

**FINAL REPORT**

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**1. GRANTMAKING CHALLENGES AND CONCERNS IN 2006**

The 11<sup>th</sup> GEG Annual Meeting opened on October 19<sup>th</sup> 2006 to take a broad look at the GEG region spanning over 28 countries, drawing themes and challenges from political developments of the past year.

The Opening Plenary (***Vision for the Region - From Philanthropy to Participation***) addressed recent events in Central and Eastern Europe, which have taken many observers by surprise. The countries that joined the European Union in 2004 have had the most successful transition to democracy and market economy in the former communist bloc, but voter apathy, populism, dishonest politics and anti-European policy-making now seem to be on the rise. These problems, also discussed in the initial breakfast session (***The Malfunctions of Political Democracy in Post-Accession Countries: What Role for Donors?***), are forcing donors to question their record in supporting political change and raising the capacities of civil society.

Setting themes for the rest of the sessions, the remark was made that developments in CEE should be seen as a normal part of the region’s long and difficult transition process. After the discipline of EU conditionality and the euphoria of joining, the realities of transition are becoming more obvious. EU accession did bring enormous progress, but it also allowed transition to be treated as a technical matter, rather than a political and ethical shift. Donors should not, therefore, see their work in CEE as complete, but should continue to support civil society organisations in promoting citizen participation and ethical politics. The ‘losers’ in the transition must be included if populism is to be checked, while investment is still needed to produce a new generation of modern, capable political leaders.



Lessons learned from CEE can help donors that are engaged in Southeast Europe. However, as addressed in the session ***European Expansion and its Impact on the Larger Region – Opportunities and Challenges***, the EU incentive is negligible in former Soviet states. Grantmakers face many and various challenges in combating backward trends in Russia, the Caucasus and Central Asia, including the imperatives of the ‘war on terror’ and energy interests. Russia is a specific case, both a recipient of development assistance and a donor in former Soviet countries, with a developing indigenous donor base. The future relations between Turkey and the EU will have an enormous influence on whether these countries see their future as one of European or Russian values.

After the heavy investment of the past fifteen or so years, GEG donors are questioning how to deal with countries where the regimes have become as hostile as to prevent their effective work. Short of withdrawing, they need to try new approaches to development, such as the building of issue-based consensus along with more tangible and relevant programming. Here, new EU member states in CEE can have a pivotal influence on whether or not 'European' values win through. Like the EU-15 border-states once did for them, they can reach out to those covered by the European Neighbourhood Policy.

## 2. THE NEW DONOR LANDSCAPE

The EU is the mega-donor in the GEG region, bringing with it dynamics and concerns which were addressed in several sections. With the Eastern expansion of the EU, a new set of bilateral grantmakers have emerged: the new member states of CEE are developing programmes for their Eastern neighbours. As discussed in ***New EU Members Supporting Neighbours***, more can be done to help them realise their potential, not just in grantmaking, but also in exchanging their own experiences of transition.



International donors support local philanthropy to build sustainable funds for the future. Recent years have also seen more local foundations established, particularly in CEE and SEE, and the sessions ***Development of Local Foundations and Spin-Offs*** and ***Meeting Expectations Between Indigenous and International Foundations*** looked at the issues of their management and sustainability. Investment in institutional capacity is crucial, since better and more transparent operations give international foundations the confidence to invest and be co-branded with the local organisations.

Local foundations need to diversify their funds, so they do not depend solely on donors to set programming – This message was given as local foundation representatives appealed to their donors for more long-term and flexible approaches, allowing locally-relevant grantmaking that responds to real demands. Endowments are ideal to establish indigenous foundations as they are not exclusively dedicated to projects, since they can be used to create reserves or acquire permanent assets.

