2017 CIVIL SOCIETY ORGANIZATION SUSTAINABILITY INDEX
FOR CENTRAL AND EASTERN EUROPE AND EURASIA
21st EDITION - SEPTEMBER 2018
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Developed by:
United States Agency for International Development
Bureau for Democracy, Conflict and Humanitarian Assistance
Center of Excellence on Democracy, Human Rights and Governance

In Partnership With:
FHI 360
International Center for Not-for-Profit Law (ICNL)

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Disclaimer: The opinions expressed herein are those of the panelists and other project researchers and do not necessarily reflect the views of USAID or FHI 360.
Cover Photo: Social Weekend’s Hackathon gathers 300 people to develop public benefit ideas (February 2017). The Hackathon was organized by Social Weekend - the largest contest of projects to attract motivated professionals from different fields to develop ideas useful to society.

Photo Credit: USAID/Belarus
TABLE OF CONTENTS

INTRODUCTION ................................................................................................................................. i
ACKNOWLEDGMENTS ......................................................................................................................... ii
EXECUTIVE SUMMARY ....................................................................................................................... i
2017 CSO SUSTAINABILITY INDEX

Albania ......................................................................................................................................................... 12
Armenia ......................................................................................................................................................... 20
Azerbaijan .................................................................................................................................................... 29
Belarus ......................................................................................................................................................... 38
Bosnia and Herzegovina (BiH) ................................................................................................................... 47
Bulgaria ....................................................................................................................................................... 56
Croatia ......................................................................................................................................................... 64
Czech Republic ............................................................................................................................................ 72
Estonia ......................................................................................................................................................... 81
Georgia ....................................................................................................................................................... 89
Hungary ....................................................................................................................................................... 96
Kosovo ....................................................................................................................................................... 106
Latvia ........................................................................................................................................................... 114
Lithuania ...................................................................................................................................................... 123
Macedonia ................................................................................................................................................... 133
Moldova ...................................................................................................................................................... 142
Montenegro ............................................................................................................................................... 151
Poland ......................................................................................................................................................... 160
Romania ..................................................................................................................................................... 170
Russia ......................................................................................................................................................... 179
Serbia .......................................................................................................................................................... 191
Slovakia ....................................................................................................................................................... 201
Slovenia ....................................................................................................................................................... 210
Ukraine ....................................................................................................................................................... 219

ANNEX A: CSO SUSTAINABILITY INDEX METHODOLOGY ............................................................... 229
ANNEX B: STATISTICAL DATA ........................................................................................................... 249
ANNEX C: REGIONAL MAP ................................................................................................................ 252
INTRODUCTION

The United States Agency for International Development (USAID) is pleased to present the twenty-first edition of the CSO Sustainability Index (CSOSI) for Central and Eastern Europe and Eurasia, covering developments in 2017. In 2017, USAID reaffirmed its commitment to working with a diverse array of partners, including civil society, to advance the principles of self-reliance and locally-sustained development. The CSOSI provides a comprehensive assessment of the capacity of civil society to serve as both a short-term partner in implementing development solutions and a long-term actor in ensuring development outcomes are sustained. The CSOSI empowers local civil society to collectively assess not only the environment in which they are operating, but also their own capacities to advocate, operate sustainably and communicate with citizens. Allowing local civil society to self-identify their development challenges is the first step in promoting resiliency and long-term self-reliance.

This year's Index reports on the state of CSO sectors in twenty-four countries in the region, from the Baltics in the north to the Caucasus in the south, and the Visegrad countries in the west to Russia, which stretches east to the Pacific Ocean. It addresses both advances and setbacks in seven key components or “dimensions” of the sustainability of the civil society sector: legal environment, organizational capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image. The Index is intended to be a useful source of information for local CSOs, governments, donors, academics, and others who want to better understand and monitor key aspects of sustainability in the CSO sector.

The Index’s methodology relies on CSO practitioners and researchers, who in each country form an expert panel to assess and rate these dimensions of CSO sustainability during the year. The panel agrees on a score for each dimension, which can range from 1 (most developed) to 7 (most challenged). The dimension scores are then averaged to produce an overall sustainability score for the CSO sector of a given country. A DC-based Editorial Committee composed of technical and regional experts reviews each panel’s scores and the corresponding narrative reports, with the aim of maintaining consistent approaches and standards so as to facilitate cross-country comparisons. Further details about the methodology used to calculate scores and produce narrative reports are provided in Annex A.

The CSO Sustainability Index for Central and Eastern Europe and Eurasia complements similar publications covering other regions: the CSO Sustainability Index for Sub-Saharan Africa assesses the civil society sector in thirty-one countries; the CSO Sustainability Index for the Middle East and North Africa covers seven countries; and the CSO Sustainability Index for Asia includes reports on nine countries. These various editions of the CSO Sustainability Index bring the total number of countries surveyed in 2017 to seventy-one.
ACKNOWLEDGMENTS

A publication of this type would not be possible without the contributions of many individuals and organizations. We are especially grateful to our implementing partners, who played the critical role of facilitating the expert panel meetings and writing the country reports. We would also like to thank the many CSO representatives and experts, USAID partners, and international donors who participated in the expert panels in each country. Their knowledge, perceptions, ideas, observations, and contributions are the foundation upon which this Index is based.

<table>
<thead>
<tr>
<th>Country</th>
<th>Acknowledgments</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALBANIA</td>
<td>Aleka Papa, Institute for Democracy and Mediation (IDM)</td>
</tr>
<tr>
<td>ARMENIA</td>
<td>Gagik Vardanyan and Tatevik Margaryan, Civic Development and Partnership Foundation (CDPF)</td>
</tr>
<tr>
<td>AZERBAIJAN</td>
<td>Shahla Ismayil, Women’s Association for Rational Development (WARD)</td>
</tr>
<tr>
<td>BELARUS</td>
<td>Vladimir Korzh and Maryia Lando, International Educational NGO ACT</td>
</tr>
<tr>
<td>BOSNIA</td>
<td>Omir Tufo, Center for Civil Society Promotion (CCSP)</td>
</tr>
<tr>
<td>BULGARIA</td>
<td>Luben Panov, Anna Adamova, and Plamen Todorov, Bulgarian Center or Not-for-Profit Law (BCNL)</td>
</tr>
<tr>
<td>CROATIA</td>
<td>Petra Bratoš and Iva Mrđeža, Center for Development of Non-Profit Organizations (CERANEO)</td>
</tr>
<tr>
<td>CZECH REP</td>
<td>Marek Šedivý, Aleš Mrážek, and Alena Gmentová, Association of Public Benefit Organizations (AVPO CR)</td>
</tr>
<tr>
<td>ESTONIA</td>
<td>Kai Klandorf and Maris Jõgeva, Network of Estonian Nonprofit Organisations (NENO)</td>
</tr>
<tr>
<td>GEORGIA</td>
<td>Otar Kantaria, United Nations Association of Georgia (UNAG)</td>
</tr>
<tr>
<td>HUNGARY</td>
<td>Veronika Móra, Zsuzsa Foltányi, and Ágnes Oravecz, Ókotárs - Hungarian Environmental Partnership Foundation</td>
</tr>
<tr>
<td>KOSOVO</td>
<td>Kushtrim Shaipi, IQ Consulting</td>
</tr>
<tr>
<td>LATVIA</td>
<td>Rasma Ptiķe and Kristine Zonberga, Civic Alliance – Latvia</td>
</tr>
<tr>
<td>LITHUANIA</td>
<td>Jolanta Blažaitė and Birutė Jatautaitė, Viej Bendruomenų Kaitos Centras (Community Change Center)</td>
</tr>
<tr>
<td>MACEDONIA</td>
<td>Iлина Neshikj and Anja Bosilkova-Antovska, Balkan Civil Society Development Network (BCSDN); Emina Nuredinoska, Macedonian Center for International Cooperation (MCIC)</td>
</tr>
<tr>
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<td>Nicolai Loghin, Center for Organizational Consultancy and Training (CICO); Anatol Beleac, FHI 360 Moldova; Ion Guzun, Legal Resource Center from Moldova (CRJM)</td>
</tr>
<tr>
<td>MONTENEGRO</td>
<td>Andelija Lukić, Center for Democratic Transition (CDT)</td>
</tr>
<tr>
<td>POLAND</td>
<td>Filip Pazderski, Institute of Public Affairs</td>
</tr>
<tr>
<td>ROMANIA</td>
<td>Andrei Pop, Stefania Andersen, and Marian Bojincă, Civil Society Development Foundation (CSDF)</td>
</tr>
<tr>
<td>SERBIA</td>
<td>Mladen Jovanović and Milena Velojic, National Coalition for Decentralization</td>
</tr>
<tr>
<td>SLOVAKIA</td>
<td>Radana Deščíková and Norbert Maur, Pontis Foundation (Nadácia Pontis)</td>
</tr>
<tr>
<td>SLOVENIA</td>
<td>Center for Information Service, Co-operation and Development of NGOs (CNVOS)</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>Mariya Heletiy and Oleksandr Ravchev, Ukrainian Center for Independent Political Research (UCIPR)</td>
</tr>
</tbody>
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EXECUTIVE SUMMARY

The 2017 CSO Sustainability Index for Central and Eastern Europe and Eurasia reports on CSO sectors with vastly different capacities that are moving along very different trajectories. When this publication was first produced twenty-one years ago, the hope, if not the assumption, was that CSO sustainability would improve across all countries and regions, and that those with lower levels of sustainability would eventually catch up with those with higher levels of sustainability (which were largely found in the Northern Tier), eventually all converging in or near the Sustainability Enhanced category. Instead, we now face a situation in which the CSO sectors in countries like Hungary and Poland, which have historically had some of the highest levels of sustainability as measured by the Index, are now grappling with serious threats to their sustainability, while several countries in Eurasia—including Armenia, Moldova, and Ukraine—have been on an upward trajectory for several years. Thus, while scores are converging, this is happening towards the middle of the CSO Sustainability Index’s scale, rather than at the highest levels of sustainability.

The CSO sectors in the twenty-four countries covered in this edition of the CSO Sustainability Index continue to span the full spectrum of sustainability. Estonia continues to have the highest level of sectoral sustainability, not only in the CSO Sustainability Index for Central and Eastern Europe and Eurasia, but in any edition of the CSO Sustainability Index worldwide. CSOs in Estonia, as well as most other Baltic and Visegrad countries, operate within a supportive legal environment, have strong organizational capacities, and are strong advocates and service providers. While financial viability continues to be one of the weakest dimensions of sustainability, CSOs in these countries have access to more diverse sources of funding, including government grants and contracts and individual and corporate philanthropy.

On the other end of the spectrum are Belarus and Azerbaijan, where CSOs continue to operate in highly restrictive legal environments that limit access to funding—particularly foreign funding—with virtually no space for independent advocacy. CSOs in these countries have weak organizational capacities, and little public support. The situation faced by CSOs in Russia is not much better than that in Belarus and Azerbaijan.

The magnitude of the sectors in the twenty-four countries covered in this Index also varies as much as the sectors’ sustainability and the size of the countries themselves. While there are 221,000 formally registered non-commercial organizations in Russia, the country with the largest population covered by this edition of the Index, there are fewer than 5,000 registered organizations in Montenegro, the country with the smallest population. However, it is important to note that the official number of registered organizations does not always provide an accurate picture of the true size of the sector. Many groups may operate without formal registration, and therefore are not captured in these official statistics. At the same time, in many countries, a significant number of organizations that are no longer active remain on the register.

CSOs continue to be affected by the political and economic contexts in which they operate. During 2017, CSOs in Central and Eastern Europe and Eurasia were impacted by and responded to the following developments:

• ANTI-DEMOCRATIC BACKLASH – Governments that express hostility to established democratic norms, practices, and institutions are increasingly common in the countries covered by the CSO Sustainability Index for Central and Eastern Europe and Eurasia. While this has long been the case in Eurasia, anti-democratic governments are now an increasingly common feature of the political landscape in the heart of Europe as well. According to Freedom House’s 2018 Nations in Transit, “In 2017, illiberalism established itself as the new normal in the region that stretches from Central Europe through Eurasia. In Central Europe, governments that disdain independent institutions and seek to fuse the ruling party with the state are no longer exceptional.” Hungary and Poland are notable examples of this movement. Both countries have taken concerted efforts to curb media freedom and weaken the judiciary. Macedonia was ruled for over a decade by a party that wielded almost complete power and did not tolerate dissent. Nations in Transit notes that Presidents Aleksandar Vučić in Serbia and Milo Đukanović in Montenegro have “captured their respective states, turning them into mechanisms for distributing patronage that in turn strengthen their parties’ grip on power.”
In this context, CSOs struggle to make their voices heard, and CSOs expressing criticism of such governments are often the subject of smear campaigns, as described in greater detail below.

A rise in nationalism and xenophobia have come hand in hand with the rise of illiberalism. In Poland, for example, public opinion polls confirm that there is less sympathy to members of other nations, and there has been a growing number of physical and verbal attacks on foreigners. In Romania, a new government was elected on a platform that included rhetoric about protecting the national identity. The government in Hungary launched a “national consultation” in 2017, sending questionnaires to all citizens of voting age that asked their opinions on immigration. The wording on the questionnaire, however, was strongly distorted to support the government’s anti-immigration stance.

**ELECTIONS** – Elections have the ability to dramatically change the environment in which CSOs operate, as illustrated by the situation in Macedonia in 2017. Elections held in Macedonia in December 2016 led to a prolonged political stalemate. Finally, in May, a new government was formed by the Social Democratic Union of Macedonia (SDSM), marking the end of the eleven-year rule of VMRO-DPMNE, which had dramatically closed civic space and clamped down on dissent during its tenure. The formation of the new government created many opportunities for CSOs to participate in policy making and cooperate with both national and local governments in the second half of the year.

The reverse situation played out in Romania, where parliamentary elections were also held in December 2016. In this case, the new government assumed a hostile stance to CSOs, portraying them as foreign agents working against national interests and leading to deterioration in nearly all dimensions of CSO sustainability as measured by the CSO Sustainability Index.

Of course, elections do not always lead to such dramatic changes. During 2017, regular parliamentary elections were held in a number of countries, including Albania, Armenia, Bulgaria, and Kosovo. Incumbents kept hold of power in Albania, Armenia, and Bulgaria, while in Kosovo early elections led to a coalition government that included several new parties. CSOs played a variety of roles in these elections, including voter education, get-out-the-vote efforts, candidate monitoring, and election monitoring.

**CORRUPTION** – Corruption—an issue that CSOs have long addressed—continued to plague many countries covered this edition of the CSO Sustainability Index. In Latvia, public attention was focused during the year on the so-called “conversations of oligarchs,” leaked recordings of conversations in which several current and former politicians and influential businessmen discussed how to organize political and other processes for their private benefit. The Latvian public was incensed and demanded justice for and explanations from those involved. While a commission was created to investigate the leaked information, and a report was issued with general recommendations about improving investigative institutions, no concrete steps were taken.

In Romania, the new government passed an emergency ordinance in late January that decriminalized some corruption-related crimes. This provoked the largest protests in Romania’s recent history, with up to 600,000 people marching in cities around the country; as a result, the contested ordinance was repealed less than a month later. In Slovakia, much attention was focused on overpriced public procurements by the Ministry of Foreign and European Affairs during the Slovak presidency of the Council of the European Union.

In Russia, where there is limited public discussion about corruption, anti-corruption demonstrations were organized in dozens of cities. However, in some cities, including Moscow and St. Petersburg, demonstrations were not sanctioned by authorities and resulted in thousands of people, mostly young people, being detained.

Corruption continued to be an issue in countries striving to join the EU. For example, the fight against corruption has long been identified as an area in which both Albania and Montenegro must make additional reforms in order to pursue EU accession. The Kosovo report notes that not a single high-level political corruption case has been successfully prosecuted in the country to date.
Illustrating this problem is the fact that members of parliament (MPs) who have been indicted on charges of fraud, embezzlement, and money laundering are still allowed to participate in parliamentary proceedings, even though under house arrest.

Nevertheless, several countries made efforts to address corruption during the year. Armenia, Macedonia, and Ukraine all introduced reform plans or legislative measures aimed at reducing corruption.

• **INTERNATIONAL BODIES AND MECHANISMS** — International and regional bodies—most notably the EU—continue to wield significant influence over countries in Central and Eastern Europe and Eurasia. EU membership continues to be a significant draw for the countries covered by the Index.

Eleven countries covered by this edition of the Index are already EU members. Another four—Albania, Macedonia, Montenegro, and Serbia—are candidate countries, while Kosovo and Bosnia and Herzegovina are potential candidates. Candidate and potential candidate countries continued to pursue EU accession during the year. In Bosnia, for example, authorities worked on the country’s EU questionnaire, a landmark step in any country’s path to EU membership, finally submitting it in early 2018. Civil society contributed to the process by preparing answers to more than 700 of the 3,200 questions in the questionnaire.

CSOs also worked together to prepare the alternative responses to the questionnaire. In accordance with Serbia’s Action Plan for Chapters 23 and 24 of the EU accession process, the Serbian Government announced a constitutional amendment process focused on judicial reform during the year. The new government in Macedonia promised to reinvigorate that country’s EU and NATO accession processes.

Countries in Eurasia also continued to seek closer ties with the EU. Armenia signed the EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) in November to strengthen cooperation on security matters, improve the investment climate, and contribute to community and business development. In March 2017, the EU granted citizens of Georgia visa-free travel, enabling biometric passport holders to enter the Schengen area visa-free for ninety days within any 180-day period for a holiday, business, or any other purpose besides work. The country continued to be highly polarized, however, in its attitude towards the EU. While overall support for accession to the EU remains high, widespread disinformation has contributed to the major decline in public trust in Georgia towards the EU as an institution. According to the Caucasus Barometer, an annual survey conducted by the Caucasus Research Resource Centers (CRRC), trust in the EU has dropped from 42 percent to 33 percent over the last five years.

While the CSO Sustainability Index covers a highly diverse set of countries and CSO sectors, several trends were noted among this year’s country reports as discussed in the following sections.

## CLOSING CIVIC SPACE

The closing of civic space has been well documented in the last several editions of the CSO Sustainability Index for Central and Eastern Europe and Eurasia. This trend continued in 2017, with governments in a diverse range of countries—including both long-standing EU members in the Northern Tier and countries that have long been led by repressive regimes such as Belarus and Azerbaijan—further tightening control over the civil sector. Restrictions take a variety of forms, but commonly focus on restricting CSOs’ access to funding, increasing reporting requirements, and state harassment of CSOs criticizing the work of the government or holding it accountable.

The shrinking of civic space is reflected in the fact that twelve countries—nearly half of the countries covered by this edition of the CSO Sustainability Index—reported regression in the legal environments governing their CSO sectors during the year. Of particular note is the fact that five of the nine countries in the Northern Tier, where legal environments have generally been quite enabling for the past decade, were subject to increased legal restrictions in 2017. The situation in Hungary was one of the most dramatic. During the year, Hungary adopted an act “on the transparency of organizations supported from abroad,” styled after the Russian “foreign agent” law.

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1. The EU countries covered by the Index are: Bulgaria, Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia.
This law requires CSOs receiving funds from non-domestic sources (whether public or private) above a certain threshold to register with the courts as “foreign funded” and use this label on their websites and all publications. Non-compliant organizations are subject to sanctions, which—after several steps—may lead to fines or even dissolution. While the legal environment in Hungary has deteriorated significantly over the past few years, marked by state harassment of CSOs expressing critical views of the government, this is the first time that restrictive legal rules have been introduced.

The government in Poland also introduced measures to increase its control over the sector, including control over CSO funding. Most notably, the parliament adopted a law creating a new agency reporting directly to the prime minister that will distribute all public funds—governmental, European, and other international funding distributed by the state—dedicated to civil society development. Increased administrative impediments and state harassment also hindered the operation of select CSOs during the year, primarily those expressing opposition to government policies or having different worldviews. In addition, several MPs announced a draft law prohibiting foreign financing of CSOs, presenting its provisions in a press conference organized in the parliament.

The changes in the Czech Republic and Lithuania were less dramatic, but still indicated a trend towards greater control of CSOs. In the Czech Republic, CSOs were subject to increased government pressure to be more transparent about the sources of their funding, as well as new administrative obligations associated with the on-line registration of sales and the introduction of monthly VAT control statements. In Lithuania, new regulatory measures require CSOs to report data on their donors. The sector views these demands as a sign of the state's tightening control over CSOs. The legal environment in Latvia deteriorated as changes were made to the tax system that will have a long-lasting negative impact on the CSO sector’s financial sustainability.

While not as extensive as the declines noted in the Northern Tier, several Southern Tier countries—Macedonia, Romania, and Serbia—also noted negative developments in their legal environments during the year. State harassment was an important factor in all three of these countries.

Four of the seven countries in Eurasia also reported deterioration in their legal environments in 2017. Belarus, Russia, and Azerbaijan, the three countries with the weakest legal environments in all of Central and Eastern Europe and Eurasia, all saw further declines in 2017. In Belarus, CSOs and activists protesting a tax levied against the unemployed at the beginning of the year were subject to an intense wave of detentions and harassment. In Azerbaijan, legal changes that came into force in 2017 placed limits and taxes on cash operations, complicating CSOs’ financial operations, while other legal changes limited CSOs’ access to legal services. In Russia, a law was passed allowing the Ministry of Justice to declare foreign media outlets as foreign agents, additional organizations were added to the to the list of undesirable foreign organizations, and penalties were imposed on those who allegedly had contacts with such organizations. On the other end of the spectrum, Ukraine—which boasts a legal environment score approaching those of the Northern Tier countries—also saw deterioration in the legal environment due to the introduction of asset declaration requirements for anti-corruption activists. The increasingly uncertain legal environment was also demonstrated in the government’s attempt to introduce strict financial reporting requirements on public associations during the year, as well as several instances of state harassment.

There was also a dangerous attempt to restrict civic space in Moldova, although this effort was ultimately unsuccessful and was balanced out by several positive changes. The Ministry of Justice attempted to introduce new legislative provisions that would have excluded CSOs that receive foreign funds from decision-making processes and imposed additional reporting requirements on them. After more than eighty CSOs publicly expressed their indignation, the draft law that contained these provisions was withdrawn and was not revisited during the year.
THE SPREAD OF SMEAR CAMPAIGNS

Increasingly restrictive legal environments have often been accompanied by negative rhetoric by the government and pro-government media towards CSOs, especially those that are critical of the government. As opposed to coverage that is merely critical of the work of individual CSOs, such campaigns intentionally seek to discredit and delegitimize certain organizations or segments of the sector. Attempts to vilify organizations that receive foreign funding, portraying them as threats to national security, are an increasingly common characteristic of such campaigns.

Ten countries covered in this edition of the Index reported deterioration in the public image dimension as a result of such attacks in 2017. This was a particular problem in the Northern Tier, where six of eight countries—the Czech Republic, Estonia, Hungary, Latvia, Poland, and Slovakia—reported such problems. The situation in Hungary was again particularly dramatic in this regard, with the government’s anti-CSO propaganda being described as a key feature of the public discourse in 2017. Statements accusing CSOs of undermining the nation’s sovereignty were made on a daily basis in parliament, at press conferences, and in official government and party press statements. CSOs had few avenues to counter these messages, as most media outlets are either controlled by the government or pro-government businesses. CSOs in Poland and Slovakia faced similar attacks. In Latvia, CSOs were also subject to critical rhetoric by politicians and civil servants. The amount of public funding going to CSOs was questioned by the new prime minister in the Czech Republic and members of parliament in Estonia.

These attacks have had an effect on the public image of and trust in the sector. According to the Center for Public Opinion Research in the Czech Republic, for example, CSOs are currently trusted by just over a third of respondents, a decline of over 10 percent in the past three years. Meanwhile, the percentage of respondents that do not trust CSOs has increased from approximately 35 percent to over 55 percent over the same time period. In the other two sub-regions, Bulgaria, Macedonia, Romania, and Moldova all reported declines in public image. In all of these countries, CSOs were subject to accusations that they serve foreign interests. In Macedonia, the extended smear campaign has severely affected the reputation of civil society. According to data from the Macedonian Center for International Cooperation (MCIC), trust in CSOs decreased from 50.5 percent in 2015 to 43 percent in 2017.

Businessman and philanthropist George Soros and his foundations have become an increasingly common target in these anti-CSO campaigns, with reports from Bulgaria, Hungary, Macedonia, Poland, Romania, and Slovakia all noting negative campaigns that specifically attacked the role of Soros funding. In Macedonia, for example, a “de-Sorosization” campaign was waged in the first half of 2017 that aimed to expose CSOs as criminals and traitors and severely weakened civil society’s work, resources, and reputation. Meanwhile, government propaganda in Hungary singled out Soros and his “network” as the proclaimed “enemy,” alluding to Soros’ alleged plan to introduce millions of immigrants to Europe, thereby threatening the integrity of the nation. Similarly, prime-time news shows in Romania often included accusations that certain organizations, as well as individual CSO leaders, benefited from Soros funding in order to convince people to protest, encourage refugees to arrive in Romania, and dismantle Romania’s reputation at the international level.

