opposition MP) wrote about his doubts regarding the legality of the government's contract award in the privatization of a steel factory. The newspaper was handed a large fine. A city mayor sued an NGO for

Systems International (MSI), commissioned by USAID, was released in August 2009. The report stated that NGOs and independent media outlets are the only actors that fight against corruption in Montenegro. This report was highly publicized in the press.

personal libel damages relating to a case where the NGO accused the mayor of selling municipal land to a property developer for approximately fifteen times less than its market value, despite the municipal assembly having ruled the transaction illegal and despite the clear presence of incriminating sale documents.

The 1999 NGO Law continues to provide simple registration procedures. NGOs can earn income from the provision of goods and services, and receive tax exemptions on grants and income under €4,000. An amendment to the NGO Law adopted in 2008 specifies that the limits apply to total income and not just profit. Figures from the Ministry of Finance show that the state has performed financial inspections on a total of 182 NGOs and has forced twenty-four NGOs to shut down operations and reopen as businesses. However, with close to 4,500 NGOs registered in Montenegro, these figures suggest that the financial police have little political will, resources, and capacity to comprehensively monitor the economic activities of NGOs.

With no financial incentive to specialize in NGO law, few lawyers are capable of offering legal advice to NGOs. However, several NGOs have engaged lawyers as full-time or part-time staff in order to cope with increased demands to prepare and submit free access to information requests, legal complaints, court cases, and other types of legal actions.

The 2008 amendment to the Lottery Law, which specifies that NGOs are eligible to receive up to 60 percent of all lottery funds collected, came into effect in 2009. The government distributed lottery funding to NGOs, which has improved the sector's chances of financial sustainability. The Procurement Law continues to allow any

legal entity, including an NGO, to compete for government contracts and procurements at both local and national levels. The government again released public grant funding to NGOs in 2009.

In 2009, the legal framework for volunteerism improved somewhat with the government's adoption of a general strategy for developing volunteerism.

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

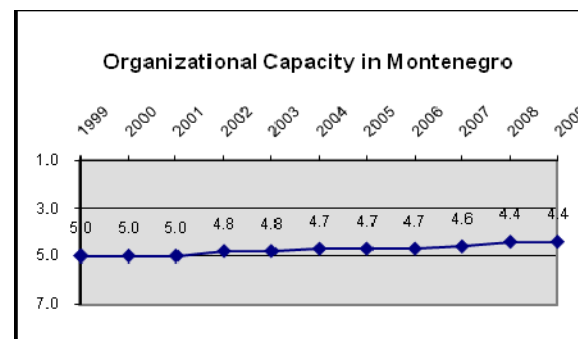
property is used for the organization's statutory goals. Dividends on NGO income are not taxed and corporate and individual donations to NGOs are tax-deductible. In addition, the VAT Law provides broad exemptions for all services rendered by NGOs as well as "public interest" services, including educational, 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.

ORGANIZATIONAL CAPACITY: 4.4

There is a wide capacity gap between the small number of large, professional NGOs and the large number of small, institutionally weak NGOs. Stronger and more organizationally capable NGOs continue to edge out small NGOs in the competition for dwindling amounts of donor financing.

Only a handful of NGOs have democratic governance or operations, and few have independent governing boards of directors. Only the top tier of NGOs has the resources to employ full-time staff. The NGO sector is not seen as attractive for employment due to its financial instability, and many interns or part-time employees seek full-time employment in the private or state sectors after spending a period of time in the NGO sector.

The lack of a full-time, professional staff in most NGOs means that only a handful of the most developed NGOs are able to develop solid constituencies for their work. Internal communication within NGOs is weak, with decision makers often not sharing information with others involved in the organization. Many NGOs lack an established mission statement or a strategic plan, while those that have them are often involved in a plethora of activities and services beyond the organization's designated mission.

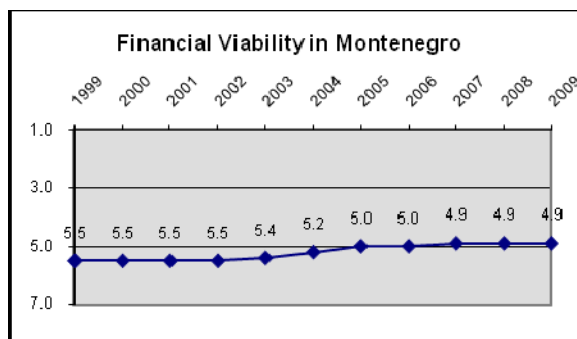


Volunteerism continues to be weak due to cultural factors such as the lack of a volunteering tradition and the legacy of socialism. It is anticipated that the government's new volunteerism strategy will spur development of legal mechanisms to allow NGOs to engage volunteers without the current heavy tax burdens on per diems and travel expenses.

