

# LITHUANIA



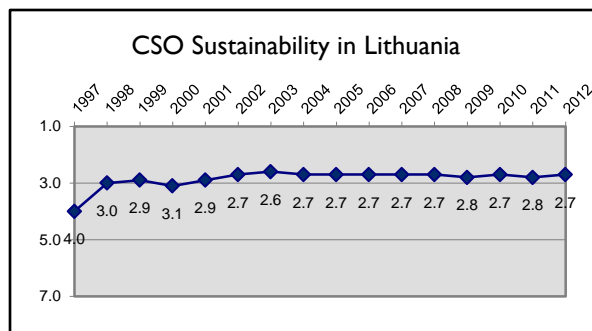
**Capital:** Vilnius

**Population:** 3,515,858

**GDP per capita (PPP):** \$20,100

**Human Development Index:** 41

## CSO SUSTAINABILITY: 2.7



According to September 2012 data from the National Register, there are about 24,000 registered CSOs in Lithuania, including foundations, professional and business associations, hospitals, schools, local community organizations, and other nonprofits. Based on the number of organizations with public benefit status that have not reported to the Registry for more than five years, it is estimated that roughly 10,000 to 12,000 CSOs in the country are active. The majority of organizations are local, operate with very small budgets, and rely on volunteer work.

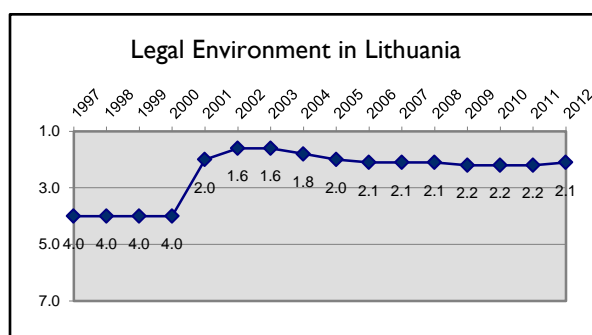
The lack of stable and diverse funding sources, irregular cooperation with government, and insufficient stability in the legal environment continue to hinder the sector’s development. CSOs continue to compete with government institutions to provide public services. In 2012, the National NGO Coalition lobbied to change procurement rules and to open up new areas of service provision for CSOs, such as civic education in schools. National-level CSOs compete for contracts from government institutions, although these efforts are frequently unsuccessful. On the regional level, local governments do not see CSOs as service providers. Most local CSOs focus on cultural activities rather than engaging in government decision-making processes.

Some positive developments took place in 2012. Legislation was passed enabling the establishment



of endowments. The National Progress Program emphasized the role of CSOs in national development. The NGO Fund of the Lithuanian and Swiss Cooperation Program, the EU Rural Development Program, and the Ministry of Social Security and Labor's local community program all started this year, and promise to open up significant funding opportunities for professional CSOs. Nevertheless, CSOs consider the sector's development to be too slow. CSOs are aware that their own limited organizational capacities, lack of solidarity within the sector, and passivity also deter desired developments.

## LEGAL ENVIRONMENT: 2.1



In general, CSOs operate freely and are not harassed by the state. Online registration was introduced in 2011. Registration now takes only a few days to complete. CSOs can hire commercial companies to prepare all necessary registration documents for about 1400 Litass (approximately \$540), including registration fees, which is relatively affordable for most organizations.

Minor amendments to the public procurement law and rules were introduced as a result of active lobbying by the National NGO Coalition. The amendments, which came into effect in November 2012, eliminate some bureaucratic obstacles, for example, simplifying the annual procurement plans that organizations receiving government funding must prepare. However, the public procurement process remains highly bureaucratic and time-consuming.

Although criticized for uncertainties and limitations on sources of funding, June 2012 amendments to the Law on Charitable Foundations increase the scope of permissible activities and improve the legal environment for CSOs. For example, charitable foundations can now legally establish endowments. The 2011 Law on Voluntary Activities was implemented in 2012, but did not have a significant impact on the sector, as its provisions were already largely implemented in practice. However, CSOs are now confident about the requirements related to voluntary work, reducing the possibilities of state harassment.

The draft Law on Nongovernmental Organizations narrowly defines an NGO as an organization that works for the public benefit. CSOs working for the public benefit do not have special funding; all associations, charitable foundations, and public institutions can seek funds targeted at nonprofits and benefit from the individual 2 percent tax allocation. The Seimas (Parliament) tabled the first draft as it was not considered a high priority. In fall 2012, the Office of the President prepared a simplified draft that excluded the Law on Funding of NGOs, which was previously packaged with the draft Law on Nongovernmental Organizations, due to concerns that it could prompt rejection of the entire package. In December 2012, the new draft was submitted to the Seimas for consideration. However, because the Law is not considered urgent, its passage could take years.