A number of other countries also noted concerted attacks against CSOs, although these did not lead to declines in their public image scores. In Armenia, a number of negative publications, primarily in pro-government media, were issued in 2017 that accused CSOs of following donor agendas and opposing traditional Armenian values. In Russia, negative propaganda, while less visible than in 2016, has had an impact on attitudes towards foreign funding of CSOs. According to research carried out by the Levada Center, 40 percent of those surveyed declared that grants from European charitable funds are a “most likely unacceptable” source of funding for Russian CSOs. In Serbia, media regarded as close to the government continued to discredit CSOs working on anti-corruption, government accountability, and rule of law by publishing their budgets and calling them foreign mercenaries. In Georgia, the Media Development Foundation’s Anti-Western Propaganda Monitoring Report for 2017 found that negative comments against non-governmental organizations tripled in 2017. In Azerbaijan, the media—which is largely under the control of the government—often refers to CSOs working on human rights, democracy, rule of law, gender equality, children’s rights, juvenile justice, elections, media rights, support to civil society, transparency, and property rights as agents of the West.
The 2017 CSO Sustainability Index for Central and Eastern Europe and Eurasia

STRENGTHENING SECTORAL INFRASTRUCTURE

The sectoral infrastructure dimension examines the availability, quality, and sustainability of a variety of institutions and services that support the CSO sector, including intermediary support organizations (ISOs) and resource centers, local grantmaking organizations, coalitions and networks, training opportunities, and intersectoral partnerships. In 2017, more than one-third of the countries included in this edition of the CSO Sustainability Index recorded improvements in the infrastructure supporting the sector.

In the Northern Tier, Lithuania and Slovenia both noted advances. In Lithuania, ISOs, especially umbrella organizations, expanded their services to CSOs in 2017, disseminating information, organizing trainings, and making it easier for members to sell services. In Slovenia, coalitions continued to show increased ability to share information and jointly promote the sector's interests, while partnerships between CSOs and other sectors also grew.

Four countries in the Southern Tier—Albania, Bosnia, Macedonia, and Montenegro—reported improvements in this dimension in 2017. All four noted improved cooperation within the sector during the year. Of particular note was the role in Bosnia that the Civic Dialogue coalition, with over 120 member organizations, played in working with the Ministry of Justice to finalize the Agreement of Cooperation between the Council of Ministers and NGOs in BiH, one of the most significant achievements for civil society in the last five years. Increased partnerships with other sectors also grew in Macedonia. In addition, more international donor funds were re-granted in Albania, and new resource centers were established in Montenegro.

In Eurasia, increased capacity of ISOs played a key role in improving the infrastructure in Armenia, Russia, and Ukraine. In Ukraine, the number of ISOs and CSO resource centers increased; in Armenia, ISOs and resource centers provided services to a significant number of CSOs across the country, while increasingly recognizing the value of capacity building; and in Russia, the government renewed its funding of such organizations.

Despite these improvements during the year, sectoral infrastructure in much of the region is still fragile, in part because it is largely dependent on funding from foreign donors. As a result, when donor funding ends, support services may also decline or disappear. Notably, at the end of 2017, the EU-funded Technical Assistance for CSOs (TACSO) program, which had provided a variety of capacity-building services to CSOs in Albania, Bosnia, Kosovo, Macedonia, Montenegro and Serbia over the past few years, came to an end. However, sectoral infrastructure increasingly benefits from domestic funding sources, particularly from the government, in a number of countries—primarily those that are EU members.

In some countries, public funding has long been an important source of funding for sectoral infrastructure. Local grantmaking organizations such as the National Foundation for Civil Society in Estonia, the National Foundation for Civil Society Development in Croatia, and the National NGO Fund in Latvia have long relied on public funding to provide grants to local CSOs. In Latvia, the Ministry of Culture continues to support five Regional NGO Support Centers, which organize and support local activities to build the capacity of local organizations and implement a regional re-granting program that supports civil society initiatives, intercultural dialogue, and the initiatives of minority organizations. In Hungary, the government supports a network of Civil Information Centers. In Russia, foreign funding, which used to be an important source of support for infrastructure organizations, is now minimal as a result of the “foreign agent” law, so such organizations are now largely supported by local and federal governments. According to data from the 2017 Public Chamber report, a total of 234 resource centers received support from regional and municipal budgets in thirty-one regions in 2016. The Presidential Grants Fund also serves as an important source of funding for local CSOs, including infrastructure organizations and networks.

Some new domestically-funded programs were also initiated in 2017. In the Czech Republic, for example, the Office of the Government introduced a new grant program to support multidisciplinary networks that operate nationally. In Lithuania, the government passed the Plan of Action to Strengthen Nongovernmental Organizations and Local Communities, allocating €900,000 to strengthen national umbrella organizations.
In Moldova, the Ministry of Youth and Sports launched the 2017–2022 Youth Center Development Program, which will support the development of youth centers, as well as district and municipal grants programs for the financing of youth initiatives and projects of youth CSOs.

A variety of innovative tools are also being developed around the region to help CSOs operate more effectively. In Serbia, Catalyst Balkans introduced three new and improved online organizational development tools during the year: Giving Balkans, a platform that provides data and visual reports on philanthropic actions in the Western Balkans; CiviciCatalyst, the first client relations management platform in Serbia tailor-made for CSOs; and Donations, a crowdfunding platform for non-profit campaigns.

Russia has become a leader in this field, boasting numerous innovative platforms that support the development of the sector. The Accelerator of the Blagosphere Center helps CSOs develop project ideas, as well as their management and communication skills, by assigning them mentors from the civil and business sectors. Media-center offers CSOs the opportunity to meet with media experts and get assistance with organizing media events. The Navigator of State Services for CSOs helps CSOs complete various transactions with authorities, including registration, tax payments, getting official information, and inspections. The Online Leyka program allows organizations to track online donations.

The private sector has also shown increased interest in supporting CSOs. The ProCharity project, created by the Friends Foundation in 2017 with the support of MasterCard, helps CSOs find specialists from the commercial sector who are willing to provide professional skills free of charge, while the Philanthropy Infrastructure project, supported by philanthropist and businessman Ruben Vardanyan, offers CSOs a tool to identify and assess organizational risks in their administration and accounting.

**TRENDS IN OVERALL CSO SUSTAINABILITY**

Overall CSO sustainability in Central and Eastern Europe and Eurasia again showed diverging trends in 2017. Five countries, including four long-standing EU members—Azerbaijan, Hungary, Latvia, Poland, and Romania—reported overall declines in sustainability, while six countries, including four in Eurasia—Albania, Armenia, Moldova, Russia, Slovenia, and Ukraine—reported improvements in sectoral sustainability.

**NORTHERN TIER**

The Northern Tier countries (the Baltic and Visegrad countries) continue to boast the highest overall levels of CSO sustainability in Europe and Eurasia, despite the fact that three countries—Hungary, Latvia, and Poland—reported deterioration in 2017. Overall sustainability in both Hungary and Poland dropped again in 2017 as a result of efforts by right-wing, populist governments to shrink civic space.

Overall sustainability changed most dramatically in Hungary, the only country reporting a score change of more than 0.1. Falling another 0.2 points in 2017, CSO sustainability in Hungary continued on the downward trajectory it started in 2012. Declines were reported in every dimension of sustainability, with particularly steep drops noted in the legal environment and public image, as described above. While the worsening legal, political, and financial environment posed serious constraints on the sector, this also led to an “awakening” of civil society, resulting in increased efforts by CSOs to engage in self-defense, constituency building, and communication.

Similar trends were seen in Poland, where overall sustainability fell for the second year in a row. Negative developments were reported in five of seven dimensions of sustainability, with the biggest declines also noted in legal environment and public image, also discussed in more detail above.

The situation in Latvia was less dramatic, but still concerning. Deterioration was noted in four dimensions of sustainability—legal environment, organizational capacity, financial sustainability, and public image. The legal environment deteriorated as changes were made to the tax system that will have a long-lasting negative impact on the CSO sector’s financial sustainability. CSOs’ weakened financial viability also impacted their organizational capacity, while the sector’s public image was tarnished by politicians’ and civil servants’ critical rhetoric aimed at CSOs.
Slovenia was the only Northern Tier country to experience an improvement in overall CSO sustainability during the year, with advances noted in four of seven dimensions of sustainability—legal environment, financial viability, advocacy, and sectoral infrastructure. Although the core legislation regulating the registration and operation of CSOs remained unchanged, several minor legislative changes were adopted during the year that improved the legal environment for CSOs. Total CSO income and public funding for the sector both increased. In addition, several improvements were introduced to the procedures for public funding of CSO programs at the national and local levels. CSOs actively participated in decision making and implemented several successful broad-based advocacy campaigns during the year, while ISOs increased the quantity of trainings and other services they offer local CSOs, thereby improving the infrastructure supporting the sector.

**SOUTHERN TIER**

On average, overall sustainability in the Southern Tier (Southeastern Europe) continues to fall somewhere in between that of the Northern Tier and Eurasia. All nine countries report overall sustainability scores that fall in a narrow range in the Sustainability Evolving category between 3.3 (Bulgaria and Croatia), and 4.1 (Serbia). Overall CSO sustainability in the Southern Tier countries remained largely stable from 2016, with only one country—Albania—recording an improvement in 2017 and one country—Romania—recording a deterioration. Advances in service provision and sectoral infrastructure led to the improvement in overall sustainability in Albania. Over the last several years, the number of CSOs providing services to their constituents has increased and the state has increasingly recognized the role of civil society in providing services, especially social services. The sectoral infrastructure improved, as more international donor funds were re-granted and cooperation within the CSO sector intensified. Overall sector sustainability in Romania dropped for many of the same reasons seen in the Northern Tier, with deterioration noted in nearly all dimensions of sustainability. Public trust in civil society, as well as relations between CSOs and government bodies, decreased in 2017 as a result of the government’s negative attitudes towards the sector. Advocacy effectiveness was reduced by the increasingly hollow use of public consultations by public officials. Legislative changes that would seriously diminish CSO operations and discourage registration were pending at the end of the year. In addition, new tax policies limited CSOs’ ability to access funds, compounding CSOs’ financial woes.

While financial viability continues to be the weakest dimension of sustainability for almost every country in the Southern Tier; nearly half of the countries in this sub-region reported improved financial viability in 2017—a bright spot in a traditionally bleak dimension.
The reasons for these increases are varied and include increases in public funding, international funding, and local giving. In Croatia, for example, increased political stability allowed the government to issue more tenders for local, national, and EU funds. In addition, after significant cuts in 2016, the budget of the National Foundation for Civil Society Development—an important source of grants for Croatian civil society—was partially restored, improving the financial situation of many CSOs. In Kosovo, new international funding programs were initiated and an increasing number of CSOs exhibited sound financial management systems and procedures. In Macedonia, local philanthropy increased. According to the 2017 CAF World Giving Index, Macedonia is amongst the thirteen most improved countries in terms of giving, moving from an overall ranking of 119 in 2016 to a ranking of 69 in 2017. In Montenegro, newly adopted amendments to the Law on NGOs introduce a new public funding mechanism for CSOs that will be implemented in 2018. These amendments stipulate that 0.3 percent of the current budget should be spent on CSO activities in the public interest; 0.1 percent on co-financing programs and projects funded by the EU; and another 0.1 percent to support CSOs working on the protection of persons with disabilities. If implemented fully and consistently, the Law will lead to a significant increase of public funds for CSOs.

**SOUTHERN TIER CSO SUSTAINABILITY**

Average sustainability scores in Eurasia continue to be lower than those in the Northern and Southern Tiers. CSO sustainability in Ukraine continues to be the highest among the countries in Eurasia, while Belarus and Azerbaijan have the lowest levels of sustainability among all the countries covered in this edition of the CSO Sustainability Index. Azerbaijan reported further declines in its sustainability during the year, while four countries—Armenia, Moldova, Russia, and Ukraine—recorded advances in their overall sustainability levels in 2017. CSO sustainability in Azerbaijan deteriorated further in 2017, with negative developments noted in five dimensions of sustainability. CSOs—particularly those that are critical of the government—continued to be subject to harassment and face problems with registration, while legal changes came into force that placed limits and taxes on cash operations, complicating CSOs’ financial operations, and limited CSOs’ access to legal services. The ongoing clampdown on the CSO sector also affected organizational capacity, financial viability, service provision, and sectoral infrastructure. CSOs have almost no access to foreign funding, which has weakened the organizational capacity of the CSO sector, reduced their ability to provide services, and destroyed the infrastructure supporting the sector.

**EURASIA**

Average sustainability scores in Eurasia continue to be lower than those in the Northern and Southern Tiers. CSO sustainability in Ukraine continues to be the highest among the countries in Eurasia, while Belarus and Azerbaijan have the lowest levels of sustainability among all the countries covered in this edition of the CSO Sustainability Index. Azerbaijan reported further declines in its sustainability during the year, while four countries—Armenia, Moldova, Russia, and Ukraine—recorded advances in their overall sustainability levels in 2017. CSO sustainability in Azerbaijan deteriorated further in 2017, with negative developments noted in five dimensions of sustainability. CSOs—particularly those that are critical of the government—continued to be subject to harassment and face problems with registration, while legal changes came into force that placed limits and taxes on cash operations, complicating CSOs’ financial operations, and limited CSOs’ access to legal services. The ongoing clampdown on the CSO sector also affected organizational capacity, financial viability, service provision, and sectoral infrastructure. CSOs have almost no access to foreign funding, which has weakened the organizational capacity of the CSO sector, reduced their ability to provide services, and destroyed the infrastructure supporting the sector.
In contrast to its neighbor, Armenia reported improvements in five dimensions of sustainability during the year. A new Law on Public Organizations and other legislative amendments entered into force, providing a better regulatory framework for CSOs. CSOs increasingly recognize their institutional development needs and many CSOs improved their internal management and strategic planning. Positive trends were noted in financial viability, advocacy, and sectoral infrastructure due to increased funding diversification, improved dialogue platforms, and new training opportunities. In Moldova, CSOs improved their connections with their constituents and increasingly developed internal management systems during the year. Even though CSOs continue to be very dependent on funding from foreign donors, new sources of income for CSOs—most notably the 2 percent mechanism, which allows individuals to designate 2 percent of their income taxes to CSOs—emerged and developed in 2017, and local philanthropy increased. CSO advocacy also improved. CSO sustainability continued to strengthen in Ukraine, with progress noted in both organizational capacity and sectoral infrastructure. At the same time, however, the legal environment governing the sector deteriorated during the year.

Russia, where sustainability has declined sharply over the last four years, reversed course in 2017, showing modest improvements in organizational capacity, financial viability, sectoral infrastructure, and public image. Financial viability improved as the volume and quality of state financing increased, the use of crowdfunding platforms grew, and private donations increased. This increase in financial viability, as well as the development of informational and technological resources supporting the non-commercial sector, helped increase the sector’s organizational capacity. The infrastructure strengthened due to the government’s renewed financing of infrastructure organizations, and the increasing interest in the development of infrastructure on the part of businesses and private funds. In contrast to these improvements, the legal environment—which has fallen dramatically over the past five years—further deteriorated as the state took additional actions to limit CSOs’ contacts with foreign organizations, as described above.

In contrast to the negative trend affecting legal environments, positive developments were seen in Eurasia in both organizational capacity and advocacy. As described above, the four countries with overall improvements in CSO sustainability all reported advances in organizational capacity, including in the development of missions and strategic plans, internal management systems, constituency building, staffing, and technical capacities. However, in all countries, the organizational capacity of CSOs continues to vary widely. Four countries—Armenia, Belarus, Georgia, and Moldova—also reported increases in advocacy in 2017. In Armenia, CSO advocacy improved due to the introduction and increased use of institutional platforms and participation opportunities, including the online interactive platform e-draft.am, which houses draft laws developed by state agencies. Georgian and Moldovan CSOs engaged in and often shaped national discussions on some of the most critical issues in the country during the year. Advocacy in Belarus remains extremely limited, although CSOs and individuals did take to the streets to protest the “social parasite” tax and used Internet-based petition platforms more extensively.
CONCLUSION

This year’s Index once again illustrates that the hard work of developing strongly-rooted democratic cultures—including the development of an independent, vibrant and pluralistic civil society—is far from over in Central and Eastern Europe and Eurasia. Civic space continues to be restricted in several countries in the region, such as Azerbaijan, Belarus, and Russia, and has eroded over the past several years in others that had previously made significant progress, such as Hungary, Poland, and Romania. CSOs and their supporters must continue to fight against increasing legal restrictions on the sector and work to counter negative messages about their objectives. The strengthening infrastructure supporting CSO sectors in many countries can play a vital role in this process.

The country reports that follow provide an in-depth look at the CSO sectors in twenty-four countries across Central and Eastern Europe and Eurasia. We hope this annual survey continues to capture useful trends for CSOs, governments, donors, and researchers supporting the advancement of CSO sectors.
Albania has been a candidate for EU membership since 2014. The opening of accession negotiations depends on the country making additional concrete achievements related to five key priorities: judicial reform, public administration reform, the fight against organized crime, the fight against corruption, and the protection of human rights. The continued implementation of judicial reform is particularly critical in advancing Albania’s candidacy. The country launched a comprehensive judicial reform package in July 2016. During 2017, the early stages of implementation were slow and marked with political confrontations.

General elections were scheduled to take place in June, but in February, the opposition declared its intent to boycott, pitching a protest tent to demand free elections and a technocratic government. An agreement to go forward with the elections was finally reached in May, when the leaders of the Socialist Party (SP) and the Democratic Party (DP) reached a political agreement, including a Cabinet reshuffle. The incumbent SP won a single-party majority when the elections were held on June 25.

Against this backdrop, the overall sustainability of the sector improved slightly during 2017, with positive developments noted in the service provision and sectoral infrastructure dimensions. CSOs continued to increase their efforts to reach their constituencies and engage in coalition building. Financial viability remains the weakest dimension of CSO sustainability. CSOs still have not developed a diversified funding base and lack sufficient organizational capacities to diversify their resources.

There are over 10,000 CSOs—including associations, foundations, and centers—registered at the Tirana Court of First Instance. However, the total number of active CSOs registered with the tax authorities is only 3,922. During 2017, 339 new CSOs were registered at the Tirana Court of First Instance, of which 283 were also registered with the tax authorities.
LEGAL ENVIRONMENT: 3.7

The legal environment governing CSOs in Albania did not change during 2017. Registration and operations are clearly defined in the legislation and CSOs are generally free from harassment by the central government. However, there is still a need to adopt legislation to decentralize registration, improve fiscal treatment of CSOs, standardize procedures for allocating public funding, and encourage philanthropy.

In December, the Office of the Prime Minister, with technical assistance from the EU, launched public consultations as part of the mid-term review of the 2015 Road Map for Albanian Government Policy Towards a More Enabling Environment for Civil Society Development, the strategic document guiding government policies towards the sector. By the end of the year, an online consultation tool had been launched and four rounds of meetings had been organized to collect CSO’s proposals on the Road Map’s implementation and monitoring framework. However, since 2015, the Road Map’s implementation has been slow paced.

Despite pleas from CSOs and the fact that it is identified as a priority legislative measure in the Road Map, no actions were taken during the year to decentralize the registration process. Therefore, CSOs continue to register at the Tirana Court of First Instance. Registration remains bureaucratic, lengthy, and costly, especially for local CSOs based outside the capital. The procedures for amending organizational statues, as well as those for dissolution and liquidation, also remain burdensome.

During 2017, implementation of the Laws on Volunteerism and on Social Enterprises, both of which came into force in 2016 and are priority areas of the Road Map, was still pending. Implementation of both laws depends on the adoption of secondary legislation—for example, to specify procedures for granting social enterprise status, list their fields of operation, and regulate state subsidies—which the Council of Ministers failed to adopt during the year.

Non-profit sources of income for CSOs, including membership fees, funds, grants, and donations, are exempt from VAT and income tax. CSOs implementing EU Instrument for Pre-accession Assistance (IPA) projects are eligible to claim VAT refunds on their expenses, but due to legal ambiguities and bureaucratic procedures, no CSOs have been known to claim these refunds to date. Corporate donors receive minimal tax deductions for their donations up to 4 percent of their taxable income. Individuals do not receive any tax deductions for donations to CSOs. CSOs have long urged decision makers to adopt a new Law on Philanthropy that distinguishes between philanthropic activity and sponsorship.

Since 2015, active CSOs have been required to submit monthly electronic tax declarations to the General Directorate of Taxation.

CSOs are legally allowed to earn income from the pursuit of economic activity or through public procurement contracts. Income from economic activities is exempt from VAT for CSOs operating in the social, educational, cultural, and sports fields, when recognized by the competent national authorities and provided that the income is used to pursue the organization’s mission.

A gap in legal capacity persists between Tirana and the regions. As a result, CSOs outside the capital struggle to access specialized pro bono legal assistance. In December 2017, Law 111/2017 on Legal Aid Guaranteed by the State was approved. This law, which comes into effect in June 2018, regulates the organization and provision of free legal aid. According to the law, CSOs are now eligible to offer primary legal aid.
ORGANIZATIONAL CAPACITY: 3.7

The organizational capacity of CSOs in Albania has changed little in the past four years. There continues to be a large gap in capacities between CSOs in Tirana and those outside the capital.

Anecdotal evidence indicates that CSOs stepped up their efforts to identify potential beneficiaries and build their constituencies in 2017, largely in order to meet donor requirements. In spite of this, local level CSOs that work on an ad hoc basis continue to face difficulties and enjoy less community support than Tirana-based organizations with national outreach, most likely because of their more limited human and financial resources and the high levels of apathy at the local level.

While well-established CSOs tend to have clearly defined visions and missions, local CSOs struggle to develop well-defined missions, instead adopting broad ones in order to be eligible for more sources of funding. Only a handful of CSOs have defined strategic plans. However, even in these organizations, it is unclear to what extent strategic planning techniques are incorporated in decision-making processes. Insufficient institutional funding opportunities have increased these problems.

CSOs’ organizational statutes must describe their internal management systems. By law, the highest decision-making body in non-membership organizations (foundations and centers) is the board of directors, while for membership organizations (associations), it is the general assembly of its members. In practice, however, boards of directors generally fail to engage in organizational governance and delegate authority in practice to the executive directors.

Although there is no statistical data on employment in the sector; in general only larger and well-established CSOs are able to maintain permanent, paid staff. Local CSOs mostly engage staff on a project basis. CSO staff members continue to take on multiple responsibilities.

The Law on Volunteerism was adopted in 2016, but its impact remains to be seen. According to the 2017 CAF World Giving Index, 10 percent of respondents in Albania volunteered their time in 2016, compared to 11 percent in 2015.

Even though technical advancement varies among large and small CSOs, in general CSOs actively and effectively use ICT and online platforms to facilitate their operations. Access to broadband Internet continued to expand in the country in 2017.

FINANCIAL VIABILITY: 4.5

The financial viability of CSOs did not change significantly during 2017. Although no data is available on the proportion of funding sources, CSOs generally lack a diversified funding base. CSOs remain largely dependent on foreign donors to sustain their operations and their attempts to diversify their resources continue to be limited by their organizational capacities. The European Commission Report for Albania 2018 noted that the “financial sustainability of civil society organisations remains a challenge due to fiscal and legal frameworks.”

Domestic sources of funding are generally insufficient for the operation and viability of the sector. Since 2009, the Agency for Support of Civil Society (ASCS) has been the main source of government funding for CSOs. In 2017, ASCS issued one call for proposals with two components: funding for projects covered entirely by ASCS and funding for projects co-financed by other donors. It awarded a total of thirty-five grants ranging from 1.5 million ALL (about $14,000) to 4.5 million ALL (about $41,000). The call supported projects in diverse fields, including rule of law, environmental protection, migration, and culture. In December, the Office of the Prime Minister launched an open call for candidates for the Board of ASCS.
CSOs have long urged for ASCS to be reformed to increase its accountability and transparency, for example by eliminating the double role of the Board as both a supervisory and decision-making authority.

Since 2014, the Ministry of Culture has funded projects of individuals and CSOs, both local and foreign, working in the field of culture. In 2017, the Ministry of Culture co-financed 107 grants. Since 2015, the Good Causes Board of the National Lottery has allowed for the allocation of lottery proceeds to CSOs, individuals, and public institutions. During 2017, however, they awarded only one grant to a CSO for a project focused on increasing public awareness on diabetes. The calls for proposals using lottery proceeds generally do not specify priority areas for funding.