Corporate giving was a theme taken up in the session ***Connecting Corporate Donors – Can International Cooperation Boost Corporate Philanthropy in Central and Eastern Europe?*** It can be encouraged using international know-how and branches of multinational companies, who now generally subscribe to 'Corporate Social Responsibility'. Public, media and employee scrutiny are resulting in more sustainable corporate citizenship initiatives, encouraged by government 'breaks'. But while governments can be encouraged to create a favourable legal environment, the initiative should come from NGOs to create business partnerships.

Another emerging trend was covered in the session ***Individual Giving – Why and How?*** While there is much scepticism about it, individual giving is important in developing civic initiatives, since it engages people in social change and raises awareness. It can also help improve the image of civil society organisations, which have a poor reputation in many countries. It is difficult to encourage grantmaking in countries with little to no culture of giving. More should be done to raise awareness of how NGOs work and what they achieve, which means much more communication and accountability vis-à-vis citizens. Campaigning skills need to be raised, motivated personnel engaged, and new technologies explored to make donating as simple and appealing as possible. Grantmakers should encourage these initiatives through capacity-building of NGOs, funding the launch of initiatives and

operational costs through the development phase, the crucial education of citizens is the joint task of both donors and NGOs.

### 3. TRENDS IN PROGRAMMING

General approaches to grantmaking were addressed in ***Patient Gardeners or Social Entrepreneurs?*** The session assessed to what extent grantmaking approaches are aligned with the needs of grant recipients, and how proactive both groups are when it comes to working for change. The EU and governmental donors are generally seen as the most rigid grantmakers, however USAID tries to be more dynamic and relies on local representatives to decide on grants. It is up to foundations to lead the way in less restrictive grantmaking, many already distribute general support grants.



In ***Leveraging EU Funding***, EU representatives made clear that, for NGOs, getting ‘matching funds’ from other donors is advisable, since EU funds are less flexible and can take a long time to be delivered. There are hopes that new EU funding instruments will be more accessible, but nevertheless, states, businesses and NGOs should be assisted to increase their capacity to access EU funds. Countries currently in the EU waiting room were encouraged to refer to the experiences of Romania and Bulgaria to avoid repeating mistakes and maximise positive effects of funding opportunities. Monitoring and evaluation are important, as are bilateral initiatives by new EU member-state donors to transfer skills and EU experience.

As discussed in the session ***New EU Members Supporting Neighbours***, the new EU member states are well-placed to encourage reform and to explain the advantages of NATO and EU membership. These countries are also significant for neighbouring countries as they could lobby the interests of European Neighbouring Policy (ENP) countries in the EU. The session ***European Expansion and its Impact on the Larger Region – Opportunities and Challenges*** addressed the need to examine programming for ENP countries, where the reluctance of the EU to commit politically is seen as a risk for democratisation.

Participants recommended pressing the EU to improve its approach, stressing that Russia and Iran could otherwise easily dominate the region’s direction. Not only would this have serious consequences for Europe’s energy, transit and security interests, but it would also stifle the significant enthusiasm that remains for developing civil society and democracy in these fragile states. More needs to be done to challenge enlargement prejudices in the EU and define its values: Creating and supporting pan-European networks is one way of allowing ENP countries to feel the relevance of those values.

Grantmakers were advised to invest in citizen education, monitoring of the state and reinforcing values long-term. It was also put forward that external pressure to change political orientation is taken very badly, and that training and assisting governments themselves can also be effective.

Engagement with the state was looked at in more detail in the session ***Donors Working with the State – Case Study Climate Change*** where delegates acknowledged that systematic change only can be achieved by engaging with the state, be it at national, republican or municipal level. Climate change is an issue on which donors have to engage not only with NGOs and governments, but also with the scientific community and international organisations like the EU, if dramatic global crises are to be avoided.

***Investing in People for Social Change*** explored how new leaders can emerge, and what forms of individual support should be given by donors to potential social entrepreneurs. Donors should examine individuals and the projects they undertake to improve chances of success and evaluation criteria. The impact on society of investing in individuals is something which should be measured over time. Ensuring fellows are linked to wider society, usually through a civil society organisation, can help ensure this, as can their public visibility and involvement in lasting networks of other social entrepreneurs.