Tax treatment of the sector remained largely unchanged in 2012. Individual taxpayers have the right to designate 2 percent of their income tax to a private nonprofit organization acting in the public interest. However, the minimum allocation of 10 Litass (approximately \$3.70) was eliminated this year.

CSOs can earn income from the provision of goods and services and compete for government contracts and procurements on both local and central levels. However, restrictive conditions, such as requiring an organization to have capital and a positive three-year balance, frequently exclude CSOs from participating in public procurements in practice. In 2012, a group of arts organizations complained that public procurement rules in the arts field had become unduly strict and practically impossible to follow. The group's members

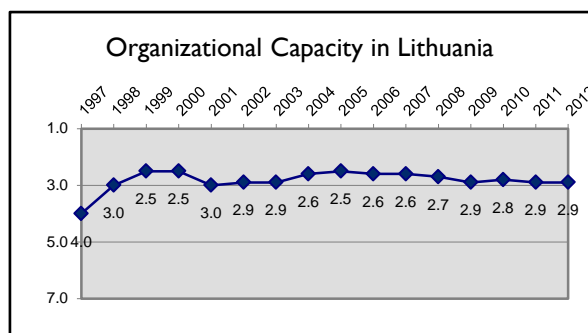
reported that the Ministry of Culture harassed them by accusing them of corruption and having the State Control inspect various activities.

CSOs have access to competent legal assistance from leading law firms and legal departments of big commercial companies, as well as pro bono legal services from academic institutions and local authorities. The NGO Law Institute continues to provide affordable specialized legal services.

## ORGANIZATIONAL CAPACITY: 2.9

Stronger CSOs continue to actively build their constituencies on Facebook and invite their supporters to participate in various online activities and events. CSOs regularly attend festivals, shows, and fairs to fundraise and invite citizens to get involved in various activities.

Because of the limited funding available, as well as delays in financing approved projects, strategic planning remains rather unfeasible. Lack of funds and stringent accountability requirements imposed by donors overwhelm CSOs' limited staff and cause CSOs to drift from their core activities and missions. Founders and boards of directors remain directly involved in daily operations.



CSO staffing remains challenging. Lithuanian society believes that nonprofit activities should rely on volunteer work, and personnel should receive minimal remuneration. Donor policies reinforce this belief. For example, the EU-funded Grundtvig program, which provides grants to organizations that provide adult education services, does not cover administrative costs at all, and the NGO Fund of the Lithuanian and Swiss Cooperation Program has a 10 percent limit on administrative expenses, including salaries, office space, and equipment. The EU Rural Development Program for Lithuania, which was launched in 2007 and provides 600 million Litass (about \$220 million) to rural projects, was expected to increase the organizational capacity of CSOs. These funds, however, could not be used for salaries, so were mostly spent renovating and equipping community centers and CSOs' premises, and have therefore had little effect on CSO activities and constituency building.

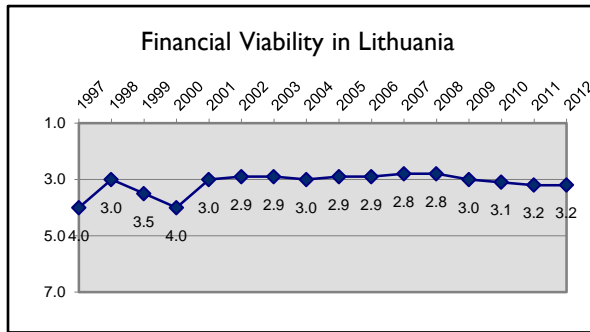
To overcome such funding restrictions, CSOs recruit volunteers and hire people through the Labor Exchange, which provides subsidies for employing youth and pre-retirement age people and for public works. However, workers from the Labor Exchange are typically unqualified and unmotivated.

Advanced technologies are now universally accessible, and CSOs are generally well-equipped. Lithuania is the leading EU country in terms of Internet access and speed.

## FINANCIAL VIABILITY: 3.2

The financial viability of Lithuanian CSOs remains severely limited. CSOs do not typically have diverse sources of funding. Many smaller and less professional organizations have halted their activities or operate with limited or no funds. Professional, national-level CSOs usually rely on large contracts and grants and have secured funds for half a year to two years.

Local philanthropic sources are limited by high unemployment, an uncertain business environment, and economic austerity measures introduced by the government. However, the online fundraising platform [www.aukok.lt](http://www.aukok.lt) has raised over 2,340,000 Litass (about \$893,000) and funded 103 projects since it was



established in September 2009. In 2012, [www.aukok.lt](http://www.aukok.lt) raised 745,500 Litass (approximately \$284,000), a similar amount as in previous years.