The sector relies heavily on foreign support. The EU is the largest donor for civil society in Albania. Other important foreign donors in the country include the Swedish International Development Cooperation Agency (Sida), the Swiss Embassy, the Embassy of the Netherlands, and USAID. Following the re-granting approach adopted by several foreign donors over the past few years, more funds became available to local CSOs in 2017 through the deployment of sub-granting schemes implemented by local intermediary organizations. However, CSOs outside of Tirana tend to have limited absorptive capacity. Early assessments of the re-granting schemes find that they are relevant for supporting small-sized organizations, but highlight the issue of long-term sustainability.

Private donations—from both companies and individuals—remain sporadic and limited to ad hoc public fundraising campaigns. Social media is helping CSOs adopt more creative public fundraising techniques. For example, in 2017 Down Syndrome Albania raised funds for down syndrome therapy through social media and the engagement of celebrities. In-kind donations—especially those targeting marginalized groups (including children and the elderly) and relief for natural disasters—continue to be more prevalent than financial donations. According to the 2017 CAF World Giving Index, the percentage of Albanians who reported donating to charities increased from 22 percent in 2015 to 28 percent in 2016. According to Partners Albania’s report on the Philanthropic Activity of Enterprises (2017), corporate donations largely target poverty alleviation, education, and health.

The number of CSOs engaging in economic activity is still very limited. Some CSOs successfully earn revenue through the provision of services for people with disabilities, vocational trainings, and agricultural services, although services are generally offered for less than market prices. The Monitoring Matrix on Enabling Environment for CSO Development in Albania for 2016 lists administrative requirements and limited CSO capacities as the main challenges hampering CSOs’ engagement in economic activity.

Only a handful of well-established CSOs have sound financial management systems in place. Individual projects are subject to independent financial audits, upon donor request or requirement. The National Accounting Standard for Non-Profit Organizations, which aims to standardize accounting and bookkeeping information for CSOs, came into force in 2016. No information is available on its implementation in 2017.

**ADVOCACY: 3.3**

CSO advocacy did not change significantly during 2017. Although CSOs engaged in an increasing number of successful advocacy initiatives during the year, civil society is still not meaningfully engaged in inclusive policy dialogue. According to the European Commission Report for Albania 2018, “substantial efforts are needed to ensure meaningful consultations with civil society actors as part of an inclusive policy dialogue.”

The National Council for Civil Society (NCCS), established through law 119/2015, was finally constituted in December 2017.
NCCS is a collegial advisory body comprised of thirteen civil society and thirteen government representatives that aims to promote institutional cooperation between the government and civil society. The Minister of Social Welfare and Youth (MSWY) chairs the NCCS, while ASCS acts as its technical secretariat. Following the parliamentary elections in June, the Council was stuck in limbo, as MSWY and other ministries were merged together, raising ambiguities on the chair and government representatives of the Council. During its first official meeting, the Council formally adopted the regulation on its organization and functioning. It remains to be seen if civil society’s formerly high hopes for the Council will be realized.

During 2017, civil society continued to increase public awareness of the Law on the Right to Information and the Law on Notification and Public Consultation and to monitor their implementation. While there have been more public hearings and consultations, the European Commission Report for Albania 2018 highlighted that substantial efforts are needed to ensure meaningful consultations with CSOs. A report from the Albanian Helsinki Committee (2017) finds that public consultation processes by the executive branches of government remain unsatisfactory and are often just organized as a formality. According to IDM’s November 2017 national opinion poll, only 40 percent of Albanians believe that suggestions coming from civil society and interest groups on draft laws are taken into consideration, down from 54 percent in 2016.

Civic initiatives in 2017 addressed a wide array of issues ranging from rule of law and women’s rights to rural development and environmental protection. During the year, these initiatives worked to build and mobilize support bases, with varying degrees of success.

In February, following a hunger strike, around forty local residents of the Zharrëz village held a 100-kilometer march from their village to the Ministry of Energy building in Tirana. The march was organized to protest the government’s refusal to repair the recurrent damage to their houses allegedly caused by the extraction of oil in the area by Bankers Petroleum. In March, the government approved a decision to award monetary compensation to the claimants. As of May 2018, the claimants had been partially compensated.

In December 2016, three environmental CSOs (EcoAlbania, RiverWatch, and EuroNature) and thirty-eight local residents filed a lawsuit in the Tirana Administrative Court against the Ministry of Environment, Ministry of Energy, and National Agency of Environment, seeking to void the concession contract of the Poçemi hydropower plant. In May, the Tirana Administrative Court ruled against the building of the Poçemi plant, finding that the procedure used to conduct the Environmental Impact Assessment was unlawful. This was the first environmental lawsuit in Albania.

In September, the Albanian Network for Rural Development (ANRD), a network of ten CSOs working on rural development, in partnership with the Agricultural University of Tirana organized the First Albanian Rural Parliament. Approximately 300 people from local government, CSOs, donor organizations, and academia participated in the event, which successfully put rural development priorities on the government’s agenda. The First Albanian Parliament adopted a Joint Declaration on the challenges and recommendations addressing the development priorities of rural areas in Albania.

Civil society also continued to engage in Albania’s EU integration process during the year. In November, CSOs participated in the public consultation meetings for the 2018 Albania Annual Report. However, for the second consecutive year, the National Council for European Integration (NCEI), comprised of high-ranking representatives including some from the civil society sector, failed to contribute meaningfully to Albania’s integration process as it only met one time. In addition, civil society did not play an active role in the council.

CSOs engage in lobbying, despite the fact that there is still no legal framework in place to regulate such activity in Albania. There were no successful advocacy initiatives at the local level during the year.
The sector is aware of the need for an enabling legal environment to enhance its sustainability. However, during 2017, decision makers failed to act on CSOs’ proposals to introduce fiscal incentives to increase philanthropy and to unify procedures for public funding.

**SERVICE PROVISION: 3.6**

The score for CSO service provision in Albania improved slightly in 2017 as a result of incremental changes since 2008 that were insufficient to justify a change from one year to the next, but have led to a cumulative improvement in service provision. Since 2008, the number of CSOs providing services to their constituents has increased and the state has increasingly recognized the role of civil society in providing services, especially social services. However, this recognition has yet to materialize into sustained financial support.

CSOs provide services in a variety of fields, including basic social services such as health, education, relief, and housing, as well as other areas, including policy analysis and capacity building. CSOs generally provide their goods and services without discrimination on the basis of gender, ethnicity, and sexual orientation. CSO do not usually market their products, including publications and workshops, to academia, businesses, or government.

Service delivery generally tends to reflect the needs of CSOs’ constituencies, which CSOs identify by conducting needs assessments. Nevertheless, since a large chunk of services are project-funded, donor priorities play a role in determining the focus of CSO services as well, and CSOs easily adapt to these priorities.

Cost recovery remains a problem. Beneficiaries are unable to pay, so the majority of costs are subsidized by foreign donors or public procurements from the state or municipalities. Donors typically cover the costs of studies, publications, and trainings.

The government generally recognizes CSOs’ contributions in providing and monitoring basic social services. CSOs are allowed to participate in public procurements, although the number of CSOs competing for public procurements is limited. According to the 2016 Monitoring Matrix on Enabling Environment for Civil Society Development for Albania, only four out of the ninety-six surveyed CSOs reported that they had benefitted from public procurement contracts. CSOs argue that public procurement rules and procedures impose additional barriers on CSOs and they have long urged for a new law on social procurement. Following the 2014 administrative-territorial reform, several initiatives—including the National Crosscutting Strategy for Decentralization and Local Governance 2015-2020, the Law on Self-Governance, the Law on Social Enterprises, and the new Law on Services—are expected to advance the involvement of CSOs in service delivery by offering increased venues of cooperation between local government and CSOs. The Road Map on Civil Society also emphasizes the need to strengthen the capacities of municipalities to partner with CSOs as key actors in the provision of social services. Nevertheless, these policy and legal initiatives have not yet delivered their intended results. During 2017, the Regional Local Democracy Program (ReLoaD) was launched, financed by the EU and implemented by UNDP. ReLoaD aims to institutionalize the interaction between CSOs and local governments by funding around 100 CSO projects through twelve municipal budgets.
The sectoral infrastructure improved in 2017, as more international donor funds were re-granted and cooperation within the CSO sector intensified.

There are no organizations in Albania that work exclusively as intermediary support organizations (ISOs). Instead, support services—which primarily consist of training opportunities—are provided mainly through projects financed by foreign donors, and are therefore not financially sustainable. During 2017, ASCS continued to offer technical assistance to CSOs applying for its calls for proposals and was engaged as the technical secretariat for the NCCS. The EU’s Technical Assistance to CSOs (TACSO) ended its programs in Albania in 2017, holding its final conference in November.

Since 2015, donors have increasingly utilized re-granting in their programs in Albania. As a result, several well-established CSOs implement sub-granting schemes to smaller organizations. For example, with funding from the Swiss Agency for Development and Cooperation (SDC), the Project Leviz Albania (implemented by the Open Society Foundation for Albania, Co-PLAN, and Partners Albania) supports projects that target accountability at the local level. In 2017, this project awarded a total of thirty-five grants, including some to individuals. The Regional Environmental Center (REC-Albania) implements the EU-funded program Albanian Civil Society for a European Environment – ACHIEVE, 2015-2017. The Albanian National Training and Technical Assistance Resource Center (ANTTARC) implements the EU-funded Partnership Against Corruption Together (PACT), which awarded ten grants during 2017 with a total value of €150,000. The Institute for Democracy and Mediation (IDM Albania) implements the EU-funded CIVILISC – Civil Society Instruments against Corruption, which awarded nineteen grants during 2017 worth €250,000. These grants aim to empower civil society to promote good governance and fight corruption. Save the Children and Terre des Hommes Albania implement the EU-funded project Civil Society in Action for Protection of Child Rights in Albania, awarding seventeen grants in 2017 with a total indicative value of €207,000. The Albanian Helsinki Committee, Netherlands Helsinki Committee, Norwegian Helsinki Committee, Helsinki Committee for Human Rights in Serbia, and Together for Life (TFL) awarded nineteen grants valued indicatively at €187,764 in the framework of the EU-funded project Civil Society Countering Violent Extremism.

The process of coalition building experienced a revival during 2017, in part due to donors’ interest in network creation. During the year, networks were created covering different fields ranging from rural development, women’s entrepreneurship, environmental protection, and labor rights. Moreover, there was increasing cooperation between think tanks in the capital and grassroots organizations. Nevertheless, despite the increased activity of networks and coalitions, coalitions tend to be donor-dependent and not self-sustaining.

During the year, CSOs continued to have access to a wide range of training opportunities that take place mostly in Tirana and are free-of-charge, since they are subsidized by donors. Most trainings are offered by local trainers in Albanian. The demand for advanced specialized services and trainings, such as strategic planning, fundraising, or financial management, is weak.

As described above, following local government reforms in 2015, there are more opportunities for local governments to cooperate with CSOs. Also, new instances of inter-sectoral cooperation between CSOs and businesses have emerged. Most of these initiatives are driven by CSOs that seek to involve businesses in their projects.
For example, in September Partners Albania organized the NPO-Business Speed Dating, a one-day event of meetings between representatives of fifteen CSOs and ten private companies to establish contacts and identify possible forms of future cooperation. Partnerships with media are still not common.

PUBLIC IMAGE: 3.7

The sector’s public image did not change significantly during 2017.

According to Freedom of the Press 2015, Albanian media outlets often display strong political bias and their owners’ interests in their reporting. Despite media’s political polarization, CSOs generally enjoy some media coverage of their activities and advocacy campaigns, although media reporting on CSOs continues to be superficial and the presence of high-profile figures at CSO events continues to drive much of the media coverage. The proliferation of online media outlets, however, is expanding CSOs’ opportunities for media coverage.

Public trust in civil society increased in 2017. According to IDM’s national opinion poll, 57 percent of respondents in 2017 reported that they trust civil society, compared to just 46 percent in 2016. Furthermore, civil society was perceived as having an increased role (by 5 percentage points) in holding the government to account compared to 2016.

Despite the fact that they recognize the important role of CSOs in a democratic society, state authorities continue to make statements revealing their negative perceptions of advocacy organizations as “grant-eaters” and promoters of political agendas. No data is available on the business perception of civil society.

CSOs do not have adequate resources to employ professional communications staff or develop communication strategies. While well-established organizations have established some communication practices, small and local CSOs lack adequate skills. The use of social media, however, has mitigated some of these shortcomings, allowing the sector to promote its activities and messages during 2017.

During 2017, there were no initiatives on self-regulation within the sector. Overall, the sector is still not very transparent and lacks self-regulation. CSOs have not yet adopted a widely accepted code of ethics, though several individual CSOs have developed their own codes of ethics and conduct. All CSOs are required to submit annual reports to the General Directorate of Taxes. However, only a limited number of well-established CSOs publish annual reports online.

In light of their limited access to local and national media coverage, CSOs increasingly use the Internet and social networks to promote their work, launch advocacy campaigns, and build constituencies. However, in October 2017, Facebook introduced a pilot system in a number of countries (including Serbia) that drastically decreased the reach of organizational and project pages, forcing CSOs to pay to promote their posts and get them viewed by more people. In 2017, the TACSO Resource Center provided training and published a Digital Media Toolkit to help associations improve their visibility.

There were no initiatives or changes in terms of self-regulation in 2017. Annual reports are still only published by leading organizations.
Armenia’s transition from a semi-presidential to a parliamentary form of government continued in 2017. A new parliament was elected in April under the new constitution, which was amended in late 2015, with the ruling Armenian Republican Party winning the majority of seats. Karen Karapetyan remained the prime minister, and the cabinet was largely unchanged. In June, the parliament approved the government program for 2017–2022, which calls for large-scale socio-economic reforms. In the same month, the parliament adopted a legislative package on anti-corruption measures, including the Law on Corruption Prevention Commission, the Law on Whistleblowing System, and an amendment to the Law on Public Service.

The EU-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) was signed in November to strengthen cooperation on security matters, improve the investment climate, and contribute to community and business development. An independent civil society platform composed of Armenian and EU organizations will be established to monitor the implementation of the agreement.

CSO sustainability improved in 2017, with advances noted in a number of dimensions. The new Law on Public Organizations and other legislative amendments entered into force, providing a better regulatory framework for CSOs. Due to numerous capacity-building programs, CSOs increasingly recognize their institutional development needs and many CSOs improved their internal management and strategic planning. Positive trends were noted in financial viability, advocacy, and sectoral infrastructure due to increased funding diversification, improved dialogue platforms, and new training opportunities. At the same time, CSOs were the subject of continuing negative campaigns, often by other CSOs, accusing them of following donor agendas and opposing traditional Armenian values.

According to the Ministry of Justice (MoJ), 4,782 public organizations, 1,119 foundations, and 317 legal entity unions were registered in Armenia as of the end of 2017, a slight increase from 2016. Experts estimate that only about 20 percent of registered organizations are active.
The 2017 CSO Sustainability Index for Armenia

LEGAL ENVIRONMENT: 3.7

In 2017, the legal environment for civil society improved, primarily due to the implementation of new CSO legislation. The primary laws regulating registered CSOs in Armenia are the Law on Public Organizations, which was adopted in December 2016, and the Law on Foundations, which was amended in the same month. These new legal provisions came into force in February 2017. The new Law on Public Organizations introduced several provisions that could positively influence public organizations, which account for the majority of registered organizations, including opportunities to directly engage in income-generating activities and greater flexibility in the composition of their membership and governance structures. In addition, environmental organizations are now allowed to represent their constituents’ interests on environmental issues in courts, while public organizations that receive funding from public sources are required to submit annual financial reports. Public organizations are required to revise their charters if they do not correspond with the new legal provisions. The new legislation also eliminates the concept of legal entity unions, as public organizations can now have legal entities as their members. Legal entity unions must thus register as public organizations within one year of the law going into effect, although this deadline was later extended.

The State Register of Legal Entities within MoJ is responsible for the registration of CSOs. The law provides ten- and fifteen-day periods for registration decisions for public organizations and foundations respectively. However, the State Register frequently requests additional information or amendments to CSO charters. The MoJ approved a sample of a standard charter for public organizations in May 2017; if an organization uses the standard charter template, registration is simplified and often completed within two days. CSOs do not have to register to operate in Armenia, unless they seek to enter into financial transactions.

The new legislation transferred CSO oversight to the State Revenue Committee (SRC), where a special department was established. Previously, the MoJ was responsible for overseeing legal compliance of CSOs’ activities, while SRC was only responsible for taxation issues. The department had not established operating procedures by the end of 2017, which has created some uncertainty among CSOs about what to expect. However, the SRC has indicated its willingness to collaborate with CSOs in designing the procedures and invited organizations to apply and serve in the SRC’s public council.

The Law on Public Organizations also introduced a regulation on volunteer engagement, which establishes rules for public organizations using volunteers. The Ministry of Labor and Social Affairs (MLSA) proposed a draft law on volunteering in 2017; it provides more restrictive conditions for recruiting and contracting volunteers than the Law on Public Organizations and places additional reporting obligations on public organizations engaging volunteers. A number of CSOs have criticized the draft for being too restrictive and burdensome. The government was still reviewing the draft at the end of 2017.

Although public organizations can be forced to dissolve only through a court decision, a legal act was passed in December 2016 stating that beginning on December 1, 2017, organizations that had not submitted any reports in the last four years would be automatically dissolved, unless they presented an objection by November 1, 2017. In August 2017, the State Registry published on its website a list of organizations—including CSOs—that had not submitted reports for four years. Many organizations, however, were not aware of the regulation and found out only after the fact that they were in the process of dissolving, and thus needed to appeal the decision. There were no reported incidents of state harassment of CSOs during the year.

The new Law on Public Organizations allows public organizations to directly engage in income-generating activities; public organizations can also establish or become shareholders of commercial enterprises. However, in both cases, the profit generated should be used only in accordance with the goals stipulated in the public
organizations’ charters. In addition, public organizations must maintain separate accounting and reporting for these commercial activities. All types of CSOs are also allowed to compete for public procurement contracts. Fundraising campaigns and donor funding are also permitted sources of income. The 2016 amendments to the Law on Foundations allow foundations to maintain and utilize endowment funding, in the form of untouchable capital, as a funding source.

CSOs are exempt from taxes on grants and donations. However, they have to pay profit tax on earned income, as well as 20 percent VAT if their total annual turnover (defined as income from all types of activities) exceeds 58.35 million AMD (about $121,000). This put them in a disadvantaged position compared to business entities, which can opt to pay the 5 percent turnover tax if their turnover is below 115 million AMD (about $239,000). Starting in 2019, however, the 58.35 million AMD threshold will be the same for all legal entities according to the new Tax Code that entered into force in 2018. CSOs can apply to the State Humanitarian Commission for exemption from VAT for purchases made under projects that the government deems charitable. Corporations can deduct donations from their taxable income up to 0.25 percent of their gross incomes. Individual donations are not tax-deductible.

CSOs’ access to legal advice in Yerevan and regional towns improved significantly in 2017. Several organizations, including the Armenian Lawyers’ Association, NGO Center (NGOC), Partnership and Teaching NGO, and Transparency International Anti-Corruption Center (TIAC), carried out a number of awareness-raising meetings in various regions of Armenia, in which lawyers presented the new amendments and organized question and answer sessions. As a follow-up to these sessions, CSOs communicated with the SRC to get clarification on the practical implementation of the new provisions.

**ORGANIZATIONAL CAPACITY: 3.6**

CSOs’ organizational capacities improved in 2017, mostly as a result of recent donor-funded capacity building programs. CSOs that participated in capacity-building programs have improved their internal management and now better recognize their development needs, particularly the necessity of internal regulations and strategic management. For example, the NGOC reported that, according to the results of their pre- and post-assessments, the sixty CSOs involved in their program improved their organizational capacities; through this program, twenty CSOs have developed strategic plans.

Most CSOs have clearly-defined missions and more organizations have started using strategic planning techniques in their decision-making processes. In comparison to previous years, the number of CSOs with written internal policies and procedures has increased. For example, in the framework of the USAID-funded ISOs for Civil Society Development (ISO-CSD) project, implemented by NGOC and Partnership and Teaching NGO, the Center for Community Mobilization and Support and seven other organizations throughout the country developed a number of internal procedures related to human resource management, external relations, and financial sustainability. These procedures have had a positive impact on the organizations’ visibility, communications, management, and engagement with beneficiaries.

The BRIDGE for CSOs program, a three-year EU-funded program launched in December 2016 by Armenian General Benevolent Union (AGBU) and Eurasia Partnership Foundation (EPF), conducted the Armenian CSOs’ Professional Needs Assessment in order to better understand the needs and gaps in terms of professional and sector-related skills. According to the assessment, CSOs often engage in several thematic areas, as opposed to focusing on a single area of expertise that would allow them to build their professional skillset in the provision of specific services.
CSOs still do not prioritize constituency building and their ability to identify and mobilize constituencies continues to be weak. CSOs that address the needs of vulnerable groups or advocate for rights in specific areas have been more successful at involving large groups of supporters in their work. For example, Driver’s Friend NGO, which provides legal assistance and court representation for groundlessly-fined drivers, has mobilized over 30,000 members on its Facebook group.

Although the Law on Foundations prohibits foundations from employing board members in executive management, the Law on Public Organizations does not have similar restrictions. As a result, many public organizations employ members of their various governance bodies (if they have them). CSOs increasingly understand the need to avoid conflicts of interest, but few CSOs adopt relevant procedures or take appropriate steps unless explicitly required to by their donors. Small CSOs, in particular, often cannot afford a clear division of responsibilities between their boards, management, and staffs due to limited human resources.

CSOs’ transparency still remains limited. Registered CSOs typically follow the reporting requirements set by donors, but in most cases, CSOs do not find it necessary to publicly report on the use of funds received from local or international donors.

CSOs primarily engage paid staff when project funding is available. By law, CSOs must sign contracts with paid employees. A relatively small number of CSOs, mostly those that have undergone capacity-building support, have job descriptions, payroll, and personnel policies in place. CSOs employ or outsource the processing of financial transactions to accountants; other professionals are involved when project funds are available.

In many CSOs, especially informal groups, members and volunteers are the primary human resources. According to the 2017 World Giving Index, Armenia reports the lowest level of volunteering in the world, with a participation rate of just 4 percent. Beginning in 2017, CSOs must also sign contracts with volunteers who are engaged for more than twenty hours a week.

CSOs typically have access to basic office equipment such as computers, software, printers, and phones; however, they can only afford to upgrade and modernize their equipment when grant funding is available. Therefore, many continue to use outdated software, computer, and network equipment. Access to the Internet is available throughout the country, although connection quality varies. Most functioning CSOs have pages on social networks, particularly Facebook; other networks such as Twitter, LinkedIn, or WhatsApp are less popular among CSOs.

**FINANCIAL VIABILITY: 5.0**

The financial viability of CSOs improved slightly in 2017 due to increased and diversified funding opportunities, new legal provisions on earned income, growing use of online fundraising platforms, and emerging procurement practices by state agencies. At the same time, the availability of local funding sources for CSOs is still limited, and many CSOs still rely on short-term grant funding.

The 2017 World Giving Index reports that 12 percent of respondents in Armenia donated to charities in 2016, an increase from 9 percent in 2015. Youth and grassroots CSOs have been more successful at attracting volunteer and some in-kind support from their constituencies; local constituencies rarely provide financial support. Large traditional CSOs mostly rely on grants from foreign donors. Some CSOs also utilize public fundraising and income earning opportunities. Online crowdfunding platforms are becoming increasingly popular among CSOs, with a large volume of donations from the Armenian diaspora. In addition to financial support, the Armenian diaspora became...
more active in 2017 in providing pro-bono expertise. Together4Armenia, an innovative web-based platform managed by UNICEF and AGBU, facilitated networking and knowledge-sharing between diaspora experts and CSOs implementing projects in Armenian communities.

Businesses enter into partnerships with CSOs as part of their corporate social responsibility (CSR) programs; however, few provide direct funding to CSOs. The Armenia Tree Project (ATP) works with businesses to help them achieve their CSR goals, particularly by organizing tree planting with the participation of companies’ staff and their family members. For the last thirteen years, ATP has received an average annual donation of 2 million AMD (about $4,200) from Synopsys Armenia for plantings and cleanups. CSOs continue to try new approaches of soliciting funds from businesses. The Child Development Foundation organized a charity concert in 2017, raising 8.8 million AMD (around $18,500) through ticket sales and the sale of products donated by businesses in an auction; the proceeds helped provide professional services to children with special development needs.

To receive state subsidies, CSOs must be pre-identified in the state budget. In 2017, the budgeted amount for non-profit grants and subsidies was about 6.8 billion AMD (about $14 million), compared to 7.7 billion AMD (about $16 million) in 2016. In addition, the government provides some funding through specific budget lines. A few agencies use a relatively transparent system in the distribution of these grants. For example, in the framework of youth policy, the Ministry of Sport and Youth Affairs announces a small grants competition each quarter and publishes the selection results; while the Ministry claimed it would also publish the reports on the grant projects online, they were still unavailable at the end of the year. The administration of the President of Armenia awards grants administered by the All-Armenian Youth Foundation; the Foundation does not publish the full list of winners, but provides news on specific project activities. In 2017, MLSA drafted regulations for competitive awards of social service contracts, although these have not been finalized yet. MLSA also started announcing competitions to outsource specific services such as the distribution of hearing aids. Some local CSOs receive funds from local government budgets, although there is no comprehensive information available on the scope or recipients of such funding.

