

CONCLUSION

The emergence of today's non-governmental organizations is **part of the evolution of civil society** in a democratic environment. In Bulgaria, the development of NGOs was a reflection of the social and political changes and prevalent attitudes during the past two decades. The outcomes of the institutionalization of the third sector are thus rather ambiguous and a testimony to both the great potential of civic activism, and the existing challenges and risks for this sector.

The most serious threat to the third sector is the process of NGO capture that is fueled by two factors. On one hand, there is increasing pressure from senior public officials to undermine the civic nature of NGOs, subvert their watchdog function and bring them to work for political party objectives. On the other, NGO leaders are often the ones who initiate corrupt practices that ensure them preferential treatment in receiving government or EU financing.

Quasi civic institutions, which became known abroad as PONGO (politically owned NGOs) and GONGO (government owned NGOs), gained popularity as new forms of NGO capture by central and local authorities. A particular Bulgarian case of capture are the so-called local initiative groups (LIG) developed within the EU LEADER initiative for the development of rural areas. LIGs include representatives of at least two municipalities, local business enterprises, and (other) non-profit organizations but do not comply with current standards for transparency and accountability expected from this type of organizations.

Politicians and senior civil servants are penetrating the nominally independent third sector by establishing a large number of non-profit organizations for the purpose of **absorbing the EU structural funds**. The result is a circle of NGOs which lack international experience and domestic expertise yet receive a major share of the financial resources for the sector.

The paradox is that **these unfavorable developments took place through the use of the funding instruments of the European Commission** despite the priority which Brussels made of combating corruption and organized crime in Bulgaria. This was not helped by the unfortunately little attention paid by both local Commission officials and their superiors to the early signals of corrupt practices in the dispensation of public funds to NGOs. Moreover, what allows PONGO and GONGO type of NGOs to flourish even as Bulgaria is a EU member is that Commission-funded NGO projects have no provisions against payments to government officials, something which was never allowed prior to membership by the foreign donors that operated in the country.

The civic and non-profit nature of the third sector is being further compromised by the increasing involvement of NGOs in business. During the past several years the volume of commercial activities performed by NGOs has increased threefold.

For the first time in 2008, income from grant financing, which has been the usual way of funding an NGO, was smaller than the income from business. This trend will likely remain in the future. The shift has been largely driven by the policy of **allowing municipalities to engage in business through non-profit** entities. Such business attracts various shadowy interests as the third sector is still a twilight zone in terms of governance – many NGO managers are still reluctant to hire an independent financial auditor; annual reports, including on the spending of profit on the non-profit objectives of the institution (as required by the law), are not available or easily accessible to the public.

An extreme case of infiltration of the NGO sector is the penetration of serious **organized crime representatives in civil society** mainly at the local level. Such a process started through captured sports clubs and was followed by lobbying organizations and even pseudo think tanks. These NGOs are turned into a tool for money laundering or the appropriation of European funds for illegitimate uses. The same risks are related to the invasion of non-profit organizations related to the Russian oligarchs.

The continuing **sympiosis** between the authorities and the business sector, as well as between the public officials and non-governmental organizations result in compromising the autonomy, integrity and institutional development of the third sector. This encroaching may have been intended as tacit by its initiators but civil society is reacting to it through a wave of new civic activism which to some extent makes up for losses in the public profile of the sector. New initiatives target corruption as well as bad governance at the local and national level, as such corrupt practices harm civic rights and interests. As a result, at the beginning of the 21st century, civil society once again has the opportunity to identify itself with worthy causes and to replenish its sources of legitimacy.

Above all, a **national policy for the development of civil society** is required making the **partnership between the institutions of the state and NGOs a priority**. It should establish a new balance of their rights and responsibilities and ensure a sustainable funding environment. NGOs and government should work towards these objectives jointly but each should also assume their share of responsibilities.

The Center for the Study of Democracy recommends that **non-governmental organizations are made part of the ongoing reform of the registration of legal entities** as a way of ensuring transparency, reducing transaction costs in the economy, and providing a new type of public oversight as well as self-regulation.

A whole set of measures is to be urgently adopted aiming to improve the **legal and regulatory framework** by reducing bureaucratic barriers, achieving higher efficiency, and expanding transparency. These measures should include: making the incorporation of NGOs an administrative procedure rather than a judicial process, allowing also for online registration as is the case with commercial companies; reviewing the rights and responsibilities of public benefit and private benefit NGOs; better regulation of governmental oversight of the sector while ensuring non-interference of controlling bodies in the work of NGOs; banning the participation of mayors and their deputies in the management NGOs; compulsory reporting of membership in non-profit legal entities.

The package of recommendations to **local authorities** includes the adoption of a uniform regulation of their interests in NGOs and businesses, the maintenance of public registries of municipal participation in non-profits, regular auditing of these interests, and the adoption of transparent and clear criteria procedures for the partnerships between local authorities and the third sector.

Last but not least, the NGO sector needs more transparency and public accountability. It needs to adopt good governance standards covering issues such as organizational structure, financing, etc.