Individual income tax allocations grew slightly in 2012, possibly because the previous minimum limit of 10 Litass (approximately \$3.70) was abolished. Tax allocations for 2011, which CSOs received in 2012, totaled nearly 40,182,000 Litass (about \$15.2 million) and went to 18,957 organizations; in 2010, 37,731,000 Litass (about \$ 14.3 million) were allocated to 17,871

organizations. Tax allocations came in smaller amounts and were distributed to a larger number of organizations, predominantly those working with children and abandoned domestic animals. Statistics on 2012 individual tax allocations will not be available until mid-2013.

CSOs' financial viability has been affected by significant delays in disbursing funds. In June 2012, the Lithuanian and Swiss Cooperation Program's NGO Fund announced 15 million Litass (approximately \$5.5 million) in funding for CSOs to strengthen organizational capacity development. However, no funds were disbursed until January 2013. The Program of Cooperation and Partnership between the State and Nonprofit Sectors supervised by the Ministry of Interior has also been delayed since May 2010. The first call was finally announced in December 2012, and funds will not be disbursed before June 2013. The Program to Decrease Discrimination and Prevent Social Problems in the Labor Market, funded by the Ministry of Social Security and Labor, disbursed 1.2 million Litass (approximately \$446,000) for service provision. However, most of these funds went to government institutions, not to CSOs.

Various governmental institutions finance a variety of smaller funding programs, which often overlap, are not adequately monitored, and have limited impact. A conference organized by the Seimas Liberal Fraction in May proposed to establish a government-wide foundation for CSOs to promote more efficient use of government resources. The Education Exchanges Support Foundation, the national agency that implements the EU Lifelong Learning Program and other EU and national education programs and projects, consolidates various sources of funding and has already proven effective in the field of education.

Indebted local governments have not regained the capacity to finance project activities. Municipalities have either stopped their funding programs to nonprofits entirely, or reduced funding to minimal levels. For example, the local government of Panevėžys, the fourth largest city in Lithuania, contributed just 300 Litass (approximately \$112) to the Food Bank program in their municipality in 2012.

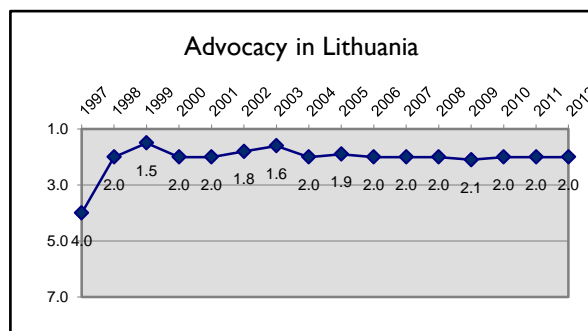
A tax increase on freelance work raised project implementation costs for many CSOs. For example, the National Social Integration Institute's cost for a project aimed at social inclusion of marginalized children through beekeeping increased by 30 percent.

Earned income remains a minor source of funding for CSOs. National and local governments rarely contract CSOs to provide specific services.

Small organizations operate with very little or no funding, and therefore do not have financial management systems. Organizations that occasionally run small projects hire accountants by the hour or day. Those with stable funds have sound financial management systems, either hiring accountants as permanent staff or contracting accounting companies. Larger EU and government-funded projects require independent financial audits paid from project funds. CSOs find other financial audits too expensive and thus rarely conduct them. All organizations are required to prepare financial reports at the end of the fiscal year and submit them to the National Tax Inspectorate. However, few organizations make these reports public.

## ADVOCACY: 2.0

Although mechanisms exist for CSOs to participate in the government's decision-making process, even the most ardent advocacy and lobbying efforts can be futile. In some cases, recommendations proposed by CSOs get approval from policy makers in principle, but then get eliminated in the budget process. The Food Bank, for example, lobbied several parliamentary factions and the Social Affairs Committee of the Seimas to allocate 300,000 Litass (approximately \$111,000) in the 2013 national budget to provide food products to the needy. Despite the fact that committee members recognized the program's need and the Minister of Social Security and Labor seemed to indicate his support on several occasions, the government failed to include the provision in the budget submitted to the Seimas. It is difficult to determine whether such omissions result from a lack of conviction behind politicians' promises, or if they simply fall by the wayside during the difficult process of negotiating a bare-bones budget.