CSOs increasingly strive to diversify their funding sources, but remain largely dependent on international grants. Major CSO donors include the US Embassy, USAID, the EU, GIZ, the UN, and the Open Society Foundations. Direct EU funding to Armenian CSOs continued to increase in 2017, including through several large programs focused on CSO capacity building, business and social entrepreneurship development, youth initiatives, and public policy participation. Many CSOs also receive direct funding from abroad, including from the National Endowment for Democracy (NED), European Endowment for Democracy (EED), and German Marshall Fund. Sub-granting by local organizations increased in 2017.

Few CSOs, mostly professional associations, collect membership fees. Many public organizations find this source of income insufficient, particularly given the paperwork associated with it. Informal groups are supported by their constituencies and members. Newly-established organizations more often use online channels and innovative tools to raise funds. The Pahapan Development Foundation initiated the Here is Why campaign, in which city cafes, bars, and restaurants offered their customers a puzzle piece to stick on the foundation’s poster in exchange for a charity tip of 200 AMD (about 40 cents). The funds collected are used to address issues facing Tavush villages on the border with Azerbaijan, such as the construction of shelters in or under schools to protect children during shootings.

Changes in the law have sparked interest among CSOs in the concept of social enterprise and the provision of paid services. However, many public organizations still hesitate to introduce paid services because of uncertainty about tax regulations, bureaucratic reporting procedures, and limited market knowledge. Many donor-supported programs focused on raising awareness and building capacities for entrepreneurial activities and social enterprise in 2017. As a result of the EU-funded Community Development through Social Entrepreneurship (CODE-SE) project, CSOs and community groups established ten social enterprises in seven regions of Armenia in 2017. A social enterprise named Sareri Bariq, founded by Community Pulse NGO in Vardenik village, engages seventy families in the collection and packing of greens and herbs, and has found markets for its products across the country.

Registered CSOs often have financial management systems in place as donor organizations and tax bodies carefully monitor financial documentation. CSOs produce financial reports as required by law or by donors,
though many of them do not have appropriate internal policies and procedures. According to the Law on Public Organizations, public organizations that have received any funding from the public budget will have to publish annual reports covering 2017 by May 2018. According to the Law on Foundations, all foundations have been required to provide annual financial reports since 2003. Few organizations recognize the importance of financial audits; usually, CSOs conduct external audits only when they are required to by law or their donors.

**ADVOCACY: 3.0**

In 2017, CSO advocacy improved due to the introduction and increased use of institutional platforms and participation opportunities. The Law on Legal Acts stipulates that executive agencies must facilitate public discussions by making draft laws public—at a minimum, on their websites. CSOs can also learn about new legal drafts and provide feedback through the online interactive platform e-draft.am, which houses draft laws developed by state agencies. This platform has been functioning since early 2017; it gained popularity throughout the year with the number of visits to the site increasing from approximately 29,000 in September to nearly 105,000 in December. Following a governmental decision, all eighteen ministries established public councils that include CSOs in 2016. Some of these public councils worked effectively in 2017, providing CSOs with opportunities to represent their beneficiaries and shape public policies. For example, CSOs actively collaborated with MLSA in the framework of large-scale social reforms related to child rights, disability, and state social services. At the same time, CSOs note that state agencies are not always responsive to their suggestions and some legislative initiatives take place in a hasty manner without proper public consultation. In addition, few organizations have professional expertise that allows them to produce well-prepared recommendations.

In 2017, CSO participation in the law-making process mostly took place in the framework of dialogue with executive agencies before legislative drafts were submitted to the parliament. Engagement with the parliament was more passive, partly due to the scarcity of public hearings, as in May 2017, the National Assembly adopted new rules of procedure that made public hearings by parliamentary commissions optional instead of mandatory.

In October, parliamentary hearings with CSO participation were organized on the draft law on domestic violence, which triggered heated public debates. The law on domestic violence had been on the government’s agenda for several years, in part because of continuous advocacy by women’s rights’ organizations and the Coalition to Stop Violence against Women. However, several CSOs and nationalist groups considered the law to be a threat to traditional Armenian family values. The CSOs working in the area of domestic violence and women’s rights also found many provisions of the law problematic. In the face of escalating tensions and growing opposition, the parliament adopted the law in December 2017.

Following the government’s decision in 2016 to increase the representation of CSOs in the Anti-Corruption Council, three CSOs were added to the Council. The Extractive Industries Transparency Initiative (EITI) multi-stakeholder group and Open Government Partnership (OGP) working groups continue to serve as multi-stakeholder dialogue platforms in the framework of these international initiatives.

In 2017, territorial administrative reform in Armenia continued to further consolidate small and financially weak communities into larger administrative units, known as clusters. Based on an analysis of the proposal by the Ministry of Territorial Administration and Development, the Community Finance Officers Association (CFOA) submitted recommendations to improve the design of the consolidated clusters; as a result, four of the most problematic clusters out of thirty-four were redesigned.

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The 2017 CSO Sustainability Index for Armenia
CSOs are taking incremental steps to improve their local level advocacy. As a result of participatory monitoring of utility services carried out by Compass Research Training and Consultancy Center, Gyumri municipality took steps to improve garbage collection and street lighting and allocated funds in next year’s budget for these purposes.

In 2017, CSOs engaged in dialogue with the SRC to advocate for better regulation of the newly-established department on oversight of non-profit organizations. In addition, a group of CSOs mobilized around the initiative to amend the taxation regulations so that CSOs can benefit from the turnover tax option in the same manner that businesses do.

### SERVICE PROVISION: 3.8

The quality and scope of service provision by CSOs did not change significantly in 2017. CSOs continue to provide a variety of services, many of which address social, educational, human rights protection, ecological, and disability issues. Several organizations have started to offer capacity building to formal and informal CSOs to meet the increasing demand in this area.

CSOs increasingly recognize the importance of comprehensive needs assessments in order to be more responsive to community needs. More CSOs actively engage beneficiaries in their activities, partly in response to donor requirements. In the framework of the USAID-funded Engaged Citizenry for Responsible Governance project, ten CSOs receiving sub-grants from TIAC utilized participatory monitoring tools and involved their beneficiaries in the monitoring of public services. A few CSOs conduct professional monitoring and research and then market the results to other CSOs, the government, and donors. Government officials recognize the results of the monitoring, which also attract media attention. For example, LogoS, a human rights organization, studied the quality and transparency of the services provided by medical social expert commissions; the results of the research were discussed at an Anti-Corruption Council meeting where the prime minister gave relevant orders to responsible agencies.

Although public organizations are now allowed to engage in entrepreneurial activities, few CSOs provide paid services due to their limited capacity and the limited ability of their beneficiaries to pay.

Central and local governments in major cities recognize the role of CSOs in service provision. In 2017, the Ministry of Education allocated 60 million AMD (about $125,000) to the New Generation School, a CSO, to support the implementation of the Dasaran educational program—an online platform for effective school management and student performance monitoring. This platform engages around one million registered users in Armenia and covers all public schools across the country.

### SECTORAL INFRASTRUCTURE: 3.1

The infrastructure supporting the sector improved in 2017. Through CSO development programs funded by international donors, ISOs and resource organizations, such as EPF, NGOC, Partnership and Teaching NGO, TIAC, and Infotuns, reached out to a significant number of CSOs across the country. Under the EU-funded project Commitment to Constructive Dialogue, the Armenian Lawyers’ Association offered legal assistance, training, and consulting to CSOs throughout the country. Apart from offering assistance in the framework of donor-funded programs, ISOs and resource centers earn revenue by offering paid services to CSOs, as CSOs increasingly recognize the value of capacity building and allocate funds for self-development.
More local grants were provided in 2017 under donor-supported programs. Under the USAID-funded ISO-CSD project, the NGOC and Partnership and Teaching NGO provided thirteen sub-grants to CSOs for institutional development and the development of cross-sectoral cooperation. TIAC continued to provide grants for the participatory monitoring of public services within its USAID-funded Engaged Citizenry for Responsible Governance project. Sub-grants from the EU-funded STRONG CSOs for Stronger Armenia project, managed by Podlaska Regional Development Foundation from Poland and DAS.AM NGO, provided forty-six CSOs with opportunities to partner on projects in social, cultural, educational, and other areas. In the framework of the USAID-funded Civic Engagement in Local Governance (CELoG) project, implemented by a consortium of six Armenia-based CSOs led by CFOA, ten grants were provided to regional CSOs to improve public participation in local government and thirty-three grants were awarded to Youth Bank initiative groups.

Throughout the trainings and events organized in the framework of programs focused on capacity development and intersectoral collaboration, CSOs were provided with opportunities for peer-to-peer learning, experience exchange, and joint projects. The Civil Society School run by the A.D. Sakharov Armenian Human Rights Protection Center extended its activities, providing not only training and consultations on organizational development, but also study tours involving CSOs from different regions. The CSO portal of the USAID-funded CSO Development Program (DePo) run by the EPF continued to share information on CSO news and opportunities and to provide resources and publications for CSOs; the portal had almost 3,000 active monthly users in 2017.

CSOs form coalitions around common goals, both within and beyond donor-funded programs. The Citizen Observer Initiative, a CSO coalition formed in 2013, mobilized ten CSOs and 4,437 observers to monitor the 2017 parliamentary elections. This initiative succeeded in bringing 147 diaspora Armenians, including celebrities, to the country to monitor the elections. Ten organizations, including CSOs active in child protection, mobilized around the Eliminating Violence Against Children (EVAC) campaign, bringing the issue of violence against children onto the government agenda. Other networks active in 2017 included the Probation Network, Armenian National Platform of the Eastern Partnership Civil Society Forum, Agricultural Alliance, and the Non-Discrimination and Equality Coalition. The CSO mapping report developed in 2017 in the framework of the Commitment to Constructive Dialogue project highlighted a number of challenges faced by CSO coalitions, including lack of strategic vision, coordination and management problems, financial issues, and limited capacities in developing and advocating quality public policy papers.

Training and technical assistance opportunities were abundant in 2017, with topics ranging from general organizational management to specific thematic issues. Regional CSOs were the focus of several training programs. In the framework of the STRONG CSOs for Stronger Armenia project, over 150 CSOs participated in 14 trainings, 293 coaching sessions, and 20 pro-bono consultations on organizational management, project management, fundraising, and social entrepreneurship. The materials from capacity-building activities were made available in Armenian and English on the project website www.civilsociety.am. NGOC and Partnership and Teaching NGO provided more than 100 trainings for over 1,000 CSO representatives as part of the ISO-CSD project. BRIDGE for CSOs organized professional thematic trainings, facilitated pro-bono consultations, and held various public events to strengthen the capacity of Armenian CSOs to serve citizens’ needs. Several platforms initiated by international organizations and the diaspora, such as UNDP Kolba Lab and Impact Hub Yerevan, foster social entrepreneurship development by providing advice, organizing educational events, and allocating office space to social enterprises. The USAID-funded CSO DePo project reached more than 300 CSOs in 2016–2017 through CSO Management Schools on fundraising and resource mobilization, as well as organizational structures and sustainability.
its partners have received more than sixty requests to review CSO systems and structures, and have conducted in-depth consultancies on policies and procedures, communication systems, and financial sustainability.

CSOs increasingly enter into partnerships with the government and media, while partnerships with the private sector are still on the nascent level. The Media Initiatives Center continued to provide media literacy trainings for CSOs in 2017; this helped regional CSOs improve their communication with journalists and jointly produce programs and films on issues of concern in their communities.

**PUBLIC IMAGE: 3.9**

In 2017, CSOs enjoyed improved visibility, but were also the subject of widely-disseminated negative publications. Through multiple online media outlets, CSOs had more opportunities to present their activities and events in 2017. CSO representatives are often invited to participate in discussions and talk shows on TV. Both broadcast and online media increasingly acknowledge the role of CSOs and the expertise they offer. With the assistance of the Open Society Foundation-Armenia, the Article 3 Club (run by the For Equal Rights NGO) and the Media Center (managed by the Public Journalism Club) provide space for CSOs to organize events and discussions with media presence; livestreaming is also provided at such events.

At the same time, a number of negative media publications, primarily in pro-government media, were issued in 2017 that accused CSOs of following donor agendas and opposing traditional Armenian values. CSOs that address sensitive matters in Armenian society, including domestic violence, corruption in the Army, and the rights of sexual minorities, are particularly targeted by anti-CSO campaigns and hate speech, including by members of parliament. For example, the discussions around the draft law on domestic violence generated active criticism, particularly from CSOs allegedly affiliated with Russia or pro-Russian interests, as well as private TV and newspapers. Notably, the International Humanitarian Development NGO (whose profile is not available on the web and sources of funding are not known) accused women’s rights organizations of having an interest in maintaining the high rate of domestic violence in order to be able to receive more grants. A corruption scandal related to EU-funded grants in the spring of 2017 led to the arrest of EU-Armenia delegation staff and added fuel to widespread rumors on the misuse of grants by CSOs.

According to the Caucasus Barometer survey conducted in October 2017 by the Caucasus Research Resource Centers, 5 percent of respondents fully trust CSOs, a small increase from 3 percent in 2015. Nineteen percent somewhat trust CSOs (the same as in 2015), while the percentage of those who somewhat or fully distrust CSOs increased to 31 percent from 29 percent in 2015. These negative attitudes reflect the generally low levels of trust in society. In general, people usually have more positive attitudes towards organizations they know personally.

Central and local governments demonstrate a willingness to collaborate with CSOs. Government agencies often take the results of monitoring reports and publications into consideration, and CSOs that are viewed as professionals in specific areas are often invited to discussions on relevant state strategies and draft legislation. Businesses, however, demonstrate a limited understanding of CSOs’ role, and only a few rely on CSO expertise and support.

CSOs generally lack PR skills, although there are increased efforts in this area. Many organizations promote their visibility and share information on Facebook. A few developed CSOs publish annual reports or financial information online, while foundations publish their annual reports on the state-administered websites as required by law. There is no sector-wide code of ethics for Armenian CSOs, though some developed CSOs publish codes of conduct on their websites.
CSOs in Azerbaijan continued to operate in a severely restrained civic space in 2017. Although not as frequent as in proceeding years, the government continued to arbitrarily interfere in CSO activities, interrogate human rights and political activists, ban travel of CSO leaders, and freeze CSO bank accounts.

The government’s restrictive approach to civil society continued to be an issue in Azerbaijan’s participation in multinational bodies during the year. In March 2017, Azerbaijan withdrew from the Extractive Industry Transparency Initiative (EITI) following the country’s suspension from the EITI Board in October 2016 for failing to make satisfactory progress on civil society engagement. In June 2017, the Steering Committee of the Open Government Partnership (OGP) extended Azerbaijan’s inactive status for an additional year due to unresolved constraints on the civic space for CSOs. The Steering Committee further mandated its Criteria and Standards Subcommittee, in consultation with civil society and government, to develop an updated set of recommendations to improve the unresolved issues. The Steering Committee’s recommendations are focused on two main areas—simplification of the registration process for CSOs and simplification of the regulations on access to funding. The Dialogue Platform of State and Civil Society for Promotion of OGP, established in September 2016, continued its attempts to foster dialogue between the CSOs and government to contribute to the implementation of the OGP’s recommendations; however, there has still not been any significant improvement in the operational environment for CSOs.

CSOs have extremely limited access to foreign funding. As a result, CSOs significantly reduced their operations, engaged in self-censorship, and diminished their advocacy efforts in 2017. Only a few independent CSOs, most of which are represented just by their leaders, continued to be active in Azerbaijan at the end of the year. Scarce resources prevent CSOs from reaching out to their constituencies through events, websites, or annual reports, thereby strengthening the state’s claims that CSOs lack transparency and capacities. Some loyal pro-governmental CSOs continue to operate with limited government funds from the Council of State Support for NGOs; their activities are heavily self-regulated.
According to the Ministry of Justice (MoJ), approximately 140 new organizations were registered in 2017, bringing the overall number of NGOs to approximately 4,500. This number includes a broad range of legal entities, including public unions and foundations, as well as charity organizations and sports federations, the latter two of which are estimated to account for nearly a quarter of the overall number of NGOs. The government does not make information about closed organizations or the list of existing CSOs public.

LEGAL ENVIRONMENT: 6.6

The legal environment in which CSOs in Azerbaijan operate, which was already severely impeded, deteriorated further in 2017. CSOs—particularly those that are critical of the government—continued to be subject to harassment and face problems with registration. New regulations came into effect at the beginning of the year that discourage cash operations, complicating financial transactions for CSOs. Finally, change to the Civil Procedure Code adopted in October now require all entities, including CSOs, to hire members of the Bar Association to act on their behalf in domestic courts, significantly limiting CSOs’ access to legal services.

The so-called “NGO case” launched against several foreign and local NGOs in 2014 for violations of the criminal code remained open, despite the fact that the law prohibits criminal cases from remaining open for longer than nineteen months. The government continued to use the case to harass and interrogate its most vocal critics, though not as intensely as in the preceding years. Almost all CSOs involved in advocacy on the international arena reported that they were subject to physical and digital surveillance during the year; both inside and outside the country. Some CSO and media representatives continued to face travel bans, while at least twenty public figures—including CSO representatives—had their personal belongings checked at the border both when coming in and out of the country. Despite appeals to the customs office and Council of State Support for NGOs, nothing was done to change this practice. In addition, the bank accounts of some CSOs, such as Legal Education Society, Institute of Reporters’ Freedom and Safety, National and International Research Center, Resource Center for Democracy and Human Rights, Institute of Media Rights, and Society of Human Rights and the Enlightenment, remained under seizure in 2017.

Registration continues to be highly problematic. Applicants are required to submit a large number of documents, including a support letter from a relevant state agency, which is difficult for an unregistered organization to obtain. According to changes to the Registration Law signed in December 2017, the MoJ has to inform the Ministry of Taxes and State Statistics Committee about newly registered non-commercial legal entities. This change is of a technical nature as CSOs were already required by law to register with the Ministry of Taxes following their registration with the MoJ. The MoJ claims that around 140 new organizations were created in 2017, however, no comprehensive list has ever been made public.

Rules adopted in 2015 require CSOs to register domestic and foreign grants, domestic and foreign donations, and foreign service contracts with the MoJ. In practice, these requirements virtually prevent CSOs from receiving any foreign funding. Registering these funds requires extensive submissions, and the MoJ has broad discretion to deny registration based on technicalities, extending the process for months or years. There is no public information about how much funding was approved or rejected in 2017.

Other rules adopted in 2015 require donors, foreign states, and intergovernmental organizations to undergo a multi-tier system of approval, including registering their branches or offices in Azerbaijan, signing agreements with the MoJ, and receiving approval for each grant from the Ministry of Finance (MoF). In 2017, some changes were made to these rules, such as reducing the review period by the MoJ and the MoF and eliminating the need to
submit certain documents, including the grantor’s registration documents and notarized translations of the documents. However, none of these changes have resulted in any significant improvements to the situation and no international or donor institution is known to have passed through the multi-tier system of approval in 2017. The applications of the very few international organizations that attempted to undergo this process during the year are delayed without clear information regarding the steps needed to move them forward. Meanwhile, foreign investment in businesses is facilitated through quick and easy procedures that were further simplified in 2017.

On December 1, 2017 around 300 changes to the Criminal Code entered into force. Fifteen types of crimes—primarily crimes connected with negligence and crimes against property—were decriminalized. Civil society advocated for and welcomed some of these changes, particularly the application of alternative sanctions instead of imprisonment, as well as the application of administrative sanctions instead of criminal sanctions, in the hopes that they may reduce the number of political prisoners from civil society and the media sector.

On December 29, 2017, the new Law on Armed Forces was adopted in Azerbaijan, according to which CSOs, political parties, and religious organizations cannot be established and operated within the armed forces. Although it is unclear if there have been any such organizations for the last several years, the new law effectively presents any monitoring, assessment, or analysis of the work of the armed forces in the future.

CSOs can legally earn income through the provision of goods and services but do not receive any tax exemptions on earned income. Direct recipients of USAID funding are exempt from paying the 22 percent tax for the Social Protection Fund. The government requires CSOs to pay VAT on products and services, but not on grants received from foreign sources and registered with the Ministry of Taxes.

Over 200 changes to the Tax Code and the Law on Cashless Operations that were made in December 2016 came into force in January 2017. According to these changes, which encouraged wire transfers and card payments, VAT payers cannot have cash operations exceeding 30,000 manat (approximately $17,600) per month, while simplified taxpayers cannot have cash operations exceeding 15,000 manat (approximately $8,800) per month. Moreover, a 1 percent tax is applied on all cash operations of both legal and natural persons, and certain taxpayers are required to pay utilities, landline phone bills, and salaries via bank transfer. While the changes aim to reduce corruption and improve the regulation of financial flows, the infrastructure in the country is insufficient to avoid cash operations, especially in the regions. Violations of the cash operations rules could result in a penalty of 10 percent of the cash operations for the first offense, 20 percent for the second offense, and 40 percent for the third offense. These regulations have severely limited the operations of CSOs conducting economic activity through affiliated commercial organizations or individual service contracts. The legal changes also imposed a requirement for commercial entities, including CSOs that operate as LLCs, to undergo annual independent audits.

On December 1, 2017, President Aliyev signed a new Law on Minimum Living Wage, which will come into force on January 1, 2018. According to the new law, the living wage in Azerbaijan will increase from 151 Azn ($89) to 173 Azn ($102) a month, and the minimum salary will increase from 116 Azn ($68) to 130 Azn ($76) a month. As a result, all individual taxpayers will have to pay higher fees to the Social Protection Fund. For example, the monthly payment in Baku was previously 23 Azn ($13.5) and will now be 26.2 Azn ($15.4). As employers, this will also affect CSOs, which will need to budget more funds for these expenses, as the employees, who are responsible for these costs, expect larger sums for their services.

On October 31, 2017, the Parliament of Azerbaijan adopted changes to the Civil Procedure Code, which introduced new requirements for all entities, including CSOs, to hire licensed “advocates” (i.e., members of the Bar Association) to act on their behalf in domestic courts. The Bar Association remains under the full control of the government and the MoJ, and lawyers’ loyalty to the government is a factor in the admission process. This requirement is expected to reduce CSOs’ access to justice in the courts, as many cannot afford expensive licensed advocates. In addition, the 800 members of the Bar are insufficient to deal with the full caseload of the courts. Furthermore, only a few members of the Bar are willing to undertake the risks associated with providing legal assistance to CSOs on cases related to registration, taxation, or undue state interference in their work. In a country with a high density of political prisoners and politically-motivated arrests, this new requirement threatens to cut off CSOs’ already limited access to legal support.
The continuing legal restrictions and funding limitations further weakened the organizational capacity of the CSO sector in 2017. More than fifty international organizations have closed their offices in the last few years and all major projects funded by USAID and the EU that had started before the crackdown on CSOs have finished. CSOs have had few opportunities over the past five years to build or strengthen their organizational capacities. While official statistics are unavailable, according to informal surveys at least two-thirds of CSOs in Azerbaijan have suspended their activities over the past few years. The remaining CSOs operate with almost no staff or equipment, and strategic planning has largely ceased to exist. In order to keep their profiles low, there was a serious lack of visibility, transparency, and accountability of ongoing projects in 2017. In addition, CSO leaders and activists now accept this difficult situation, with few still trying to win back civic space.

There continues to be an unwritten ban on the conduct of events in public venues, such as hotels and conference centers, especially if the events are related to human rights and political issues. In addition, CSOs have almost no funding to organize such events. As a result, such events have essentially disappeared, limiting the opportunities CSOs have to connect directly with their constituents. Social media and online television remain the only platforms for CSOs to speak out on and reach the wider public, but these are insufficient for CSOs to reach their constituencies, in particular specific marginalized groups, such as elderly people, rural women, and others with limited access to the Internet and social media.

In this difficult and unpredictable context, strategic planning has become increasingly difficult. Only a few CSOs have separate governance and management structures. Boards of directors function only to satisfy obligations stipulated in organizational charters or mandated by the MoJ. Most CSOs are represented only by their leaders, who mainly work as independent experts from home.

Regional CSOs have been more affected by the increasingly difficult situation in the country. The infrastructure in the regions is far less developed and many regional CSO representatives do not speak English or even Russian, making it difficult for them to communicate with international organizations and embassies. The few regional activities during the year were primarily conducted by Baku-based CSOs.

CSOs have increasingly lost well-trained staff, who have taken jobs in other sectors or left the country. In general, work in the CSO sector is regarded as unreliable and risky; therefore, even projects that are able to receive funding by working through affiliated commercial organizations or individual service contracts find it very hard to attract competent staff.

