

# Comparing experiences of the international community and Armenia in the development of civil society



International  
Center for  
Human  
Development

a Think Tank

## **The situation in Armenia and Eastern Europe: Is it a difference of one step?**

Both in Armenia and Eastern Europe civil society organizations (CSO) believe that the key precondition for development is financial sustainability. In some Eastern European countries where the development process has been crowned with success, the main contributing factor has been the fact that the respective governments have been able to secure sustainable income sources for the CSOs. In general, the international experience shows that there are three major local income sources for funding CSO activities: private donations and/or charity, state funding, and CSOs' own income sources, including membership and service fees, and investment of CSO funds in various institutional forms.

In Armenia the financial flows from all the mentioned sources are rather scarce. For instance, even if private donations are made, the practice shows that these are usually paid to the so-called "pocket" CSOs, i.e. organizations founded by the donors themselves. State funding is also available to few, and the income sources of CSOs are perhaps the most "shallow". Membership fees are rarely collected and direct economic activities in the forms of service provision or investments is restricted by the law.

## **When the path trodden takes you home: European experience of solutions**

To direct the current situation in Armenia towards a developmental track, it is necessary, first and foremost, to have the government clarify its attitude towards the CSOs. A clear understating of the role of CSOs may enhance the improvement of the state funding mechanisms and procedures. Specifically, there is a need to improve the current procedures of delivering state grants. This need should be addressed immediately and effectively. Solutions to the issues regarding the development of CSO income sources can be sought within the existing international toolbox. Specifically, the following instruments can be adapted and introduced:

- endowment;
- special state funds which are available exclusively for initiatives that aim at the development of CSOs;
- distribution from lottery proceeds: for instance, in Bulgaria a certain proportion from lottery proceeds is provided to sports organization, whereas in Croatia, 5% from these proceeds are directed to public benefit projects;
- private donations, including diaspora donations;
- social contracting, which allows CSOs, among other institutions, to provide social services.



19 Sayat Nova  
Yerevan 0001  
Armenia

Tel.: +374 10 582638  
Fax: +374 10 527082

mail@ichd.org  
www.ichd.org

There is another mechanism among the ones already mentioned, the so-called “1% law”, which is often being referred to. According to this concept, by the end of each year private businesses get an opportunity to donate a certain percentage from their income tax, payable to the government, to non-governmental organizations, in order to support their activities. However, introduction of such a law in post-soviet countries, e.g. in Hungary, had a counterproductive impact. Instead of increasing a more comprehensive and large-scale participation of the business sector in the process of development of the civil society, this requirement harmed the real interest of the sector towards the process. Moreover, the legal requirement positively affected only the CSOs that were able to ensure a large-scale successful promotion of their activities. Obviously, the amount donated is state money and not a business asset. Therefore, it is eventually the government that invests in the development of the CSOs and not the business. Another important consideration is the overall cultural context where such a law should be introduced. In a society where tax avoidance unfortunately is still a common practice, adoption of such a law will create a necessity for additional control mechanisms.

In order to successfully apply any of these mechanisms in the Armenian context, it is necessary to consider the specifics of each type of CSOs. In particular, endowment might be an appropriate mechanism for think tanks, whereas a social contract can be one for organizations dealing with social issues. Smaller CSOs will need to reconsider their membership mechanisms, since according to the international experience, membership fees are the best warrants of their success. Meanwhile, these mechanisms should also be directed to specific targets, though this should not hinder any organization to take advantage of the opportunities these mechanisms grant, of course with the assumption of adequate responsibilities as well.

*The paper is elaborated based on the opinions passed by the participants of the discussion “International experience in development of civil society institutions”, which took place on August 3, 2011.*

*The roundtable discussion was attended by independent analysts, government officials, and representatives of the civil society and international organizations. The round table was organized within the framework of the project “Supporting Policy, Regulatory and Institutional Reforms for Civil Society Development in Armenia” supported by the Counterpart International.*