CSOs defend their interests both individually and through issue-based coalitions. Four CSOs, for example, initiated an advocacy campaign to change the public procurement rules. The proposals were adopted by the National NGO Coalition and widely supported by budget-funded institutions. The campaign failed to eliminate the requirement to apply public procurement procedures for purchases under 50,000 Litass (approximately \$18,400); however, it did succeed in lessening bureaucratic obstacles, such as simplifying the annual procurement plans that organizations intending to engage in procurements with government funding must prepare.

Twenty-three organizations signed a petition to the European Social Fund Agency (ESFA), a public nonprofit administering government-funded projects and programs, requesting the abolishment of the prohibition on administrative staff directly implementing project activities. CSOs argued that heads of most social service organizations are highly experienced specialists and banning their involvement in project activities lessened the overall quality of services. ESFA ultimately eliminated the restriction.

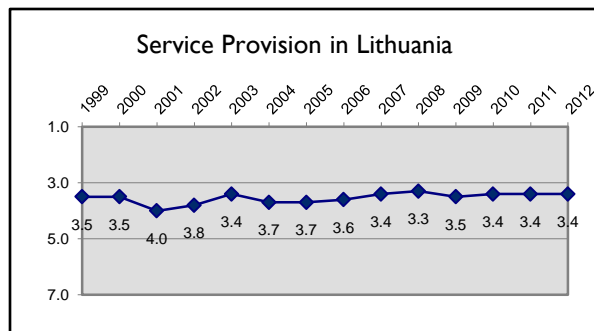
Responding to several reported incidents of a political party attempting to buy votes, the CSO Mes darom (We Do It) organized observers to monitor the second round of parliamentary elections held in October. The action, supported by the Police Department and the Central Electoral Commission, mobilized about 700 volunteer observers at thirty-four polling stations who recorded sixty-eight election rule violations.

An enduring obstacle to advocacy and lobbying is the reluctance of some government institutions to make decisions. For example, it took about ten months of active lobbying to get the procurement rules changed, as the Ministry of Interior and the Public Procurement Service kept passing responsibility for the issue back and forth.

## SERVICE PROVISION: 3.4

CSOs providing services in child care, education, and leisure activities have benefited from a pilot project of the Ministry of Education and Science that introduced vouchers and delegated service procurement to local authorities. The voucher system provides each child a monthly allowance of 100 Litass (approximately \$3) for education and leisure activities, which any organization providing these services can redeem. However, the overall 2012 budget for informal education, which includes pre-school and after-school activities, was smaller than in 2011.

In many fields, CSOs find it difficult to compete with government agencies, as the government gives preference to government-run social service institutions. CSOs are frequently excluded from participating in



public procurements because of stringent funding conditions and the lack of online information about procurement opportunities. Government-imposed accounting requirements and oversight are more stringent for CSOs than for businesses or government institutions. For example, government institutions are not usually required to undergo independent audits, while it is generally mandatory for CSOs providing services. CSOs are ill-equipped to redress such procedural discrimination, which must be pursued through the courts.

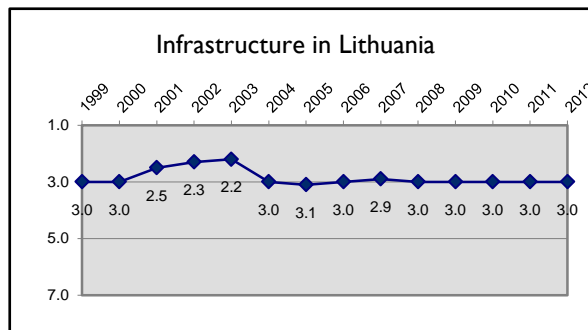
Despite declarations by politicians, the process of opening up new areas for equal competition in service provision is slow. For example, while the Ministry of Social Security and Labor issued a call for proposals aimed at CSOs addressing domestic violence, it has not yet recognized the value of CSOs in other areas. Occasionally, CSOs identify and seek new service provision opportunities. The National NGO Coalition has started lobbying for CSOs' involvement in civic education at schools, a field with an annual budget of 9 million Litass (approximately \$3.35 million).

Rural CSOs rarely provide services, with the exception of recreation activities. Local governments commonly design procurements to favor commercial service providers, hampering the development of a wider range of CSO services and sometimes negatively impacting communities. In Vilnius, for example, the Balsiai community renovated a local park and requested local authorities to maintain it, but the municipality did not respond. As a result of this negligence, the municipality-contracted company responsible for maintaining public spaces cut down the newly planted trees.

Though services are highly valued by clients, CSO beneficiaries cannot afford to pay for the services they receive.