Few CSOs own offices or vehicles. The equipment, furniture, and libraries CSOs have access to are outdated. Although CSOs have access to the Internet, the quality of the Internet in the regions is unreliable.

**FINANCIAL VIABILITY: 6.6**

CSO financial viability, already extremely limited, deteriorated further in 2017. Not a single donor institution or international CSO is known to have successfully completed the new approval process for donors by the end of 2017. However, a few grantee organizations of the EU Delegation in Baku managed to get projects that were approved in previous years registered. One of the only other ways CSOs could receive foreign funding legally during the year was by working through affiliated commercial organizations or individual service contracts between foreign organizations and domestic CSO representatives. This channel was utilized by all the UN agencies, as well as some embassies in the country in 2017.

**ORGANIZATIONAL CAPACITY: 6.1**

The continuing legal restrictions and funding limitations further weakened the organizational capacity of the CSO sector in 2017. More than fifty international organizations have closed their offices in the last few years and all major projects funded by USAID and the EU that had started before the crackdown on CSOs have finished. CSOs have had few opportunities over the past five years to build or strengthen their organizational capacities. While official statistics are unavailable, according to informal surveys at least two-thirds of CSOs in Azerbaijan have suspended their activities over the past few years. The remaining CSOs operate with almost no staff or equipment, and strategic planning has largely ceased to exist. In order to keep their profiles low, there was a serious lack of visibility, transparency, and accountability of ongoing projects in 2017. In addition, CSO leaders and activists now accept this difficult situation, with few still trying to win back civic space.
CSOs appreciate this as a temporary solution that is crucial for their survival, but do not regard it as a durable measure, as the visibility and transparency of CSOs is sacrificed.

State funding is essentially the only remaining source of grants for local CSOs. State grants are distributed through several national sources, such as the Council of State Support for NGOs under the auspices of the President, the National Fund of Science, the Youth Fund, State Fund of IT Development, and several ministries. The cumulative budget of these funding sources, however, is still a fraction of the foreign annual revenue of the CSO sector in Azerbaijan before the crackdown. Most independent CSOs refrain from applying to state institutions for funding as they believe they would be unlikely to receive funding even if they did apply. With the exception of the Council of State Support for NGOs, the grant process in government agencies is not open or transparent. Most approved grants are for non-controversial projects, including initiatives focused on art and culture, entrepreneurship, sports, the environment, children’s rights, charity, and international promotion of Azerbaijan.

Local philanthropy, which was already undeveloped, was discouraged even further by the 2015 rules on donations. The new limitations on cash operations which came into force in 2017 have limited CSOs’ access to donations; cash donations are now limited to 200 Azn (approximately $117) at a time.

The crackdown on civic space has seriously affected the financial management of CSOs. Very few CSOs meet international standards on financial management. CSOs did not issue any financial reports in 2017, as they do not want to show their decline in financial viability, or their real financial status, including funding received through affiliated commercial organizations or individual service contracts.

**ADVOCACY: 5.8**

Given the restrictive conditions in the country, CSO advocacy continued to be limited.

The 2014 Law on Public Participation, which CSOs hoped would foster policy dialogue, continued to be poorly implemented in 2017. The law stipulates the participation of CSOs in public councils to monitor the work of central and local state administrations. However, few public councils have been established so far, and very few independent CSOs have been selected to participate in them.

The same group of loyal pro-governmental CSOs has seats on several public councils.

Although self-censorship remains common, a handful of CSOs and leaders working in the areas of human rights, media freedom, and good governance continue to use their international connections to share their concerns and lobby for solutions. They also use social media to advocate for various issues and promote pluralism, although they take a more careful approach since the 2016 criminalization of “online defamation or derogation of the honor and dignity” of the president.

Many local and international organizations criticized the appointment of Azerbaijan’s First Lady to the position of First Vice President in February 2017 as a blatant case of nepotism that contradicted international standards. This appointment was made possible by a controversial constitutional referendum in 2016 that approved twenty-nine constitutional amendments, including one establishing the position of Vice President.

CSOs advocated against the extension of Azerbaijan’s inactive status in the EITI and OGP platforms, arguing that the suspensions would lead to the complete isolation of the country and the loss of international leverage to influence the situation. In parallel, however, more radical pro-opposition activists called on international
stakeholders to “name and shame” and use sanctions against the government. This inconsistent messaging caused some confusion among international stakeholders.

Meanwhile, the Dialogue Platform of State and Civil Society for Promotion of OGP continued its attempts to foster dialogue between the CSOs and government to contribute to the implementation of the OGP’s recommendations regarding civic space. However, these efforts had limited impact in 2017.

Some international advocacy actions and campaigns are conducted by CSO leaders in exile and by international organizations, such as Human Rights Watch, Amnesty International, Human Rights House Foundation (HRHF), Freedom House, Civil Rights Defenders, and People in Need. These organizations and their staff are blacklisted by the government and harshly criticized by state media outlets for being pro-Armenian or pro-Western, and their representatives are often refused visas or denied entry upon arrival in the country.

Azerbaijan Needs Democracy (AND), the political movement founded in September 2016, continues to unite Azerbaijani political refugees from across Europe—including political and human rights activists, journalists, and former government officials. AND regularly holds briefings and advocacy meetings on the situation in the country with senior representatives of the international community. The government of Azerbaijan regards AND as the political opposition abroad, and often refers to AND representatives as foreign agents and traitors.

Meanwhile, the government continues to “assess” the level of individual CSO’s access and engagement with so-called “blacklisted” international stakeholders, such as Freedom House, Human Rights Watch, National Endowment for Democracy, European Endowment for Democracy, and the Open Society Institute. CSOs demonstrating outspoken positions at international fora and their leaders were specifically targeted by pro-governmental media and officials, especially if they were able to trace the role of CSOs in contributing to critical international reports and investigations.

While advocacy on political issues is limited, there was some advocacy in 2017 on non-political issues. In particular, the International Organization for Migration (IOM) and its local partners engaged in a campaign against gender-based violence during the year. The campaign underscored the negative impact violence against women has on society, stressing the high economic, health, and social costs of violence against women and girls, and encouraging preventive practices. For example, the Women’s Resource Center in Masalli reached out to more than 650 young boys in six remote village schools to talk about how boys can prevent violence against women and girls, and more than eighty young male students attended a TED-style talk by a renowned Azerbaijani artist, cinematographer, economist, and writer. Such efforts are generally coordinated with the government.

In addition, informal and unregistered groups are proliferating, with young Azerbaijanis advocating for animal rights and other causes. In addition, over the past five years, USAID has worked in 100 rural communities to develop Community Development Councils (CDCs). CDCs train and mobilize community members and resources around pressing local issues.

The two-year EU-funded project of the Council of Europe titled Civil Society Dialogue in Azerbaijan aims to improve the legal framework for CSOs in Azerbaijan and increase CSO-government dialogue. In 2017, a group of international and national experts prepared a report assessing the situation faced by CSOs in Azerbaijan with a list of recommendations for improvement. The report was launched in summer 2017. However, the government failed to adopt any of the report’s recommendations. The project continues to focus on increasing the knowledge of project partners, comprised of several representatives of the government and CSOs, through a range of study trips and consultations.
SERVICE PROVISION: 5.4

CSOs’ ability to provide services deteriorated in 2017. Because of the restrictive legal environment, CSOs now provide almost no services directly; instead, CSOs operate through affiliated commercial organizations or individuals.

The 2015 rules requiring registration of service contracts remain unchanged and therefore continue to significantly restrict CSOs’ provision of all types of services. While registration of service contracts is reported to be easier than registration of grants, the MoJ still has wide discretion to deny their registration and such decisions often seem to be political in nature. As a result, most CSOs operate by concluding service contracts with donors or other customers through affiliated commercial organizations or individuals. Although this is a legal way of operating, CSOs operating in this manner sacrifice their visibility and are accused of lacking transparency and accountability. In addition, the civic approach and “independent” spirit of organizations are diluted in such projects, which look more and more like technical assignments conducted by groups of experts. Moreover, such services mostly address specific areas with limited methodologies (such as desk research, field research, assessment, monitoring, and study mapping) and predominantly meet the needs of donors or clients (academia, international organizations, business agencies, or the government) instead of CSOs or local communities, thus leaving the local communities and beneficiaries largely under-served.

The government provides some service contracts to CSOs, but as a rule, this is done through a closed and non-transparent process and the recipients are mainly pro-governmental CSOs.

CSOs rarely charge beneficiaries for services, mainly due to the public perception that they are non-commercial organizations and therefore should provide their services free of charge. In addition, beneficiaries generally cannot afford to pay for services.

SECTORAL INFRASTRUCTURE: 5.9

The clampdown on the CSO sector over the last four years has seriously damaged the infrastructure supporting the sector to the point that there is almost no infrastructure left. Almost all coalitions and local resource centers have terminated their activities due to a lack of resources. There were few capacity-building projects specifically targeting CSOs in Azerbaijan in 2017. The last major one—Building Local Capacities for Development, funded by USAID and implemented by Chemonics International—ended in 2015 after many months of government investigations and obstacles to its activities. Furthermore, the number of Azerbaijani participants in international capacity-building and advocacy events has decreased significantly.

One of the few capacity-building opportunities available to CSOs in Azerbaijan is the Eastern Partnership Civil Society Facility (EaP CSF). EaP CSF is an EU-funded project implemented by a consortium led by GDSI Limited, based in Dublin, which aims to provide technical assistance to civil society actors in Eastern Partnership countries. Because of the unfavorable environment in Azerbaijan, however, the consortium does not have an Azerbaijani partner and cannot implement activities in the country. However, it is able to provide very limited support to CSO representatives from Azerbaijan in the form of fellowships and hackathons organized internationally. USAID has a regional program that has provided capacity trainings to twelve rural NGOs; almost 500 people attended the training in 2017. However, trainees have limited opportunities to apply the acquired knowledge within the CSO sector.
As in previous years, in 2017 there were no local community foundations or intermediary support organizations that provide grants to local CSOs from either locally raised or foreign funds. In part, this is because the 2015 rules require re-granting organizations to get approval for each grant they award and recipients to register each grant as a donation.

The National NGO Forum was founded in 1999 to coordinate the work of national CSOs and contribute to their capacity building. The Forum currently has 675 member organizations, the overwhelming majority of which are organizations that are very loyal to the government. The Forum has several regional coordination centers that primarily support regional projects implemented by its Baku-based members.

Meanwhile, the Civil Society Platform, an independent coalition launched in February 2016, terminated its activities in summer 2017 without disclosing the reasons for this decision. The other independent coalition—the Committee to Defend the Rights of Civil Society—organized a minimal number of meetings and interventions in 2017.

A few regional and international platforms, such as Women Congress of South Caucasus and HRHF, symbolically cover Azerbaijan; however, all of their activities take place outside of the country. These platforms accommodate participants from Azerbaijan at international events or cover minor expenses for small initiatives.

The International Press Center hosts public events such as conferences and seminars, but selectively refuses space to independent voices as it has strong links to the government.

While there are a few capable local CSO management experts, most of whom are leaders and key experts of former capacity-building CSOs, the demand for their services has dropped significantly. Some CSOs now question the relevance of such training, as they have lost most of their staff members and are barely operational. Typical CSO-related topics such as fundraising skills, project management, strategic planning, and report writing are regarded as a waste of resources as there is no space to apply the skills. New topics, such as crowdfunding and change management, are also not relevant as their application requires more political and economic stability.

Intersectoral partnerships are undeveloped. A rare example of CSO partnership with the government is the Dialogue Platform of State and Civil Society for Promotion of OGP, which was established in September 2016 to foster dialogue between CSOs and the government to contribute to the implementation of the OGP’s recommendations. The Platform brings together thirty-one NGOs (most of which are pro-governmental organizations), nine state agencies, and the parliament. Despite the ongoing government-sponsored media campaign against CSOs, CSOs continue to have strong relationships with the few remaining independent media voices. However, for security reasons, CSOs prefer to keep their initiatives low profile.

**PUBLIC IMAGE: 5.8**

CSOs in Azerbaijan were unable to rehabilitate their image in 2017 from the pro-government media’s attacks and intimidation.

Media freedom in Azerbaijan continued to be restricted in 2017. Except for a couple of independent mass media outlets, all of which are online media platforms, the media largely depends on the government’s favor. The state’s awards of grants, medals, and even apartments to loyal media representatives illustrates its control over the media. In July 2017, the government awarded 255 journalists with apartments. Moreover, the persecution of independent journalists and media experts was notable in 2017.
In 2017, the media continued to portray CSOs as politicized organizations, foreign agents, tax evaders, and pro-Armenian actors. The “pro-Armenian” label is broadly applied to human rights organizations, and their peace-building missions are presented as high treason. In particular, pro-governmental journalists criticized human rights and public activists travelling abroad for international events, continuously presenting them as foreign agents and traitors, especially if they participated in events related to peacebuilding platforms. Some governmental media platforms, such as haqqin.az, even gained the reputation of a “herald of troubles,” because, as a rule, activists that they write about are subjected to further interrogation and prosecution within a few days’ time.

The media often refers to CSOs working on human rights, democracy, rule of law, gender equality, children’s rights, juvenile justice, elections, media rights, support to civil society, transparency, and property rights as agents of the West and the “fifth column.” In part, this is related to CSOs’ engagement in international advocacy, including efforts related to the Universal Periodic Review and the production of shadow reports to UN treaty bodies committees. This attitude is mirrored in the broader public, which has limited access to alternative information or knowledge of CSOs’ work in order to counter such messages. The business and academic sectors also continue to distance themselves from CSOs as closer cooperation might damage their relationships with the government. Representatives from the business and academic sectors interact with CSOs mostly at multi-stakeholder events involving only a few CSOs.

Against this backdrop, social media and online television have become the main outlets for CSOs to reach the wider public. However, these platforms are also under intense surveillance by the government, therefore, criticism on social media is significantly self-censored. The government also effectively uses social media as a tool to further stigmatize human rights and media activists, especially those who continue to cooperate with the international community, by hacking their accounts, as well as trolling postings.

Very limited resources in 2017 prevented CSOs from reaching their constituencies through other means, such as conducting events, maintaining websites or publishing annual reports, thereby strengthening the state’s claims that CSOs lack transparency and capacities.
After three years of gradual improvement, the sustainability of Belarusian CSOs stagnated in 2017, with deterioration in two dimensions—legal environment and financial viability—and improvement in three dimensions—advocacy, service provision, and public image.

The legal environment worsened in 2017, as the state harassed CSOs and activists involved in mass protests. In February and March, mass protests were organized around the country in opposition to Presidential Decree No. 3 On Preventing Social Dependency. Decree No. 3—known as the “social parasite” legislation—obligates most individuals to work a specific number of days or pay a special tax under threat of arrest, in violation of Article 41 of the constitution and international human rights law. The protests were followed by the detention and harassment of CSOs and activists involved in the protests. In addition, while the legal regulations did not change, the tax treatment of CSOs worsened during the year, as the state began charging profit tax on foreign funds received and obliged some beneficiaries of CSOs’ free services to pay income tax on the value of these services.

The financial viability of independent CSOs, which was already very limited, was further weakened during the year due to cuts in international donors’ funding and CSOs limited access to local funding.

Despite the unfavorable context, CSOs had a number of achievements in 2017. While advocacy is still constrained, CSOs actively advocated the interests of their target groups and were able to influence the legislative process during the year. In contrast with the targeted harassment of CSOs that participated in the protests, a moderate thaw in relations between public officials and CSOs continued, although interaction between CSOs and the state continues to be limited. CSO service provision improved as CSOs increasingly used information technology to better meet their constituents’ needs and expanded their services beyond their members. CSOs’ public image improved, as CSOs were more proactive in promoting their initiatives, particularly on social media, and media paid more attention to civic activism. In addition, a number of national surveys showed that CSOs and activists were generally perceived either positively or neutrally during the year and that public trust in the sector grew slightly. CSOs focused on developing their organizational capacities and financial viability, with a special focus on local fundraising. Notably, CSOs and activists collected over $600,000 through crowdfunding platforms—twice as much as in 2016.
As of January 1, 2018, there were 2,856 registered public associations in Belarus, including 223 international, 762 national, and 1,871 local associations; and 41,760 registered branches of public associations. Other registered entities include 29 trade unions, 39 unions (associations) of public associations, 195 foundations, and seven national governmental public associations. One hundred seventy-two new CSOs were registered during 2017, including 150 new public associations (six international, 27 national, and 117 local associations) and 22 new foundations. However, registration continues to be problematic and over a dozen public associations were refused registration in 2017. Some CSOs also register as not-for-profit establishments with local executive committees, although there is no official data available on how many of these there are. Some organizations also continue to register abroad or operate without registration due to the unfavorable legal environment in the country. About 200 Belarusian CSOs are registered in other countries, including Lithuania, Poland, and the Czech Republic.

**LEGAL ENVIRONMENT: 6.8**

CSOs continue to operate in a restrictive legal environment in which the activities of unregistered CSOs are criminalized; the registration procedure is complex; and CSOs have limited access to both local and foreign funding. The legal and regulatory environment for CSOs worsened in 2017, as CSOs and activists protesting the tax levied against the unemployed at the beginning of the year were subject to a wave of detentions and harassment. In addition, the tax treatment of CSOs worsened.

Registration continues to be problematic. During 2017, justice departments refused to register over a dozen public associations. A number of foundations faced similar problems: the authorities arbitrarily refused to register Green Network Local Foundation (on its third attempt to register) and the Makeout Local Information and Educational Foundation. During 2017, courts dismissed all appeals from CSOs regarding refusal of registration. In addition, several members of faith-based organizations received warnings for operating without registration.

CSOs and activists were subject to a wave of detentions and harassment by state institutions in 2017, including the use of excessive force by Belarusian security officers. Most of the detentions and harassment were linked to participation in peaceful protests demanding the cancellation of Decree No. 3. These abuses ranged from arrests of protesters, searches and confiscation of equipment at the offices of CSOs and in the homes of activists, and criminal charges, including tax evasion charges imposed against the director and accountant of the Belarusian Trade Union of Workers of Radio-Electronic Industry (REI). On March 25, riot police raided the Human Rights Center Viasna in Minsk, which was providing instructions to people monitoring the protests, detaining fifty-eight people. Unrelated to participation in protests, in September searches were carried out in the homes of three Ecohome activists and equipment was seized; similar searches took place in the regions.

To increase control over CSOs participating in public protests, the government submitted a bill to parliament establishing fines for legal entities—including CSOs—that violate the procedure for holding mass events. The bill was pending at the end of the year.

The tax treatment of CSOs, which was already unfavorable, worsened during the year, particularly for CSOs receiving foreign funds. Although no legal changes were introduced, the state began charging profit and income taxes on foreign funds received; the president personally decides whether or not a CSO must pay the 18 percent profit and income taxes on approved donations from abroad. In addition, individuals who receive funds and services from CSOs using foreign aid began to be charged income tax on the value of the services they receive. CSOs do not pay income taxes on membership fees or donations from Belarusian individuals or legal entities, but pay the same taxes as businesses on earned income. Corporate donors receive tax benefits...
for donations made to religious organizations, governmental social service institutions, sports organizations, and public associations listed in the Tax Code by name, up to a maximum of 10 percent of their total annual incomes.

CSOs continue to have limited access to funding. Presidential Decree No. 5 on Foreign Aid, which came into force in March 2016, regulates the receipt, accounting, registration, and utilization of foreign aid. Public associations—the most common legal form of CSOs—are not allowed to engage in economic activities. Not-for-profit establishments, on the other hand, have the right to engage in such activities, making this a popular legal status among CSOs. CSOs are allowed to seek government contracts. In 2017, the government initiated limited consultations with CSOs related to three legislative initiatives designed to change the procedure for the receipt of funding: the decree on local corporate donations, the decree on foreign assistance, and a regulation drafted by the National Bank of Belarus related to crowdfunding. However, no concrete progress was made on these initiatives during the year, and the consultations seemed to be largely a formality.

CSOs have access to legal expertise. The Assembly of Pro-Democratic NGOs and the Legal Transformation Center Lawtrend provide CSOs with assistance with their registrations and legal aspects of their activities, disseminate information on new legislative developments and law enforcement practices, and conduct trainings and consultations, including on public financial audits for CSOs.

**ORGANIZATIONAL CAPACITY: 4.7**

Organizational capacity did not change in 2017 and remains the strongest dimension of CSO sustainability in Belarus.

A handful of experienced CSOs—such as Northern Athens (Severnyie Afiny) Local Fund and Minsk Cycling Community—have clear constituencies, which they actively engage when planning activities. The constituency-building capacity of CSOs in the regions, however, continues to be weak.

Larger CSOs have well-defined missions, visions, and strategic plans. With donor support—both financial and technical—ten key CSOs in the human rights sector developed strategic plans in 2017. In addition, human rights CSOs developed value-based principles to guide human rights work in Belarus, to which more than twenty organizations committed. Not all CSOs, however, have clearly defined missions and strategic plans. Because of their dependency on donor funding, in most cases small CSOs do not hesitate to stray from their strategic documents in order to pursue funding opportunities.

The internal management structures of CSOs did not change notably in 2017. A group of advanced CSOs develop and respect internal management procedures and principles, including division of responsibilities, decision-making procedures, staffing policies, and elections for board members. The majority of CSOs, however, including those registered as not-for-profit establishments by a single founder, do not take steps to ensure a division of responsibilities between the board and staff, or to promote good governance or transparency more generally.

CSOs find it very difficult to maintain permanent, full-time staff since they rely almost entirely on project-based donor funding. In 2017, cuts in foreign funding forced CSOs to downsize and reduce the number of staff they employ. When working on officially registered projects, staff have contracts and job descriptions, but generally do not receive social benefits, including paid leave. Many activists who have worked in the sector under such conditions for an extended period of time report burnout, although most remain in the sector.

Due to funding cuts, CSOs increasingly rely on volunteer recruitment and engagement. Some organizations, especially in the youth sector (such as Youth Educational Center Fialta and Human Library), have no paid staff, instead conducting their activities exclusively with volunteers. According to the 2017 World Giving Index,
22 percent of Belarusians reported that they volunteered in 2016, similar to the previous year. CSOs utilize the professional services of accountants, IT managers, lawyers, and even specialists in digital security, but face a shortage of experts in fundraising.

Most CSOs have access to modern technical equipment. In some cases, however, employees use their personal equipment—cars, computers, phones, and software—for organizational work. In general, CSOs actively use the latest information and communications technology (ICT), including social media like Facebook, Viber, WhatsApp, and Trello, to communicate with target groups and advance their missions.

FINANCIAL VIABILITY: 6.4

CSOs’ financial viability was negatively affected in 2017 by several developments, including changes in donor policies and limited access to local funding sources. In addition, the state began charging CSOs profit and income taxes on foreign funds received. As in previous years, the majority of CSOs rely on foreign funding. In 2017, CSOs’ funding diversification declined due to cuts in funding from key international donors, including USAID, the EU, and the Global Fund to Fight AIDS, Tuberculosis and Malaria. As a result of the revised European Neighborhood Policy, for example, the EU reduced its funding for CSOs. The structure of international technical aid provided to Belarus also changed considerably in 2017, with international donors increasingly reallocating funds to government agencies and government-organized NGOs (GONGOs), rather than independent CSOs. According to data from the OECD, between 2007 and 2016, CSOs received 34.6 percent of international technical aid, while in 2017 their share was less than 20 percent. The EU is in the process of approving its Belarus support program through 2020, which allocates just 4 percent of total funds to CSOs. As the vast majority of CSOs fully depend on foreign funding, these changes have forced CSOs to downsize considerably and reduce the scope of their activities. Moreover, the introduction of Presidential Decree No. 5 on Foreign Aid in 2016 made it more difficult for CSOs to access the foreign aid that is available.

While most CSOs continue to rely on foreign funding, there are increasing efforts to raise money from local sources, including the public and businesses. According to a survey by MASMI, 20 percent of individual donors prefer to make charitable donations via the Internet. CSOs therefore increasingly use new technologies to raise funds, such as fundraising plugins on their websites. Since 2015, Chance Foundation has utilized a mobile application to collect donations and maintain contact with its sponsors. Crowdfunding also continues to develop in Belarus. In 2017, CSOs raised around $600,000 on crowdfunding platforms—twice as much as in 2016. In particular, CSOs engaged in issues such as LGBT and human rights had increasing success in using such platforms. For example, the BY_help campaign raised about $55,000 to help victims of political repression in Belarus during the mass protests in 2017. However, CSOs consider crowdfunding a one-off solution to specific social and cultural problems, and not a long-term solution for financial viability.

According to the 2017 World Giving Index, the number of Belarusians that donated money to CSOs in 2016 decreased by 4 percent to 20 percent. The amount of charitable donations made by Belarusians through Yandex.Dengi, a Russian online payment system, grew during the year by 1.2-fold. However, the average amount of donations fell from $23 to just $9.