Networking is very important for think tanks, concluded participants of ***Civil Society Resources for Effective Policy Development – The Role of Think-Tanks***. In this case, contacts with counterparts abroad can improve the quality of their work as well as support it. In terms of policy impact, donors should turn their attention to officials and cultivate critical thinking through training programmes, while local think tanks should improve their marketing and create effective interfaces with governments. Think tanks appealed for more institutional rather than programmatic support from donors, since research and its impact are difficult to fit into short project cycles.

#### 4. REGULATORY CHALLENGES & TRANSPARENCY

Two sessions - ***Civil Society Under Threat – Legal Barriers and Potential Responses*** and ***Transparent Relations Between NGOs, Citizens and Government – Accountability in Regulated Environments*** – addressed the regulatory challenges facing grantmakers and recipients. Regulation is important to achieve transparency and therefore legitimacy for both, but is often abused by regimes wishing to stifle democratic trends. This affects the GEG region mostly in the former Soviet states, where restrictive laws put up barriers to registering organisations, receiving funding, and operating publicly.

Dealing with such laws, NGOs should try to work with sympathetic or lower level officials to get through the hurdles. NGO networks can also help with advice on how to tackle restrictive regulation. It is more difficult for regimes to restrict NGOs where their work has won public support, so they should communicate openly, publish reports and engage community representatives in scrutiny. Abuse of NGO status gives the sector a bad name, so organisations should sign up to ethical codes and reporting standards. Donors can help by demanding transparency from grantees, removing space for manipulation and publishing their standards. Where very repressive regimes are present, this may not be possible, but then it is better to give small amounts of funds in many instalments, and monitor project results.



Other accountability measures include: localise assistance programmes which cultivate strong local boards, engage government agencies, diversify donor involvement, avoid controversial activities and publish work widely, as well as build social capital through strengthening institutional capacity, boards, mobilizing community resources and promoting social networking and volunteerism. Where all else fails, the international community should step in, mindful that diplomacy should appear as a joint effort of many countries and organisations, thus avoiding charges of interest-based meddling.

## 5. HOST COUNTRY PLENARY: SERBIA THE NEXT FIVE YEARS – MOVING INTO THE FAST LANE?

Representatives of Serbia's political, economic and civil society sectors presented for Annual Meeting participants a picture of Serbia's troubled transition since the fall of the Berlin Wall. While many ex-communistic countries found their route for transition in the 90s, Serbia's communists morphed into a war-mongering, authoritarian regime, which ended only seven years ago. Burdened with this legacy, and suffering a weak and uncertain constitutional order, its politicians have been paralysed to move Serbia into the fast lane of EuroAtlantic integration. The social upheavals and abuses of the 1990s have left the electorate susceptible to the populism of those against Kosovo's independence, accountability for war crimes and EU integration, leaving successive governments hamstrung.

Analyst Goran Svilanovic advised the Serbian government to acknowledge and maximise the enormous international investment in Serbia's transition, brave public discontent over Kosovo and war crimes and focus on reforming the security sector and public administration. Economist Kori Udovicki warned political instability and institutional weakness put at risk the progress Serbia's economy has recently made. The growth it has experienced since privatisation got underway needs to be stabilised, which can only be done by understanding global trends and creating a dynamic, flexible knowledge-based economy. Donors should provide incentives for the institutional changes required.

Civil society activist Miljenko Dereta raised important questions for donors investing in civil society in repressive regimes. While it has created a strong and vocal civil society sector in Serbia, the country now risks falling into a legitimacy trap, having drawn the best and brightest away from other business and political institutions to work on programmes which may be far from the concerns of the population.



### TALLINN 2007

The GEG meeting concluded with the nomination of a new chair, Zoran Puljic of Bosnia-Herzegovina's Mozaik – Community Development Foundation. The group looks forward to welcoming participants to the upcoming meeting in Tallinn, Estonia in October 2007.