## INFRASTRUCTURE: 3.0

Lithuania's only NGO resource center, the NGO Information and Support Center in Vilnius, struggles to adhere to its mission while pursuing project opportunities to finance its operations. Various government agencies ask the center for data on the sector, yet ignore its requests to fund the development of a database. The National Registry refused to provide information to the center, which further complicates efforts to consolidate reliable data on CSOs.



An April 2012 analysis by the Ministry of Social Security and Labor on the implementation of the Law on Volunteering revealed the need to provide more information to regional volunteer organizations and raise the quality of CSOs' use of volunteers. Organizations that previously supported volunteering, such as the Volunteering Information Center, have disappeared, so the Ministry has earmarked funds for the development of new support networks.

The infrastructure for youth organizations is declining. Funding for seven youth centers established four years ago will be left to the discretion of municipalities after EU funding expires in June 2013. Youth roundtables –

regional councils of youth organizations – suffer from the lack of a coherent youth policy and are also gradually weakening. The Ministry of Social Security and Labor annually allocates 2.5 million Litass (approximately \$928,000) for the salaries of youth coordinators in municipalities. However local administrations assign multiple functions to these coordinators, making it difficult for them to assist youth organizations and promote their interests.

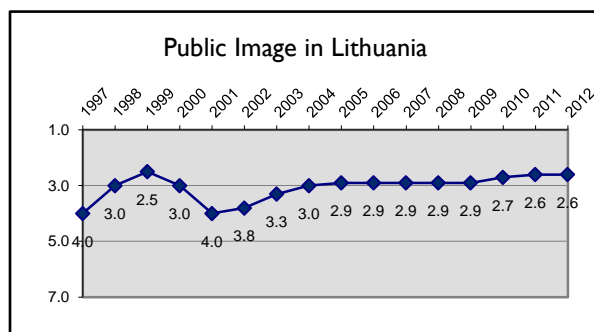
CSOs have realized the importance of sharing information and cooperating. The National NGO Coalition unites interested organizations and actively represents the sector in debates with the Seimas and national government. Assisted by Facebook and the NGO Internet Conference – an online group run by the NGO Information and Support Center that provides CSO-related news - CSOs are able to form informal partnerships and coalitions as soon as issues arise. Coalitions dissolve when the goals are achieved, however.

Although there was an abundance of trainings funded through various national government and EU programs in 2012 and previous years, training opportunities are fragmented and often overlap. Organizers found it difficult to enroll participants due to growing skepticism about the effectiveness of training. The government did not invite CSOs to participate in seminars on the public procurement process in 2012.

While local grantmaking organizations remain inactive, online fundraising is increasing in popularity. The website [www.aukok.lt](http://www.aukok.lt) is the major fundraiser for nonprofits.

In rural areas, Local Action Groups that include community members, CSOs, businesses, and local government develop and implement local development strategies and provide technical support in project implementation and financial management.

## PUBLIC IMAGE: 2.6



The term NGO is becoming better known in society. Migration of CSO employees to politics and government contributed to a positive perception of the sector by opening channels of intersectoral communication and establishing nonprofits as a valuable resource and partner of the government. The EU strategy Europe 2020 and the National Progress Program, a strategic document that will guide implementation of the National Progress Strategy Lithuania 2030, strongly emphasize the role of CSOs in addressing the country's long-term national

priorities. The anti-corruption campaign initiated by the Mes darom also increased the sector's visibility and public image.

Television remains the most important outlet to reach Lithuanian society. Several leading nonprofits – Caritas, UNICEF, Save the Children, and the National Social Integration Institute – increasingly advertise their projects in broadcast as well as print and online media to reach clientele, augmenting overall visibility of CSOs. CSOs often pay for media coverage, although they may receive discounts or get some pro bono coverage.

Nevertheless, most CSOs remain invisible to the general public. A study conducted by the organization Geros valios projektai (Good Will Projects), which runs the fundraising site [www.aukok.lt](http://www.aukok.lt), found that only about twenty nonprofits are widely known by the general public. CSOs are rather passive in using existing marketing tools, such as Advertising Help (*Pagalba reklama*), a centralized system of social advertising on the Internet. Some CSOs invest in public relations by purchasing media services from project funds or forming exclusive partnership agreements with media.

Self-regulation in the sector did not change in 2012. A code of ethics for the sector was promoted by the NGO Information and Support Center in Kaunas several years ago. However, after the center closed a couple of years ago, the initiative was dropped. Most large, national organizations have a requirement in their by-laws to present annual activity and financial reports to their governing bodies and members. In addition, many larger CSOs prepare annual reports that they publish on their websites. Apart from the financial reports they are required to submit to tax authorities, few small CSOs produce annual reports.