Belarusian legislation on sponsorship limits the CSOs that can receive sponsorship support from businesses based on their statutory goals and activities. In addition, Belarusian businesses prefer to support a limited number of CSOs working in the social sphere. For example, in 2017 Beltelecom Telecommunication Company provided support to
Gender Perspectives to cover telephone charges for the hotline for victims of domestic violence.

State favoritism is an important factor in CSOs’ access to public funding. GONGOs, such as the Belarusian Republican Youth Union, and other organizations loyal to the state receive direct funding from the budget on a non-competitive basis. Local governments continue to award social contracts to CSOs to provide social services. In 2017, $460,000 was allocated from the state budget to contract CSOs’ social services, three times more than in 2016. This funding, however, is only accessible to a very limited number of CSOs with close relationships with the authorities, with most contracts awarded to the Belarusian Red Cross.

Most CSOs do not charge fees for their services. CSOs registered as public associations are not allowed to engage in business activities. Most other CSOs choose not to charge for their services—both because they are accustomed to receiving foreign funds to provide services and they believe that their services should be free. In addition, people are not able to pay for these services. CSOs recognize social enterprises as a tool to address the issues they deal with (e.g., job placement of persons with disabilities), and there are 200 social enterprises officially registered in Belarus. However, social entrepreneurship has yet to become a meaningful source of support for CSOs.

CSOs’ financial management systems remain weak. Many CSOs cannot afford professional accountants and do not have transparent financial management systems. The Public Audit Program by Lawtrend found that CSO accountants generally lack the necessary qualifications and that CSOs do not manage their financial documentation effectively. Only larger organizations experienced in fundraising, such as the Chance Foundation and Belarusian Children’s Hospice, publish annual financial statements.

**ADVOCACY: 5.2**

Advocacy improved slightly in 2017, although it remains limited. During the year, CSOs and individuals took to the streets to protest the “social parasite” tax and used Internet-based petition platforms more extensively. The subsequent crackdown on CSOs involved in these protests did not have an effect on advocacy.

The interaction between CSOs and the state continues to be limited, although a moderate thaw in relations between public officials and CSOs continued. As in 2016, high-level officials participated in major events organized by CSOs, including the Minsk Dialogue and Kastryčnicki Ekanamičny Forum (October Economic Forum). In 2017, the government involved CSOs in a number of consultations. CSOs participated in the development of the National Action Plan to Implement the Provisions of the Convention on the Rights of Persons with Disabilities for 2017-2025 and regulatory acts governing the mechanism of the state procurement of social services in health care. Representatives of human rights CSOs participated in consultations on the implementation of the National Human Rights Action Plan. In most cases, however, civil society played a limited role in these processes. Most consultations are of an informative nature, and the state does not engage CSOs in discussions on important issues, or efforts to shape the agenda or monitor the implementation even of those national plans that they helped develop.

Business associations and some other CSOs are increasingly represented in public advisory councils, including the advisory council for the development of entrepreneurship at the Ministry of Economy and the advisory council at the Ministry of Antimonopoly Regulation and Trade. The Chairman of the Belarusian Helsinki Committee became a member of the National Public Monitoring Committee at the Ministry of Justice.

Public hearings are one of the most accessible advocacy tools for CSOs. In 2017, fifty-one public hearings were held, the same number as in 2016. Public hearings have limited effectiveness, however.
The state does not provide adequate feedback to CSOs’ proposals and public hearings are often organized in a manner that does not give CSOs adequate time to participate.

CSOs successfully conducted a number of advocacy campaigns addressing local and national issues in 2017. As described above, in February and March, approximately 20,000 people participated in mass protests organized by a number of CSOs, political parties, and movements to express their objection to Decree No. 3, which envisaged a tax on non-employed Belarusians. In addition, more than 25,000 people signed a petition demanding the repeal of the decree. As a result of these efforts, the decree was effectively repealed in early 2018. Other successful campaigns focused on protecting the Kurapaty site (a place where victims of political repression in the USSR were executed); preventing the demolition of Asmolaŭka, a historical and cultural area in Minsk; and revoking the decision to rent out a portion of Prypiat River. The efforts of organizations of persons with disabilities helped expand the list of social services provided to persons with disabilities in the Law on Social Service. As a result of the efforts of a number of CSOs providing HIV services, people living with HIV can now become foster parents and guardians. At the end of 2017, a package of legal acts was adopted that aims to improve the business environment in the country. The package was developed with active input from business associations and took into account suggestions and recommendations made by business associations and the Council of Entrepreneurship.

In 2017, CSOs and individuals used Internet-based petition platforms more extensively. The number of petitions on Petitions.by increased by 55 percent compared to 2016. The petition for the repeal of Decree No. 3 On Preventing Social Dependency gathered more than 25,000 signatures, while the petition against hazing in the army gathered about 15,000 signatures. While the government is legally obliged to consider and respond to all petitions, it does not always do so. These two petitions received formalized and snide responses.

Following a campaign by the Assembly of NGOs and Center for Legal Transformation, the state ceased its practice of dissolving CSOs registered as not-for-profit establishments for not performing business activities. In general, however, CSOs’ efforts to improve the legislation governing the sector were not successful. For example, in October 2017, seventy-four organizations signed a joint letter calling on the state to improve the terms of taxation for CSOs; however, the campaign had no success.

**SERVICE PROVISION: 5.0**

Service provision improved slightly in 2017. While CSO services continue to be driven by the availability of funding, which declined in 2017, CSOs increasingly used information technology to better cater to their constituencies’ needs and expanded their services beyond their memberships.

CSOs offer many services in a variety of fields, including social services to segments of the population not sufficiently covered by state services such as rehabilitation for drug addicts, tuberculosis patients, and former convicts. While there are many services in areas such as education, charity, and personal development, services related to housing, agriculture, and the power industry remain scarce.

More CSOs used information technology in service provision to cater to their constituencies’ needs. Gender Perspectives, Youth Labor Rights, the Assembly of NGOs, and others provide online-consultations to their clients. In 2017, the Agency of Regional Development Dzedzich launched a mobile application Be a Volunteer that provides information about CSOs’ initiatives and facilitates participation in these events.

In 2017, CSOs expanded their services to individuals beyond their own members. For example, the Office for European Expertise and Communications started to provide regular consultations to activists, local
communities, and CSOs on local problems, and Interakcia Foundation consulted with local authorities on the Global Covenant of Mayors for Climate and Energy. Such cases, however, are still rare.

CSOs are more likely to determine the needs of their constituents and communities intuitively than to conduct surveys. However, training and consulting on needs assessments are in high demand among new CSOs and local communities. In 2017, the Office for European Expertise and Communications conducted more than twenty workshops on these issues. A number of educational programs, for instance, Golden Age University and School of Media Management, are based on assessments of demand among potential participants, making them highly attractive and popular. Some older CSOs, however, are hesitant to incorporate needs assessments into their work as they are not ready to change their approaches in response to the changing needs of their target groups. Many CSOs, especially in the regions, conduct activities and provide services without any thought about discrimination with regards to race, gender, ethnicity, or sexual orientation.

Very few CSOs recover the costs of providing services by charging fees or signing contracts, although some CSOs charge entrance fees to their events. For example, the Kastrychni�t Ekanamichny Forum sold entrance tickets in 2017 for the first time.

In their statements and practices, regional Belarusian authorities recognize the value that CSOs can add in the provision of services, especially social services. In 2017, representatives of the Ministry of Labor and Social Protection reiterated this recognition in the media. Social contracting continues to grow. Nevertheless, authorities and social state agencies view CSOs and CSO services as competitors.

**SECTORAL INFRASTRUCTURE: 5.1**

The infrastructure supporting the CSO sector in Belarus generally remained the same in 2017, although a number of long-term donor-funded capacity-building programs ended during the year, notably the USAID-funded Capacity Building for CSOs in Belarus implemented by the New Eurasia Establishment.

Organizations such as the Assembly of NGOs, Office for a Democratic Belarus (ODB) Brussels, Office for European Expertise and Communications, and Press Club provide support to CSOs, including trainings and consultations, venues for events, equipment, and sub-grants. ODB Brussels supports the development of social entrepreneurship by conducting research, organizing large-scale educational programs, and advocating for legislation. Three regional resource centers for informal education service providers continue to function in Grodno, Vitebsk, and Gomel within the project Learn to Act. These centers provide trainings for CSO representatives on various topics, facilitate CSO networking, provide legal assistance in the field of educational law, and offer CSOs free space for educational activities. The Czech organizations Prague Civil Society Center and Civic Belarus support Belarusian CSOs with grants, trainings, and opportunities to exchange experiences and share best practices. Due to the fact that the majority of intermediary support organizations (ISOs) and resource centers rely on donor support, the scope of their services is heavily donor driven. In addition, resource centers still struggle to conduct needs assessments of their target groups.

A few Belarusian CSOs re-grant funds to local organizations in various fields of activity. For example, under an EU project, the Association of Life-Long Learning and Enlightenment and DVV International Representative Office of the German Adult Education Association awarded twelve educational mini-projects valued at €9,000 to €12,000 to CSOs. These projects were aimed at increasing public access to informal and civic education services. Leu Sapieha Fund, with funding from the European Association for Local Democracy – ALDA, awarded eight
grants valued at $5,000 to $10,000; these grants supported citizen participation in addressing local issues by strengthening cooperation between CSOs and local authorities.

CSOs’ educational programs and services expanded the ground for civic engagement during the year. SYMPA and the Budzma campaign trained community leaders through the School of Mayors. The School of Media Management prepared a team of trainers and media managers and facilitated the opening of three media resource centers. At the regional level, activists were involved in the educational programs of the Mahileu Urban Initiatives Center, Vitebsk4me, Dzedzich in Brest, and others.

CSOs had access to a variety of trainings in 2017. The range of topics included such areas as project management, fundraising, advocacy, human resources, stakeholder management, and the development of other skills for CSO staff or volunteers. As a rule, such trainings are organized within the framework of specific projects and are offered on a one-time basis. No organization offered systematic and ongoing training to CSOs in 2017.

In 2017, CSOs formed coalitions for specific events, including the environmental actions Zrobim! and Earth Hour; Students Week, Accessibility Week, and March Meetings Civil Society Forum. In 2017, five feminist organizations created the long-term coalition initiative Platform to advocate for women’s rights in Belarus.

Intersectoral cooperation increased in 2017. During the year, top government officials were regular participants at civil society events. The newly registered Dobra Fund resumed its work promoting the UN Global Compact, actively facilitating the interaction of socially responsible companies, CSOs, and the state. In general, however, interaction between CSOs and the private sector is still at a nascent stage.

PUBLIC IMAGE: 5.5

The CSO sector’s public image improved in 2017. CSOs continued to increase their visibility by fostering relationships with print and online media, maintaining an active social media presence, and organizing public events.

During 2017, CSOs were increasingly active on social networks including Facebook, VKontakte, Twitter, Odnoklassniki, and Instagram, and successfully attracted more subscribers to their pages. CSOs used these online tools to increase the visibility of their work, including by launching their own channels and publishing videos and visual content. According to Ideaby.org, twelve Belarusian CSOs have over 10,000 subscribers on social networks; Angel search and rescue team has the greatest social media presence with 145,000 subscribers. In 2017, the City Reality Show about urban activism was aired on key media and social networks with a total reach of one million Belarusians.

CSOs continue to invite journalists to their events. Experts from think tanks and social and youth CSOs were increasingly invited to participate in talk shows on TV and radio programs on both independent and state-run media. Online media outlets including Citydog, 34 Multimedia Magazine, and Binokl published many positive stories about CSOs’ initiatives, presenting civic activism in a positive light. Nevertheless, there were still instances of state media demonizing and discrediting CSOs based on political interests. For example, the official Belarusian media launched a defamation campaign against a group called White Legion, alleging that it wanted to overthrow the government.

With the exception of the targeted harassment of CSOs and activists involved in the protests against Decree No. 3, the government’s attitude towards CSOs became less hostile during the year. Government officials are more likely to view CSOs as a possible channel for attracting funding into the country rather than a source of expertise. Relations between the private sector and CSOs are based mainly on individual relationships rather than institutional ones.
National surveys show that the public generally has a positive or neutral perception of CSOs and activists. According to a survey commissioned by SYMPA and Budzma Campaign and conducted by the Belarusian Analytical Workshop in December 2017, 48 percent of Belarusians expressed trust in CSO activists. In comparison, 44.6 percent of respondents expressed trust in businessmen; 39.6 percent in journalists; 23.2 percent in politicians; and 24.9 percent in officials (public servants). Priests and scientists had the highest levels of trust, 76.7 percent and 61 percent respectively. The level of trust in CSOs as institutions is lower than that of CSO activists and the figures do not differ much between government-organized NGOs (GONGOs) and independent CSOs, which have the trust of 29.2 percent and 24.6 percent of respondents respectively.

In October 2017, MASMI conducted a national poll commissioned by Pact. The findings indicated that 25.5 percent of the respondents were aware of CSO activity, while a vast majority (80 percent) did not participate in them. For those who participated (18 percent), the most common forms of participation were financial support to CSOs, work for CSOs, and volunteer support to CSOs. The overall level of trust in CSOs was 62 percent, while 37 percent of the respondents indicated that they distrust CSOs.

A survey of Belarusian Internet users conducted by the Office for European Expertise and Communications and Baltic Internet Policy Initiative in January 2018 partially confirmed these results, finding that 54 percent of respondents know about the existence of CSOs and 21 percent participate in CSO activities. According to this survey, the types of CSOs most known to Belarusians are trade unions, and youth and sports organizations, while the least known are those that are involved in regional development and work with local communities. If Belarusians had the opportunity to transfer 1 percent of their taxes to support the activities of CSOs, they would primarily support social, environmental and educational initiatives.

In 2017, human rights CSOs adopted the professional and ethical Principles of Human Rights Work in Belarus. However, there is no code of ethics for the sector as a whole. The number of public annual reports is on the rise but the majority of CSOs avoid publishing their financial statements.
Despite pressure from the EU, authorities in Bosnia and Herzegovina (BiH) delayed completing the country’s EU questionnaire, a landmark step in any country’s path to EU membership, throughout 2017, finally submitting it in early 2018. Civil society contributed to the process by preparing answers to more than 700 of the 3,200 questions in the questionnaire.

The pre-election campaign for the October 2018 general elections started almost a full year in advance. With political conflicts at a high, the campaign period was marked by an almost complete standstill in the legislatures. This affected civil society directly, as the parliament failed to adopt the Law on Income Tax and the Law on Corporate Tax, both of which would have accelerated the development of philanthropy.

Because an agreement has not yet been reached between leading Bosniak and Croatian political parties with regards to the implementation of the Constitutional Court’s decision that local elections be held in Mostar, there is still no municipal council in the city. As a result, CSOs in Mostar do not have the means to receive transparent financing or to initiate activities aimed at solving public problems or developing an enabling environment for the sector.

In 2017, the Council of Ministers of BiH prepared and signed an Agreement on Cooperation with Civil Society in BiH, formally establishing an institutional mechanism for cooperation between CSOs and the government. As follow-up, the Council of Ministers of BiH began the process of drafting a document to regulate transparent financing of CSOs from the budget. Civil society representatives also prepared and began promoting the CSO Code of Ethics which defines CSO standards of behavior based on the principles of transparency, openness, cooperation, mutual respect, and partnership. Media and media-based CSOs continue to be threatened by representatives of political parties. As a result, CSOs rarely produce investigative reports that provide a more comprehensive analysis of government policies.

Overall CSO sustainability in Bosnia and Herzegovina (BiH) did not change significantly in 2017, although an improvement was noted in the sectoral infrastructure dimension, largely because of an increase in the work and effectiveness of coalitions and inter-sectoral cooperation.
Despite significant investments over the past decade in capacity-building efforts, particularly from international institutions, CSOs continue to have limited organizational capacities. Financial viability also remains a pressing problem, and only a very small number of CSOs have a wide base of support, whether from inside the country or abroad. The government provides a significant amount of funding to CSOs, but funds are distributed in a non-transparent manner, often at the discretion of various ministries.

The EU-funded Capacity Building of Government Institutions (CBGI) Project has been working with the Ministry of Justice to create a unified registry of organizations, including all CSOs registered throughout the various levels in the country. By the end of 2017, this effort had confirmed that there are 23,601 registered CSOs in BiH (http://zbirimiregistri.gov.ba/Home). However, only approximately 17,000 CSOs submit annual financial statement to the relevant agencies, indicating that the rest are inactive, but have not completed the process to be removed from the registry.

LEGAL ENVIRONMENT: 3.4

The legal environment in BiH did not change significantly in 2017.

Associations and foundations can register in accordance with laws at the state or entity (Republika Srpska (RS) or Federation of BiH (FBiH)) level. Registration at different levels is still not integrated. In addition, while CBGI has supported the creation of a unified registry at the state and FBiH levels, this does not yet include information from the RS.

FEES AT THE STATE LEVEL TO MAKE CHANGES IN THE REGISTRY OR TO REMOVE AN ORGANIZATION FROM THE REGISTRY WERE REDUCED IN 2017. THE COST OF MAKING CHANGES IN THE REGISTRY OF ASSOCIATIONS, FOUNDATIONS, FOREIGN INTERNATIONAL ASSOCIATIONS AND FOUNDATIONS, AND OTHER NON-PROFIT ORGANIZATIONS WAS REDUCED TO BAM 50 ($30), WHILE THE COST OF REMOVING A CSO FROM THE REGISTRY WAS REDUCED TO BAM 10 ($6). THE FEES FOR BOTH OF THESE PROCESSES WERE PREVIOUSLY BAM 200 ($120), WHICH PRESENTED A SIGNIFICANT BURDEN ON MOST CSOS AND PREVENTED THEM FROM RECORDING ANY CHANGES, THEREBY RESULTING IN AN INACCURATE REGISTRY. REGISTRATION FEES REMAIN UNCHANGED, AT BAM 200 ($120).

The state-level Law on Associations and Foundations at the state level was amended in November 2016 in order to address changes requested by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and the Financial Action Task Force on Money Laundering (FATF) to prevent money laundering and terrorist financing. The amendments require updates to the registries to make them more accurate, require CSOs to provide more detailed financial reporting to state agencies, and allow any legal entity, including state bodies, to establish non-profit organizations. These new requirements are expected to increase the transparency of CSOs, without hindering CSO operations or placing onerous reporting requirements on them. MONEYVAL and FATF have also requested amendments to the laws in FBiH and RS, which are expected to be made soon. Registration was faster in 2017, as the amendments streamlined the process of checking organizations’ statutes. CSOs have been asked to review the information in the electronic registries of CSOs and report any mistakes or enter any changes that have taken place since their registration. Ministries will soon start to conduct inspections to verify and implement all of the requirements set forth by the 2016 amendments to the Law on Associations and Foundations.
As in previous years, CSOs can act freely within the legal framework and talk about issues of public interest or express criticism without fear of sanctions from authorities. CSOs can be shut down by the government when they do not adhere to the provisions governing them, for example if they fail to hold assemblies for a period of time that is twice as long as the period in which assemblies are to be held; if they do not submit financial statements annually; and if they do not properly enter changes in the registry. In 2017,inspection bodies requested that CSOs registered at the state level operate in line with the Labor Law for Institutions of BiH, which is difficult for CSOs because of their reliance on project-based funding. For example, according to the Labor Law, staff members become permanent employees after three years, which means that employers are obligated to pay them severance if their positions are terminated after this time. CSOs rarely have funds available for such payments.

The tax treatment of CSOs is defined by entity laws, which are not harmonized. According to amendments passed in 2015 to the Profit Tax Law in RS, CSOs do not have to pay income tax on grants received from the budget or public funds, sponsorship, or donations in cash or in kind. Donors in the RS receive deductions up to 3 percent of their total incomes for donations to organizations offering humanitarian, cultural, sports, and social service activities, and 2 percent for sponsorship expenses. According to the Income Tax Law in FBiH, in-kind, material, and financial donations for cultural, educational, scientific, health, humanitarian, sports, and religious purposes are tax-deductible up to 0.5 percent of income earned in the previous year; but only for individuals who are self-employed. CSOs must pay VAT on all donations, except for those from the EU Instrument for Pre-Accession Assistance (IPA).

CSOs are only allowed to engage in business activities related to the purposes listed in their statutes and are exempt from paying taxes on the first 50,000 BAM (about $27,000) of income annually. In order to engage in other types of activity, a CSO needs to establish a separate company. CSOs are legally allowed to participate in public bids, but few organizations have been successful in such tenders, both because the government favors public institutions when awarding contracts and because CSOs lack the skills necessary to implement the activities.

There are no legal advisors or lawyers specialized in nonprofit law who can provide legal advice. In addition, lawyers do not provide pro bono services, which would be extremely useful for CSOs in small towns. CSOs can get some free legal advice through the Center for Promotion of Civil Society's (CPCD) Smart Resource Center or Vaša Prava (Your Rights) CSO, but this is generally insufficient considering the sector’s needs.

**ORGANIZATIONAL CAPACITY: 3.5**

Despite significant investments in capacity-building programs, particularly by international institutions, CSOs continue to have limited organizational capacities. Institutional development is hampered both by significant staff turnover and limited resources to train new staff, as scarce funds generally go towards project implementation.

Many organizations have members who pay fees, as well as clearly-defined target groups, such as people with disabilities, war veterans, or marginalized groups. However, these constituents are usually not actively involved in CSOs' activities. Generally, donors’ requests for applications define constituent needs and interests.

CSOs have defined missions and target groups in their statutes. However, because of their weak financial sustainability, CSOs often change their fields of work and target groups in response to donors' priorities. According to research conducted by CPCD and other partners within the USAID-funded Civil Society Sustainability Program (CSSP), a large number of small CSOs function purely as voluntary organizations and lack sufficient capacity to compete for international bids.

A limited number of CSOs conduct strategic planning; most small CSOs lack the capacity or motivation to plan their activities and implement them based on strategic plans.
Organizational Capacity Assessments (OCAs) conducted within the CSSP indicate that CSOs including Kult – Institute for Development of Youth, Independent Development Bureau (NBR), Link – Association for Entrepreneurship and Work, Youth Communication Center (OKC), Partnership for Health (PH), Development and Support Center (CRP), Association for Rural Development (ARD), Center for Civil Initiatives (CCI), and CPCD have the capacity to ensure their sustainability. CSSP worked with twenty developed CSOs to ensure that 30 percent of their budgets for core activities come from domestic funding sources, including service contracts, domestic budgets, and social enterprises; nineteen of twenty of these CSOs had surpassed this goal by the end of 2017.

Most organizations do not have boards of directors. When boards do exist, their main role is to approve reports prepared for the annual assembly, rather than to play an active role in organizational governance.

In most cases, CSOs employ staff only when they have funded projects. Many CSOs recruit volunteers, often neglecting the legal provisions that obligate them to provide volunteers with material compensation. CSOs frequently hire people with degrees and titles, rather than experienced civil society activists in whom the international community has already invested and who possess significant direct experience, skills, and knowledge. According to the 2017 World Giving Index, only 6 percent of respondents reported that they participated in voluntary action in 2016, compared to 4 percent in 2015.

Many CSOs lack rulebooks to regulate their internal procedures; even when they do have such policies, they tend to disregard them. Experience within the CSSP project has shown that even the most developed CSOs still lack a significant number of documents and procedures needed to guide their project implementation.

CSOs usually cannot afford to purchase new equipment, since most project budgets do not allocate money for this purpose. Small CSOs usually rely on donations of used equipment, including from larger CSOs. Almost all CSOs use the Internet and a smaller number of CSOs have their own websites.

**FINANCIAL VIABILITY: 4.9**

The financial viability of CSOs continues to be weak. CSOs have difficulty securing the necessary financial means and only a very small number of CSOs have a wide base support, whether from inside the country or abroad. An insignificant number of CSOs have the capacity to offer services that could directly generate revenue.

CSOs continue to have access to funding from a variety of international donors, including the EU, USAID, the Swedish International Development Cooperation Agency (Sida), and several embassies. These donors support programs in such fields as democratization, organizational capacity building, and environmental protection. Large international organizations, including OSCE, UNDP, and UNICEF, often receive funding directly from donors without competition, implying that there is limited trust in local CSOs’ capacity to undertake such projects. USAID is an exception to this trend. In 2017, for example, USAID announced a grant of $5 million for media development, organized a public bid, and awarded the money to a local CSO that will further distribute smaller grants.

The government provides a significant amount of funding to CSOs, but the majority of these funds go to sport clubs and organizations arising from the last war; including associations representing veterans, disabled soldiers, and families of fallen soldiers. In addition, funds are distributed in a non-transparent manner; often at the discretion of various ministries. In addition, local governments often fail to make payments even after contracts have been signed or activities have been implemented; lack monitoring or evaluation processes; and do not collect financial reports for the spent money. In addition, funds are often granted for projects that do not have broad demand, but that further the interests of small groups of people with close ties to politicians.
With USAID support, CPCD is currently creating a website that will list and analyze all of the 2016 funding opportunities from domestic sources, including all levels of the government, as well as businesses. Data is also being gathered on 2017 opportunities and should be up on the website by the middle of 2018.