NGOs that have Internet access and modern office equipment, such as relatively new computers and software and functional fax machines, 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

Financial sustainability of the NGO sector remains poor, and most NGOs are concerned about the prospects for sustainability beyond donor funding. The majority of the NGO sector remains dependent on international donor funding, and only the top tier of NGOs has a guaranteed stream of income that extends past one fiscal year.



There was a slight improvement in the area of philanthropy in 2009. One local foundation has begun to spark awareness about philanthropy by giving out awards to corporations and individuals who have generously supported charitable causes. The same NGO published a book entitled *History of Philanthropy in Montenegro* aimed at reviving philanthropy. Another NGO has begun a project with the Organization for Security and Cooperation in Europe (OSCE) to promote corporate social responsibility in Montenegro by forming a team of twelve trainers that will help companies develop socially responsible programs and by publishing a series of newsletters dedicated to raising awareness about social responsibility, with a specific focus on corporate and individual philanthropy.

ADVOCACY: 3.5

NGOs continue to become more effective at advocacy, lobbying, and watchdog efforts. Representation of NGOs in the political lobbying process improved slightly this year. There are now NGO representatives sitting on the managing board of the public service broadcaster, the board of the National

There has also been an increase in public-private partnerships and cross-sectoral initiatives. One NGO is implementing a joint initiative with three private print media outlets to investigate, write, and publish a series of investigative journalism pieces on corruption. Another NGO has partnered with a Slovenian energy company to launch a campaign about energy efficiency in Montenegro.

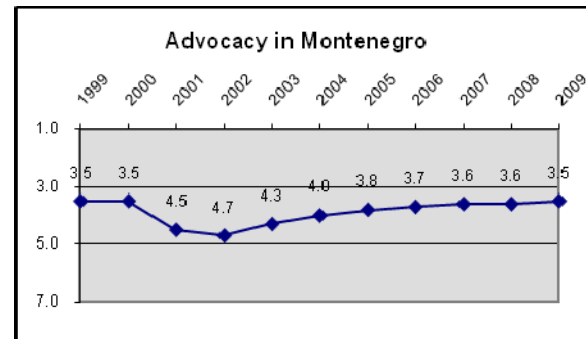
NGOs are also receiving grants from domestic donors such as national and local governments. The parliamentary grants program for NGOs was as poorly managed in 2009 as in previous years. The parliamentary commission that manages the grants distributed funds to many weak or inactive NGOs without any control mechanisms such as financial reporting or program evaluation. However, the government's distribution of lottery funding to NGOs has improved the sector's chances of financial sustainability.

Active, experienced NGOs with a steady stream of multiple-donor funding tend to have the most developed financial reporting and control systems. The number of NGOs publishing annual reports with financial statements increased in 2009, largely due to members of the 200-plus member NGO Coalition "Together towards the Goal" fulfilling pledges made under the NGO Code of Conduct signed in 2007. Although independent financial audits are still rare in the NGO sector, the state has increased slightly its rate of financial inspections of NGOs under the new amendment to the NGO Law.

Commission for the Fight against Corruption and Organized Crime, and on an important parliamentary committee on EU integration. In January 2009, the government formally signed the memorandum of understanding that sets out the Strategy for NGO-Government Cooperation.

There has been an increase in NGOs aggressively using all the legal tools at their disposal to force the government to be more accountable. NGOs now regularly use the Free Access to Information Law and the various court processes open to them to pursue cases, obtain valuable information, and force the government and political system to be more open, transparent, and responsive. One NGO alone submitted over 21,000 requests for information under the law in the past four years, and has sixty-five legal appeals underway at the Administrative Court pertaining to ongoing cases, published decisions, and challenges on request refusals, as well as forty-five cases at non-court or pre-court arbitration bodies. Another NGO successfully used the Free Access to Information Law to secure access to a complete set of documents from the Ministry of

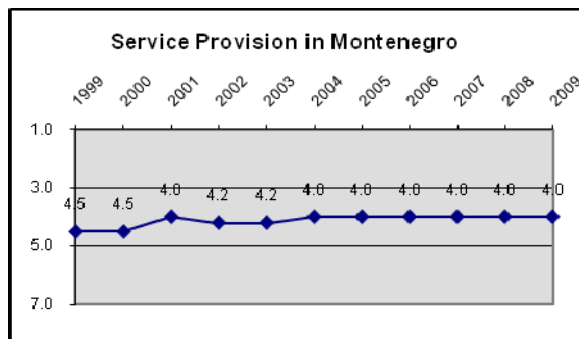
Finance pertaining to money transfers from state and local government budgets to political parties for regular and campaign expenses. These documents clearly showed a breach in political party financing laws by some of the major parties in Montenegro.