Philanthropy, both from the business sector and individual, is still undeveloped, in part because the legal framework does not sufficiently encourage giving. However, a number of CSOs, including large organizations such as MOZA IK, Kult, FSU, and IBHI, as well as numerous grassroots organizations, manage to raise funds through individual and corporate philanthropy. In 2017, through its Hastor Foundation, ASA Prevent distributed 160 scholarships, supporting more than 218 exceptional students. In addition, ASA Prevent’s employees invested more than 50,000 volunteer hours in projects across 110 municipalities.

Only a few CSOs supplement their incomes with revenues from services, products, or rent from assets, and fees charged are usually minimal. Membership fees, when collected, are largely symbolic, and do not serve as a significant source of financial support. Foundation Mozaik works intensively to promote and support social entrepreneurship, while CPCD is currently heading a regional and EU program to support social companies.

CSOs have very limited support from their communities and constituencies as well as from any sort of membership outreach or resource mobilization activities.

Most CSOs do not have financial management systems and do not operate transparently. A relatively small number of CSOs undergo independent financial audits or publish annual financial statements. Most CSOs are small legal entities and therefore are not obliged to conduct audits of their financial documents. Pursuant to the law, CSOs are required to submit annual financial statements to the Agency for Intermediary, IT and Financial Services (APIF) in RS and Financial and IT Agency (FIA) in FBiH, although many of them fail to do so.

**ADVOCACY: 3.2**

CSO advocacy remains strong, and CSO initiatives contributed to the adoption of a number of important laws and policies during the year.

In the past ten years, a variety of institutional mechanisms have been developed for CSOs to participate in decision making. For example, more than ninety municipalities and several cantons have signed agreements of cooperation between the mayor or government and CSOs, and some have strategies for the development of CSOs and procedures for consultations. However, signed agreements are often not fully implemented because of a lack of political will.

According to research by CCI, parliaments and governments in BiH are highly inefficient. For example, during 2017, the Parliament of FBiH adopted only twenty-seven laws and not a single strategy, and it took five years to adopt the Law on Energy Efficiency in FBiH. On average, governments at all levels fail to adopt even half of what they initially planned. In addition, the standstill in parliament in advance of the 2018 elections diminished CSO advocacy during 2017.

The most significant CSO advocacy success in BiH in 2017 was the adoption of the new Agreement on Cooperation between the Council of Ministers of BiH and NGOs in BiH as an institutional cooperation mechanism. While this is a legally non-binding set of principles, it opens the door for the preparation of numerous other documents that will regulate cooperation with CSOs at an operational level. A *Rulebook on Criteria and Conditions for Financing and Co-financing of Programs and Projects of Public Interest Implemented by Associations and Foundations* was in the process of being drafted at the end of 2017.
A special platform for e-consultations was established in 2016 and used extensively in 2017. All draft laws must be posted on the e-consultation platform, and any interested member of the public can provide input on these drafts. At the time of writing, thirty-eight state institutions of the Council of Ministers are registered on this platform, but government representatives require further education and the system must be better promoted among the public for it to be fully effective.

CSOs engaged in advocacy on a wide range of issues in 2017. As a result of the advocacy of a dozen CSOs in RS, the Law on the Protection of Whistleblowers and necessary amendments to the Criminal Law of RS were adopted. However, CSOs still objected to the inadequate involvement of the public in the process of adopting these laws. Transparency International and the Ministry of Justice in BiH worked intensely to improve the Freedom of Access to Information Act in BiH, but these efforts have not yet borne fruit. This law, which is very important to the advocacy activities of CSOs, is expected to be amended in 2018.

During the year, Žene Ženama (Women to Women) was able to get the draft Law on Support for Families with Children admitted into the regular procedure of the FBiH Parliament. The CSO also advocated for a law to protect women and children from violence in FBiH. The Foundation for Social Inclusion in BiH (FSU in BiH) and the KOMA Network promoted the rights of marginalized groups. Mreža Pravde (Justice Network) promoted legal reform and CSOs involved in the Open Government Partnership promoted government transparency.

Despite the aforementioned achievements, most CSOs feel discouraged by their limited successes, the extended length of advocacy campaigns, and the government’s limited political will to solve citizens’ problems. Most advocacy initiatives have marginal impact, because decision-makers do not see CSOs as “serious” partners. Lobbying skills in BiH are at an incipient level. There are very few examples of concrete impact from lobbying efforts.

There were numerous initiatives focused on improving the legal framework for CSOs in 2017. CPCD advocated for the Agreement on Cooperation between the Government of the FBiH and NGOs and the transparent financing of CSOs at the level of the FBiH, as well as tax reform that would provide an incentive for individual and corporate philanthropy. The network of Local Volunteering Services in BiH organized numerous small campaigns advocating for the Law on Volunteering.

**SERVICE PROVISION: 3.9**

CSO service provision did not change significantly in 2017. CSOs still most frequently provide social services, including safe houses, daycare centers for persons with mental difficulties, and daycare centers for homeless children. Other areas in which CSOs provide services include adult education, trainings for civil servants, corruption, and environmental preservation. OKC in Banja Luka cooperates with several universities in FBiH and RS to establish high school curricula aligned with labor market requirements. It has organized career fairs for successful high school students in Banja Luka, Bijeljina, and Zenica, and continues to develop online tools to support entrepreneurship, such as the advisory business platform www.biznisguru.ba. In 2017, CPCD’s Smart Resource Center organized its fourth annual Hour of Code, which involved more than 20,000 children from BiH and provided 630 hours of coding in 2017. However, CSOs continue to face problems getting the government to recognize certificates issued to participants upon the completion of training.
Many CSOs’ project activities involve surveys, studies, and expert analyses, which are distributed to other interested CSOs, government institutions, and individuals. Most CSOs lack the level of expertise needed to cooperate effectively with businesses.

Services provided by CSOs are mainly financed by international donors and are provided to beneficiaries free of charge. However, the number of commercial CSO services and the number of newly-founded social enterprises operating in the fields of healthcare, agriculture, education, art, and production services continue to grow. Only a small number of CSOs can provide quality services that meet both their own sustainability needs and the needs of their target groups.

Although many laws are designed to stimulate CSOs’ participation in the provision of services, governments at all levels often neglect these regulations and show little interest in developing appropriate forms of cooperation. Social Welfare Centers, which are government institutions, often see CSOs as competition. This results in governments cutting funding for CSOs in the domain of social protection and welfare, although their services are often more innovative and of better quality than those provided by the Social Welfare Centers. Cantonal governments still occasionally enter into contracts with CSOs, mainly through open public calls and via transparent procedures, but at times also directly with CSOs with political connections.

Mechanisms, including secondary legislation, to allow CSOs to participate in social programs (including the provision of welfare, health care and similar services) are still not in place. For example, the government does not allocate funds for teaching assistants for children with special needs, a service that CSOs generally provide.

**SECTORAL INFRASTRUCTURE: 3.7**

Sectoral infrastructure improved in 2017, largely because of an increase in the work and effectiveness of coalitions and inter-sectoral cooperation.

The Civic Dialogue coalition, which has over 120 member organizations, played a key role in working with the Ministry of Justice to finalize the Agreement of Cooperation between the Council of Ministers and NGOs in BiH, one of the most significant achievements for civil society in the last five years. It organized wide public consultations and promoted the principles of the Agreement, particularly in the course of the EU integration process. CSOs also worked together to prepare the alternative responses to the EC Questionnaire for BiH and delivered them to the European Commission in Sarajevo in October 2017.

Other networks and coalitions function mainly within projects; once projects end, networks and coalitions tend to become inactive even though the issues they were built to solve usually remain present. The Peace Building Network, KOMA, Stronger Voice for Children, Effective Network for Elimination of Violence against Children (NEVAC), and Under the Magnifying Glass are some of the networks that continued to operate and produce results in 2017. These networks also increased their sustainability, by building their fundraising capacities in a collaborative fashion that does not depend on just one or a few organizations.

As part of the USAID-financed CSSP, CPCD’s Smart Resource Center provides free legal advice to CSOs, a wide range of paid and free training courses, information about calls for grants from international and local institutions, mentorship and consultancy services during project implementation, a database of associations and foundations, and an online library with hundreds of publications about civil society. As part of this Center’s activities, a trainer database featuring sixty-five trainers has been developed and more than 10,000 people, organizations, companies, and public institutions receive weekly civil society news.
The Peace Building Network shares important information about funding opportunities and other important topics for CSOs.

Donors tend to believe that CSOs lack the capacity to distribute grants; therefore, there are no local grant-making programs anymore. Instead, large international organizations are favored for these roles, enabling them to employ massive teams of foreign and local employees; thus, a substantial portion of funding goes towards personnel costs.

Trainings are available on topics such as proposal writing, fundraising, EU funds, financial management, and project cycle management. Most training is provided in major cities. CPCD’s Smart Resource Center is still the leading training organization in BiH and provides a wide range of free trainings. Other trainings can be accessed for a fee, which effectively prevents small CSOs from attending. As a donor, USAID has long demonstrated a consistent approach to building local CSOs’ grant allocation capacities. It continues to consistently implement this approach through many projects and with local CSOs like CCI, MOZAIK, CPCD, and KULT.

While cooperation and partnerships between CSOs and local businesses are rare and sporadic, there were an increasing number of positive examples of cooperation during the year. For example, the Alliance for EU (A4EU), created in 2017, is envisioned as a long-term, open and inclusive tool for CSOs and the business sector to contribute to the EU negotiation process and to create better public policies. In 2017, thirteen sectoral networks played a key role in promoting cooperation and links with business and government on issues such as justice, environment, rural development, education, entrepreneurship, and culture. For example, the Effect network led a campaign advocating for the Law on Energy Efficiency in FBiH, which was adopted in April 2017. In order to ensure the law’s implementation, the network has educated 1,300 individuals, worked with thirty-three municipalities and cantons on the preparation of their action plans for energy efficiency, and collaborated with twenty private companies that are producing and dealing with products that save energy.

**PUBLIC IMAGE: 3.5**

The public image of CSOs did not change notably in 2017, although more media attention was dedicated to CSOs during the year. The media increasingly asks CSO representatives to comment on current events, and to present the results of their analyses, studies, and monitoring. For example, the media extensively covered CCI’s research on the efficiency of governments in 2017. In order to ensure the law’s implementation, the network has educated 1,300 individuals, worked with thirty-three municipalities and cantons on the preparation of their action plans for energy efficiency, and collaborated with twenty private companies that are producing and dealing with products that save energy.

Despite slight improvements in media coverage, the media continues to focus on political topics, leaving little space for stories focused on civil society. CSOs actively use social media networks, mainly Facebook and Twitter, to promote their work. CSOs generally do not have the skills required to present their results to the public (like marketing and public relations).

Although there is no polling data on this topic, media interviews indicate that most of the public has a limited understanding of the role of CSOs, although people support the activities and contributions of individual CSOs, especially those that provide basic services in areas such as health care, education, humanitarian aid, the environment, and energy. At the same time, the public still often sees CSOs as inefficient, blaming them rather than the authorities when their campaigns or initiatives are unsuccessful.
Civil servants increasingly respect CSOs and recognize their importance. For example, CSOs are increasingly engaged in local government working groups and CSOs provide training on topics such as soft skills, conflict management, and EU integration, to public officials. Executive and legislative authorities, particularly at lower levels, have a positive attitude toward CSOs, particularly those they cooperate with on joint projects and initiatives.

In 2017, the Code of Ethics for NGOs in BiH was developed and promoted. This document stems from CSOs’ obligations under the Agreement on Cooperation between the CM BiH and NGOs. Several hundred CSOs participated in its development and took part in public debates on the subject. The Code establishes principles to combat distrust and competition between CSOs, which limits information exchange and partnerships between them, and to increase CSOs’ transparency. The Code further states that the proposed principles must be applied in practice rather than merely formally declared.

CSOs that are more developed publish annual reports, both programmatic and financial, and make them available to the public.
In 2017, Bulgaria experienced numerous political changes. Following presidential elections in late 2016, a new president took office in January. Early parliamentary elections were held in March, in which the center-right GERB party received the most votes, but failed to win an outright majority. In coalition with a nationalist party, GERB formed a new government in May. The election and government changes slowed legal reform processes during the year. One of the new government’s priorities during the year was to prepare for the EU Presidency, which Bulgaria took over on January 1, 2018. CSOs played a limited role in this process.

While overall sustainability did not change in 2017, there were slight deteriorations in financial viability and public image. CSOs’ financial viability was influenced by their continuing dependence on project funding, which was increasingly scarce during the year. In addition, corporate funding for CSOs decreased. Meanwhile, negative media campaigns against CSOs weakened the sector’s public image.

The number of CSOs grew in 2017. By the end of the year, there were almost 50,000 CSOs registered in Bulgaria, including more than 38,000 associations, 7,000 foundations, and 4,000 chitalishte (community centers). According to the Bulstat register, approximately 1,500 new CSOs were registered during the year.

**LEGAL ENVIRONMENT: 2.5**

Overall, the legal environment for CSOs remained unchanged in 2017. Major changes in the Law on Non-Profit Legal Entities (hereinafter referred to as the CSO Law) were adopted in September 2016, but did not come into force until January 1, 2018. According to the amendments, CSO registration will be transferred from the courts to the Registration Agency, an independent body under the purview of the Ministry of Justice where companies also register. While CSOs continued to experience problems with registration during the year, including delays that prolonged the registration process to over a month, these amendments are expected to reduce the registration period to three days and also introduce online registration.
In general, the CSO Law and other legislation provides sufficient guidance on CSO governance and reporting and limits government oversight. However, there were some incidents in 2017 that created uncertainty in the operational environment for CSOs. For example, an initiative to amend the Judicial System Act would have limited the funding for associations of judges, prosecutors, and other magistrates to membership fees, donations from members, and EU funds distributed by the government, denying such groups the opportunity to receive grants from other donors (including foreign donors), as well as individual donations from non-members, corporate donations, and income from economic activities. A large coalition of CSOs opposed the changes, which were eventually rejected by the parliament.

In a period of just sixteen days in July, parliament passed the amendments to the Environmental Protection Law, which eliminated the possibility of a second instance court appeal on environmental assessment decisions for projects of national importance. At the same time, proposed amendments to the Administrative Procedural Code that were still under consideration at the end of the year would link fees for court appeals to the cost of the appealed project. If adopted, these amendments would increase court fees, thereby limiting the possibility, for example, of appealing decisions for large infrastructure projects. Such legislative initiatives may limit the ability of CSOs to contest government decisions, especially in the area of environmental protection.

CSOs can express their opinions, criticize the government, and organize peaceful protests and assemblies without limitations. However, there were examples in 2017 when political figures attempted to discredit CSOs, for example, calling environmental organizations “pseudo-environmentalists.” There were also examples of public institutions reacting negatively to criticism from CSOs during the year. After several scandals related to the operations of the Fund for Treatment of Children, the Ministry of Healthcare proposed changes to the regulation of its Public Council to establish the position of spokesperson who will be responsible for providing information to the media. The initial draft prohibited all other members of the Public Council from speaking publicly about their work; previously, the members of the Public Council were amongst the most vocal critics of the Fund’s operation. The final draft, however, did not include this language.

In November 2017, the Ministry of Education and Science sent a letter to all regional education department heads informing them that CSOs can only visit schools after they receive approval from the minister or the head of the regional department of education. The letter was withdrawn after a negative public reaction.

During the year, the Bulgarian Helsinki Committee was denied access to various state-run institutions, such as homes for children and psychiatric hospitals, preventing it from monitoring possible human rights abuses. The organization has sent twelve requests to the Ministry of Healthcare regarding this matter. The ministry did not respond to many of these requests, while its reply to the last two letters confirmed that it will not grant access, stating that it “considers it appropriate to withdraw from supporting” the requests.

CSOs are exempt from taxation on their income from grants, donations, and membership fees. Donors to public benefit organizations can take advantage of tax exemptions up to 5 percent of their annual incomes for individuals and 10 percent of profits for companies. CSOs are allowed to engage in mission-related economic activities, but receive no tax exemptions on income earned.

CSOs face no legal limits on their ability to apply for or receive foreign funding. CSOs can engage in fundraising campaigns, sell goods and services, and participate in public procurements. There are, however, more subtle limitations to funding. In the case of EU funding, most programs in Bulgaria are considered state aid and therefore subject to the de minimis rule, which limits an individual CSO’s ability to receive EU grant funding to a total of €200,000 over the last three years.
In smaller and medium-sized towns, there are very few qualified lawyers that understand CSO-related laws. The situation is better in the capital and large cities.

**ORGANIZATIONAL CAPACITY: 4.1**

The organizational capacity of Bulgarian CSOs did not change significantly in 2017. CSOs understand the importance of attracting supporters. Many CSOs have a core of loyal supporters, but struggle to increase their bases of support. Environmental organizations arguably have the best outreach, but they still need to reach beyond their traditional audiences.

According to the Charities Aid Foundation’s 2017 World Giving Index,1 Bulgaria ranks second to last in the level of volunteering, with only 5 percent of respondents in Bulgaria reporting that they volunteered for a CSO in 2016, down from 7 percent the previous year. According to the National Statistical Institute, approximately 85,000 people volunteered for a CSO in 2016, the most recent year for which statistics are available. CSOs employed slightly more than 27,000 people in 2016, virtually the same number as in 2015.

According to research carried out among active CSOs by the Open Society Institute (OSI) in 2017,2 70 percent of CSOs had strategic plans in place for the next three to five years. However, these plans are rarely implemented because of funding limitations.

The same research found that in 58 percent of organizations, the majority of team members work pro bono, indicating that institutional strength is limited even among active organizations. CSOs find it difficult to maintain highly qualified people because they typically offer lower salaries than other sectors. Most people who work for CSOs are not engaged as full-time employees, but contractors, which exacerbates instability in the CSO sector. On the other hand, CSOs attract young people who are committed to civic engagement. The majority of CSOs outsource professional services from lawyers and accountants.

Big organizations tend to have established policies and internal rules in place, while smaller ones operate on a more informal basis. There is still a problem with the division of roles and responsibilities within CSOs—people working in an organization are often also involved in the organization’s board. Although this occurs in CSOs of all sizes, it is particularly common among smaller, volunteer-based organizations.

Technological advancement has provided CSOs with cheap access to high-quality equipment and Internet access. Microsoft donates software to CSOs through Techsoup. CSOs frequently use social networks—primarily Facebook—to promote their activities.

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CSOs’ financial viability deteriorated in 2017. According to OSI’s research, 46 percent of active organizations have annual budgets below 20,000 BGN (approximately €10,000). CSOs continue to rely heavily on project funding, especially for large-scale initiatives. Few donors provide such funding, and the loss of any of them worsens the financial situation for the CSO sector. Two major grant programs—the European Economic Area (EEA)/Norway Grants and the Bulgarian-Swiss Cooperation Program—stopped awarding grants in 2016. Neither program resumed in 2017, although a new program under the EEA/Norway Grants is expected to start in 2018.

Funding from the state budget is still limited and only available to specific types of organizations. More than 11 million BGN (€5.5 million) is provided to a list of direct beneficiaries named in the budget. Although this funding is provided under the heading state funds to CSOs, some of these funds go to organizations that are not CSOs, including monasteries and public entities. The 2016 amendments to the CSO Law provided for the creation of a new financial mechanism that will grant funding to CSOs on a competitive basis. The 2018 state budget includes 1 million BGN (€500,000) for this new funding source, which will become available in 2018.

Some ministries also provide funds to CSOs. The Ministry of Youth and Sports has the largest budget for CSOs—almost 49 million BGN (€24.5 million). In 2017, the ministry for the first time received a portion of the fees collected from gambling operators in the country under the Law on Gambling. Approximately 2 million BGN (€1 million) was received and awarded for projects focused on preventing young people from gambling. However, most projects were awarded to sports clubs or federations, and project activities had to be implemented during a three-month period over the summer, raising questions about the efficiency of how the money was spent.

At the local level, local authorities continue to provide some budget funds for CSO projects. Varna, the European Youth Capital in 2017, established a separate nonprofit legal entity to distribute funds for CSO initiatives and included online voting as part of the evaluation process for one of the thematic priorities. A number of smaller municipalities, including Kurdjali and Montana, established local funds for civic initiatives in 2017. Sofia continues to serve as a leader in providing grants to CSOs, including through its Europe program, which funds various CSO initiatives, and Culture program, which supports cultural initiatives. In addition, the municipality of Sofia launched a new Social Innovation Fund that will provide funding to CSOs in 2018. On the other hand, Plovdiv required 50 percent co-funding from project applicants for some of the initiatives related to its status as a European Cultural Capital in 2019; few CSOs have such resources available, making it very difficult for them to access this funding.

According to an analysis by the Bulgarian Donors’ Forum, overall funding for CSOs decreased by 11 percent in 2016. Corporations donated a total of 34 million BGN (€17 million) in 2016, a decrease of 26 percent from the previous year; although the number of companies reporting donations has remained almost the same. On the other hand, individual donations increased by more than 2 million BGN (€1 million), reaching a total of 8.5 million BGN (€4.25 million). This is a result of an increase of donations declared on tax returns (1 million BGN) and an increase in charitable text messages (also 1 million BGN). According to the 2017 World Giving Index, 17 percent of Bulgarians donated money in 2016, compared to 13 percent in 2015.

The biggest CSO donors—including the America for Bulgaria Foundation and the EEA/Norway Grants—are foreign. The EU Operational Programs, which are distributed by the national authorities, are also a major source of funding for the sector. CSO opponents use these facts to claim that civil society is influenced from abroad.

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The number of EU programs that specifically target CSOs is limited. For example, the Environmental Operational Program, which was expected to be an important source of funding for Bulgarian environmental CSOs, did not provide any funding to CSOs in 2017. Similarly, there was no EU funding for CSOs in the areas of social economy or education. The Good Governance Operational Program, which has a devoted budget line for CSOs, delayed the launch of this component for the third year in a row. On the positive side, it did announce a call to select an independent operator that will evaluate the project proposals.

CSOs realize the need to increase their fundraising capacities: according to the OSI survey, 65 percent of surveyed CSOs identified fundraising as a need. However, fundraising requires a significant amount of resources—human and financial—that most CSOs do not have. Companies like to work with CSOs but they have their own priorities. Most companies prefer to support initiatives with visible results, preferably in the short-term. Human rights and democracy, therefore, are rarely among their priorities. In addition, CSOs fear that the negative media attacks against CSOs could deter some corporate partnerships in the future. Despite these obstacles, CSOs continue to engage in fundraising efforts. For example, at the end of 2017 there were twenty-one approved Bulgarian campaigns in Global Giving (www.globalgiving.org)—an international online giving platform. By the end of February 2018, these initiatives had collected over $200,000.

CSOs try to engage in mission-related business activities but this still does not serve as an important source of income for most organizations. Similarly, membership fees are not a substantial source of income, even for organizations with a large number of members.

CSOs are required by law to prepare and publish their financial reports. In 2017, 13,642 CSOs submitted their financial reports to the National Statistical Office. While very few organizations are required by law to have audits, according to the OSI survey, around 20 percent of active CSOs undergo audits. Few accountants understand the specificities of CSO finances.

**ADVOCACY: 2.6**

There were no substantial changes in CSO advocacy in 2017. As this was an election year, policy making was largely stalled until the new government was formed so many advocacy initiatives were on hold during the first half of the year. As in previous years, there were both positive and negative trends related to cooperation with the government. On the positive side, the new parliament again created a Parliamentary Committee for Interaction with CSOs and Citizen Complaints and initiated a transparent procedure for selecting CSO members for its Public Council. As a result of the initiative of the newly elected Public Council, the Volunteering Law was re-introduced on the floor of the parliament at the end of 2017. In December 2017, the Council of Ministers created a working group dominated by CSOs to prepare the rules of operation and selection of members for the Civil Society Development Council, a consultative body to the Council of Ministers to be created under the amended CSO Law.

At the local level, there were also several positive examples of collaboration between CSOs and policy makers. In August, the municipality of Sofia adopted a new Regulation on Public Consultations, which creates a consultation portal and establishes standards for consultation. The municipality of Sofia has also been cooperating with CSOs in the social sphere to develop a new Compact for Cooperation between the Mayor of Sofia and CSOs.

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On the negative side, the practices of some institutions raise questions about their willingness to cooperate with CSOs, especially on certain issues. In 2017, the Access to Information Program awarded parliament an “anti-award” for adopting a number of laws in a non-transparent way and in violation of the requirements for public consultation. Examples include the amendments to the Environmental Protection Act and the amendments to the Judicial System Act. The Ministry of Environment and Waters limited its contacts with CSOs and did not support CSOs’ applications to the LIFE program, which would attract EU money for nature protection in Bulgaria.