SERVICE PROVISION: 4.0

The product line of the NGO sector continues to be quite well diversified, with NGOs at both the local and national levels providing services in health, education, environmental protection, and governance. 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.

there is still 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 or 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.

NGOs must be certified in order to be service providers and receive government funding, but

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.

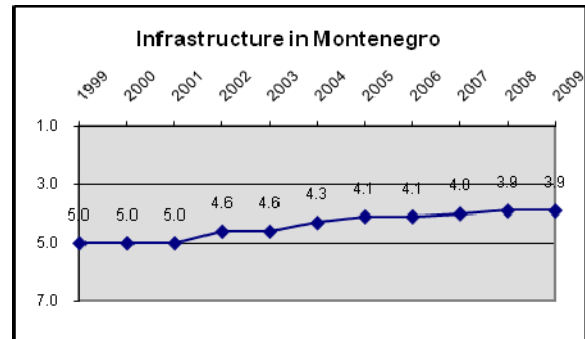
INFRASTRUCTURE: 3.9

The government Office for NGO Cooperation completed its second year of operations, but because it is underfunded and lacks a clear mandate, the support provided to the NGO sector was minimal. The office failed to address the issue of government representatives such as the prime minister verbally attacking the NGO sector, and did not establish any credibility as a negotiating body between the government and NGOs. On a positive note, if implemented fully, the Strategy for NGO-Government Cooperation could serve to formalize communication between government and NGOs and strengthen NGOs' role in policymaking.

Several intermediary support organizations 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 the capital, 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. This results in very different levels of NGO development. On a positive note, however, in November 2009 the European Commission signed agreements to establish a local technical support office that will provide technical

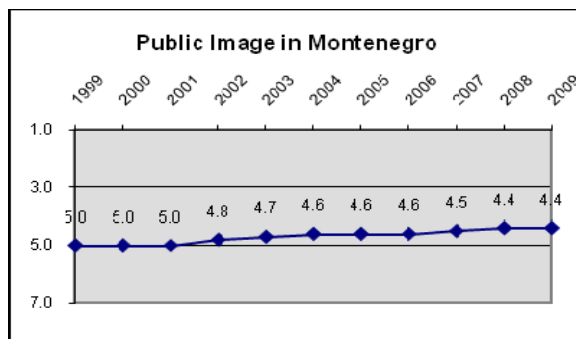
assistance and advice to NGOs. Although it remains to be seen how effective this office will be, its creation is a definite step forward for NGOs.



The NGO sector is highly competitive, and the continuing decline in international donor financing has served to further sharpen the competition. NGOs share information with each other, but only in cases where cooperation or information-sharing will benefit both parties. While the range and quantity of training opportunities and trainers are largely satisfactory, NGOs suffer from serious training fatigue.

Intersectoral relationships have improved, with many of the larger, more developed NGOs at the national level working directly with private companies and private media outlets on joint initiatives.

PUBLIC IMAGE: 4.4



In 2009, the trend towards improvement in the public image of NGOs continued. Despite the increase in official government rhetoric against the civil sector in 2009, public trust in the sector remains high. The influential MSI Montenegro Corruption Assessment stated that NGOs and independent media outlets were the only actors that fight against corruption in Montenegro, and that there was very little political will to fight corruption in other sectors. The European Commission progress report for 2009 stated that

civil society organizations continued to have a high public and political profile.

The amount and quality of media coverage of NGOs and their initiatives increased again in 2009. In general, NGOs and media enjoy a mutually beneficial relationship, with a strong two-way flow of information. One NGO is implementing a successful joint initiative with three private print media outlets to publish a

series of investigative journalism pieces on corruption.

The national NGO Code of Conduct signed by over 145 NGOs at the end of 2007 did not have a significant positive effect beyond a slight increase in the number of NGOs publishing annual financial reports, which will likely not change the public perception of NGOs as financially nontransparent.