In 2017, CSOs increasingly engaged in campaigns related to various government initiatives, some of which were aimed at stopping negative developments. For example, a number of CSOs came together to oppose the instruction of the Ministry of Education and Science that tried to limit CSOs’ access to schools. A coalition of CSOs active in the healthcare area pushed for the development of a mechanism through which the state would fund programs related to HIV/AIDS and tuberculosis. In the social area, a coalition of almost forty social CSOs came together to discuss a roadmap for developing a new law on social services. The World Wildlife Fund (WWF) initiated a large awareness-raising campaign to protect Pirin Natural Park that collected over 100,000 letters of support from all over the world.

CSOs also engaged in efforts to change the legal and regulatory framework governing the sector. For example, in May 2017, CSOs engaged in public consultations on the new draft law on countering money laundering, which would have imposed heavy burdens on CSOs, including requirements to identify CSO clients (and their owners) and the sources of their funds. Such requirements would have put CSOs on an equal footing with banks, notaries, etc. Seventy-four CSOs issued a statement opposing the draft law. While the statement did not initially change the position of the Council of Ministers, after the draft entered parliament, key members of parliament (MPs) supported CSOs’ proposals. The draft was still pending further discussion in parliament at the end of the year.5

Another CSO campaign focused on draft amendments to the Youth Law which contained a number of proposals on volunteering that only referenced young people. A statement supported by more than 150 CSOs proposed to withdraw these amendments and introduce a separate Law on Volunteering that would regulate all types of volunteers. Such a law was introduced in parliament at the end of 2017.

### SERVICE Provision: 3.1

CSOs provide a wide range of services in social welfare, education, culture, sports, and other fields. CSOs also provide expert services such as research, analysis, and consulting. They also work in areas such as environmental protection, governance, and human rights, but their work in these areas is traditionally donor-supported. Donor-funded services are based on assessments of the needs of CSO constituents, while paid services clearly respond to market needs. CSOs typically provide their goods and services to groups beyond their membership without discrimination.

CSOs often charge fees for their services. In addition, the concept of social entrepreneurship is becoming more popular among CSOs, most likely in part due to the scarcity of alternative funding avenues.

The Bulgarian Center for Not-for-Profit Law’s (BCNL) NGO Entrepreneurship Program received a record number of CSO applications in 2017—eighty-four, compared to fifty-nine in the previous year. At the same time, the Ministry of Labor and Social Policy re-started its efforts to regulate social economy.

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5. The law was finally adopted in March 2018 and took into consideration the CSOs’ arguments.
While its intentions are positive, it has proposed specific conditions for organizations to qualify as social enterprises, which will be difficult for some smaller groups to meet, and also called for sanctions on organizations that use the term “social enterprise” without being registered in the ministry-operated register, which has raised concerns among CSOs.

It is not clear if authorities are willing to share responsibility for services in the educational and healthcare areas with CSOs, despite the fact that this has been a legal possibility for two years. A sign of the unclear state policy towards contracting CSOs is the recent government decision to provide 1 million BGN (€500,000) to each of six municipalities to develop social services, rather than engaging CSOs in this process.

**SECTORAL INFRASTRUCTURE: 3.1**

Several organizations provide assistance to other CSOs in their area of expertise. The NGO Portal (www.ngobg.info) continues to play an important role in promoting CSOs and their initiatives and is also an important tool for communication—both within the sector and with the public—especially for smaller CSOs. As noted in previous reports, CSO networks have taken over the function of resource centers by providing support to their members, including information sharing, training, and sharing experiences between network members on issues of interest. According to the OSI survey, 51 percent of active CSOs declared that they are part of a network or coalition with other CSOs.

There are institutionalized coalitions such as the National Network for Children, the Citizen Participation Forum, the ODA Platform, and the Bulgarian Donors’ Forum (which also includes corporate members). In the last year, a number of thematic and informal coalitions were also active. These include For the Nature in Bulgaria (of environmental CSOs); a coalition of social CSOs; a coalition for media literacy of Bulgarian children; and the PR Club (a professional club of public relations experts from CSOs). A group of organizations has also come together to discuss a common strategy to counter the negative media publications about CSOs.

Several local grant-making organizations distribute foreign or corporate funds. OSI, in partnership with the Trust for Social Achievement and the Workshop for Civic Initiatives, was selected to manage the new Financial Mechanism of the EEA called Active Citizens Fund, which will begin in 2018.

CSOs have access to a number of trainings, mainly led by local trainers, on such topics as fundraising, social entrepreneurship, and debate skills. Some of these are fee-based, while others are available at no charge. CSOs based outside of Sofia usually have less access to these trainings because of travel costs. New CSOs and younger people are usually more interested in these trainings than well-experienced organizations and CSO activists. The OSI Survey found that the biggest needs of CSOs are in the areas of fundraising (65 percent), legal issues (40 percent), and PR and media (35 percent).

CSOs continue to expand their partnerships with businesses, with 23 percent of active organizations surveyed by OSI declaring that they have cooperated with businesses. Many big companies work with CSOs to develop and implement their corporate social responsibility (CSR) strategies. For example, the Workshop for Civic Initiatives worked with LIDL (a supermarket chain) to develop a new funding program for CSOs through which thirty-one projects were supported with 252,000 BGN (€126,000). The partnership between BCNL and Vivacom (a mobile operator) under the Regional Grant program continued in 2017, with Vivacom providing funding for grants which BCNL awards. BCause Foundation and the Bulgarian American Credit Bank launched the BACB Challenge in 2017 which will support entrepreneurial ideas.
PUBLIC IMAGE: 3.5

The negative media campaign against CSOs that started some years ago continued in 2017. Negative publications target CSOs in specific areas, including where there are specific business interests (e.g., environmental protests); judicial reform; and human rights, minorities and refugees. When CSOs organize advocacy campaigns, there is frequently negative coverage focused on the CSOs leading these initiatives, rather than their arguments. In 2017, during campaigns focused on nature protection and judicial reforms, CSOs were accused of being “Sorosoids” and protecting foreign interests because they receive foreign funding. One reason for CSOs’ difficult relations with the media might be the level of media freedom in the country: according to Reporters without Borders, Bulgaria is the lowest-ranked EU country in terms of media freedom.

At the regional level, CSOs enjoy much better relations with media. They have regular communication and there are cases when the media goes to CSOs for news, rather than the CSO attempting to attract media attention.

According to an Alpha Research study for the Citizen Participation Forum conducted in April 2017, the number of people that do not trust CSOs is greater than the number of people that do. On the other hand, the level of trust in CSOs is higher than that in the parliament, courts, or political parties. Interestingly, CSOs have the largest percentage of people that cannot determine if they trust them or not (more than 17 percent). CSOs themselves consider the biggest factors affecting trust to include knowledge about CSOs (70 percent), media image (69 percent), and transparency (67 percent). Another reason for the lack of broad public support for CSOs might be the fact that they often support unpopular causes, such as minority rights, LGBTI, and immigrants.

CSOs are seen as partners by businesses, especially larger companies. The government’s position is more nuanced. While there are positive examples, there were also cases during the year when the rhetoric of some politicians towards CSOs was negative, thereby feeding into the overall wave of negative publications.

More CSOs, especially those that actively try to engage individual donors, try to communicate the results of their work to the public. However, most CSOs lack resources, notably human resources, to actively raise awareness about their activities or promote their public image. CSOs have limited understanding of how to use social media effectively for public outreach.

CSOs do not have a sector-wide code of ethics.

8. “In Bulgaria rules the government, not NGOs” https://www.24chas.bg/novini/article/6609993
The Croatian political scene was somewhat more stable in 2017 than in 2016. However, six months after a narrow electoral victory by the Croatian Democratic Union (HDZ) and the smooth formation of a coalition government in October 2016, the prime minister cast out MOST—a coalition of independent candidates—from its governing coalition, an unusual move so early in the term of a government. In a surprising move, he then introduced the left-wing liberal Croatian People’s Party (HNS) into the ruling coalition. The public perception of the current government is perhaps best illustrated by the fact that for the past five months, the most popular politician in the country was “nobody.”

The government still faces challenges related to the economic crisis, high unemployment rate, and unfavorable demographic changes in the country. The exodus of economically active people, especially young people and families with children, threatens the country’s economic development and the sustainability of its pension and health systems.

In 2017, Croatia made a considerable step towards entering the Schengen visa-free zone by gaining access to the Schengen information system. Although the so-called “Balkan route” was closed in 2016, migrants continued to pass through the country in 2017. During this time, CSOs frequently highlighted incidents in which the Croatian police reacted violently towards migrants on the border.

CSO sustainability did not change in 2017, although some improvements were noted in both organizational capacity and financial viability. The increased stability in the political situation allowed government bodies to issue more tenders for local, national, and EU funds. In addition, after significant cuts in 2016, the budget of the National Foundation for Civil Society Development (NFCSD) was partially restored, improving the financial situation of many CSOs and increasing the stability of CSO staff and operations.

According to the Registry of Associations, there were 52,232 associations, 231 foundations, and 10 funds registered in Croatia at the end of 2017, representing very little change over the past year. As of December 31, 2017, 36,045 of these associations were also registered at the Ministry of Finance, which is a requirement for accessing state funds at the local or national level. Of these, 34,129 submitted financial reports to the Ministry of Finance during the year.
**LEGAL ENVIRONMENT: 3.1**

The legal environment governing CSOs did not change significantly in 2017.

Difficulties in the implementation of the Law on Associations, which came into force in October 2014, continued in 2017. According to the Law, all CSOs have to harmonize their statutes with the law’s new provisions. This process has been repeatedly delayed, largely due to a lack of capacity in the responsible government offices to act upon the submitted requests for approval of amended statutes. Some associations have reported that they waited for over two and a half years for their statutes to be approved. These delays caused some associations problems when applying for government and EU tenders. After some CSOs complained that their funding applications were rejected as their statutes were invalid, the Office for Cooperation with NGOs sent instructions and recommendations to national and local government bodies awarding funds to CSOs to accept delays in the process of statute harmonization. Formal tender criteria were subsequently revised accordingly.

Registration procedures did not change in 2017. Formal conditions for the registration of associations are easily met. The registration process for foundations is more bureaucratic and can take several months. The law clearly defines rules for internal management, the scope of allowed activities, financial reporting requirements, and the process to terminate associations. CSOs and their representatives can operate freely within the law, although they are subject to significant administrative requirements. For example, associations must prepare annual work and financial plans. These requirements are difficult for CSOs—particularly smaller and less experienced CSOs that rely on volunteers—to meet and are perceived by CSOs as a reflection of the state’s mistrust towards the sector. CSOs are protected from the possibility of being closed down by the state for political or arbitrary reasons. CSOs consider the legislative framework to be too prescriptive. For example, the law strictly regulates such internal management issues as the composition and roles of associations’ management bodies and assemblies, as well as decision-making procedures. In 2015, CSOs requested the Constitutional Court to review the Law on Associations for possible violations of the constitutionally-mandated freedom of association because of the excessive regulations it imposes. CSOs continued to await for a decision from the court on this matter throughout 2017.

CSOs can address matters of public debate and are free to express criticism, although there continued to be cases in 2017 in which members of parliament (MPs) criticized CSOs. For the most part, this criticism is aimed at CSOs whose actions conflict with the values represented by the ruling political structure. In 2017, such criticism was aimed at CSOs involved in debates on the Family Law, the Law on Same-Spouse Communities, curriculum reform, civic education in schools, and the abortion law. CSOs are cautious when expressing certain positions, given their general reliance on government funds.

Other problems arise out of the lack of harmonization between requirements in the Law on Associations and other regulations, particularly related to accounting and finances. For example, the Law on Associations enables CSOs to perform economic activities as long as they use the income to benefit their members or third parties, but this contradicts other laws, such as the Law on Trade and the Income Tax Act, leading to incidents in which the Tax Administration has charged taxes on CSOs’ economic activity, arguing that not taxing these gains would give CSOs an unfair competitive advantage. As a result, CSOs do not understand which economic activities they are allowed to perform and fear that they will have to pay taxes on the economic activities they have already carried out; many, therefore, avoid engaging in such activities.
CSO income, including from economic activity, is generally exempt from taxation. In addition, all CSOs are exempt from VAT while using income from EU sources, while humanitarian organizations are also exempt from VAT for purchases for humanitarian purposes. Individual and corporate taxpayers have the right to an income tax deduction of up to 2 percent in cases of charitable contributions to CSOs. However, this tax benefit is not well-known by individuals and companies.

Most lawyers are involved in other branches of law and express little interest in the legal regulations governing CSOs. Quality legal advice is available almost exclusively through other CSOs that employ lawyers, such as the Croatian Law Center, most of which are based in large towns.

**ORGANIZATIONAL CAPACITY: 3.2**

CSO organizational capacity improved in 2017. After NFCSD’s funding was cut dramatically in 2016, CSOs were forced to lay off many employees. NFCSD’s budget was partially restored in 2017; the subsequent increase in grants given by NFCSD allowed CSOs to employ more staff during the year.

In 2017, CSOs’ efforts to actively cultivate relationships with potential supporters continued to be hampered by a general shortage of staff coupled with increasing administrative demands. Despite this, some initiatives, including those directed at helping refugees, garnered strong public support. For example, the association RODA-Parents in Action organized a highly successful initiative to collect slings for refugees in Croatia. However, RODA emphasized that the political and social context of the refugee crisis—rather than its organizational capacities—played an important part in the public response.

CSOs in Croatia are legally required to have strategic plans, but are often unaware of the importance of adhering to these plans. Serious strategic planning is mostly done by CSOs with greater organizational and financial capacities and diverse funding sources. Smaller organizations formally undergo strategic planning processes, but frequently change their activities without reflecting these changes in their strategic documents. Some CSOs list areas unrelated to their real missions in their statutes in order to be eligible for more tenders. Monitoring impact is still a new concept in Croatia and very few CSOs incorporate monitoring activities in their strategic planning.

No progress was made in 2017 in developing CSOs’ internal governance. Larger organizations with foreign and public funding sources have structured internal management systems; other organizations rarely do.

CSOs continue to struggle to retain staff, although the situation was somewhat better in 2017 because of the increase in NFCSD’s funding. CSOs offer uncertain terms of employment, which makes it difficult for them to hire permanent staff. Civil society proved to be a desirable employer during the economic crisis, when people sought temporary employment while they looked for more stable jobs. CSOs have observed that volunteers who become professional staff stay in organizations longer than individuals employed through job advertisements, as they identify more strongly with the mission and vision of the organization. Most CSOs still cannot afford consultants or technical support for strategic planning and similar activities.

CSOs with greater organizational and financial capacities handle the professional demands placed on them effectively. Although work in CSOs demands a wide range of knowledge and skills from the areas of law, economics, accounting, project management, volunteer management, and public relations, as well as professional knowledge in the area of a CSO’s activity, very few faculties educate CSO staff or promote work in the civil sector. CSO staff members instead develop their competence through work experience.
According to data available on the website of the Ministry for Demographics, Family, Youth and Social Policy, in 2016 the number of reports received on organized volunteer work fell by 12 percent, and the number of registered volunteers decreased by 7 percent compared to 2015. Despite this, the number of reported volunteer work hours increased by 13 percent. In 2016, 48,731 volunteers recorded 3.3 million volunteer work hours valued at 12.7 million HRK (approximately $1.9 million). According to the 2017 World Giving Index, 12 percent of respondents in Croatia reported participating in voluntary action during the reporting period in 2016, compared to 10 percent the previous year.

Several initiatives promote volunteering. For several years, Volunteer Center Zagreb has awarded Volunteer Oscars to the most prominent volunteers in the capital. In 2017, associations across Croatia once again opened their doors to interested citizens through 440 events during the three-day manifestation Association Open Door Days 2017. Interested individuals could also find out about the activities of associations during Open Door Days on the mobile application UdrugeInfo.

CSOs increasingly use ICT technology, IT management, social networks, collaborative platforms, and web portals. The technological gap between small and large CSOs has decreased, but smaller CSOs from rural areas still lack the capacity to keep up with new technologies.

**FINANCIAL VIABILITY: 4.4**

CSO financial viability improved in 2017. The increased political stability allowed government bodies to issue more tenders financed with local, national, and EU funds. In addition, after drastic cuts in 2016, the budget of the NFCSD was partially restored, allowing it to support more CSOs during the year.

In general, CSOs rely primarily on the support of volunteers and individuals in the local communities in which they operate. Smaller CSOs, in particular, are mostly financed from local sources. Local self-government units try to provide financial support to as large a number of local CSOs as possible with their limited budgets, but these funds are insufficient for more concrete activities. Larger CSOs have more diverse sources of financing, including foreign grants, EU grants, and grants and contracts from the national government.

According to the last Report on financing projects and programs from public funds, 1.67 billion HRK (approximately $277 million) was allocated for CSO programs and projects in 2015 from all public sources on both national and local levels. According to the same report, by the end of 2015, 15,767 associations (30 percent of registered associations) had harmonized their statutes and were therefore eligible to apply for tenders and public bids for financing projects and programs.

Several ministries, including the Ministry of Demography, Family, Youth and Social Policy, the Ministry of Science, Education and Sports, and the Ministry of Culture offer funding for CSOs through competitive calls for proposals. Developed CSOs, most of which are based in larger cities, receive most of the funds distributed by national government bodies, as smaller organizations are unable to meet the system’s significant administrative demands.

The NFCSD is a public foundation focused on promoting and developing civil society in Croatia that receives state budget funds, in part from the income from games of chance. In 2016, the portion of the lottery proceeds that NFCSD received was cut dramatically from 14.21 percent to 6.88 percent. A 2017 regulation increased this allocation to 11.8 percent, somewhat remedying the problems from the previous year.

In 2017, CSOs continued to receive funds from the EU, foreign foundations, embassies, and other international organizations.
CSOs increasingly apply for projects and programs financed by the European Social Fund (ESF). In 2017, EU funds were available for a variety of programs, including initiatives focused on employment, social inclusion, education, volunteer management, and deinstitutionalization of children, youth, and people with disabilities. In general, however, the limited capacity of public bodies to implement EU programs was demonstrated in delays or failures to announce tenders, as well as slow administration. In addition, public bodies lack the capacity to effectively evaluate programs. At the same time, the bureaucratic burden associated with implementing EU programs and projects creates increasing pressure on the daily operation of organizations.

There are few investments in the development of local philanthropy in Croatia. Growth in philanthropy is limited by the low standard of living, the limited public awareness of the need to donate, and CSOs’ limited capacities to plan fundraising campaigns.

CSOs are aware of the need to develop new fundraising models, such as networking or crowdfunding, but such efforts are still in a legal gray area, which discourages CSOs from pursuing them. Despite these obstacles, several highly successful crowdfunding campaigns were organized in 2017. For example, Lupiga.com, a nonprofit media outlet, initiated a crowdfunding campaign to raise funds for its general operating expenses in 2017. Through the campaign, Lupiga.com collected almost twice the amount needed for the annual functioning of its editorial board.

Many CSOs avoid engaging in economic activities as they do not understand the rules governing such work and fear that they will have to pay taxes on the income if the Tax Authority determines that they have an unfair advantage in the market. In addition, the public still largely believes that the goods and services provided by CSOs should be free of charge. There is increasing interest in social entrepreneurship, but this area is still not legally regulated in Croatia, which prevents CSOs from starting social enterprises. Membership organizations collect membership fees.

CSOs are required to submit financial statements, and to publicly disclose financial statements through the Registry of Associations run by the Ministry of Finance. Financial audits are generally carried out only when requested by the donor, mainly for larger projects. Some CSOs use the services of specialized accounting firms, most of which are based in large towns.

**ADVOCACY: 3.2**

CSOs engaged in advocacy more actively in 2017 than in 2016, when CSOs had few opportunities to advocate their positions to the former unstable and inefficient government. In 2016, parliament largely disregarded established law-making procedures, often making decisions through urgent procedures, which narrowed the institutional space for advocacy by civil society. Although there were still examples of laws passed without public debates, parliament acted in a more transparent manner in 2017.

In contrast to 2016, when the government ignored the Council for Civil Society Development, in 2017 six Council sessions were held, and the Council also organized various work groups. The meetings were clearly structured, with concrete proposals for progress in such areas as access to the European Social Fund, the legislative and financial environment for non-profit organizations, and the National Strategy for Creating an Enabling Environment for Civil Society Development.

According to the last data available from the Office for Cooperation with NGOs, 642 public consultation sessions were held on legislative procedures in 2016, a 6 percent increase over 2015.
During consultation procedures with the interested public in 2016, a total of 4,015 legal and natural persons submitted comments on draft bills, other regulations, or acts to the relevant state bodies. The majority of those—3,055—were individuals. Comments were also submitted by associations (248), units of local and regional self-government (241), companies (237), institutions (134), state bodies (67), and other legal persons.

An e-Consultation app allows individuals and CSOs to comment on proposed laws and regulations. The state body proposing a law or regulation must respond to every question or comment within thirty days. In 2017, the government increasingly used this portal to solicit input on draft laws, regulations, and acts. As a result, the public was able to express opinions on such topics as the Family Act and Social Security Act.

Several strong civil initiatives were active in 2017. The initiative Don’t give up, Cetina! was focused on stopping the construction of a thermal power plant on Lake Peruća. As a result of this initiative, which collected approximately 15,000 signatures on a petition, plans to build the power plant were terminated. Another visible initiative was Savica for Park, in which individuals living in the Savica area of Zagreb successfully fought to prevent construction in a park. This initiative’s success at protecting green areas was replicated in other parts of Zagreb.

Island Movement, which comprises more than sixty initiatives, associations, local self-government units, and companies, is yet another example of successful civic advocacy during the year. Island Movement organized protests demanding that a draft bill of the Concessions Act be sent back for a third reading in parliament and that the public be included in further debate in order to ensure that local island communities were involved in the process of determining the justifiability of concessions and control over them. Following the protests, the government forwarded the aforementioned draft bill to a third reading and withdrew it from parliament.

The Association of Independent Croatian Unions (SSSSH), the Association of Croatian Trade Unions (MHS), and the Croatian Youth Network (MMH) launched the #worthmore campaign to bring attention to the problems young people face in the labor market.

The association of taxpayers Lipa invited citizens to sign a petition to express their opposition to the introduction of real estate tax in the country. They collected almost 150,000 signatures, making the petition one of the most successful civil actions in modern Croatian history. These efforts contributed to the government’s decision to postpone the Real Estate Tax Act.

Most CSOs are still not familiar with the concept of lobbying and there is no legal regulation of lobbying or register of lobbyists in Croatia.

CSOs understand that a favorable legal and regulatory framework can improve the efficiency and viability of CSOs, but there was no significant advocacy in this regard in 2017.

**SERVICE PROVISION: 3.1**

In 2017, CSOs continued to expand the range of goods and services they provide, including many services that neither the public nor the private sector offers. Recently, CSOs have focused on providing services to vulnerable groups that lack support systems, for example, parents in prison, parents with disabilities, and migrants. Because of the limited use of social contracting, such services are still primarily funded through projects, which threatens their sustainability.

CSOs also face problems with the uneven availability of social contracting and the lack of social contracting for the expansion of new services. Services provided by CSOs are often cheaper than the same services provided by the state through its institutions.

CSOs still recognize and respond to their communities’ needs and priorities. Many CSOs are established by community members to care for the most vulnerable members of society through the provision of social services. Civil society plays an exceptionally important role in efforts to include disabled persons in social life, and also complements the work of state institutions in this regard. Through their associations, disabled persons work intensively to improve their living conditions.
The prevalent attitude among the public is that the goods and services provided by CSOs should be free of charge. Some CSOs charge for their services, but usually CSOs offer products such as publications, workshops, and professional analyses to other CSOs, the academic community, churches, or the government for free. In general, CSOs have little knowledge about market demand, and therefore lack the capacity to charge for their products and services.

The government recognizes the quality and importance of services provided by CSOs, acknowledging that CSOs can respond to community needs quickly and efficiently, often providing cheaper services than the state. State bodies publish tenders and contract services with CSOs through projects.

**SECTORAL INFRASTRUCTURE: 2.8**

The infrastructure supporting the CSO sector did not change significantly in 2017. Regional support centers financed by the NFCSD have operated as a support system for the CSO sector since 2007. Five regional support centers within this program offer information, consulting, and educational services to CSOs on the local and national levels. While the system generally functions well, there are concerns that five centers are insufficient for the entire country and that the centers provide uneven services, both in terms of the types of services they provide and the quality of these services. The work of the regional support centers is solely funded by the NFCSD. Therefore, the drastic cuts in the NFCSD’s budget in 2016 jeopardized their continued work, and the NFCSD announced in 2017 that the program would be terminated; however, the program ultimately continued in 2018.

There are few initiatives to develop foundations or philanthropy in Croatia. SOLIDARNA Foundation for Human Rights and Solidarity is a unique effort that raises funds from individuals and companies for its grant-giving programs that provide flexible, highly responsive funding for grassroots advocacy and solidarity actions, cultural productions, and social innovations. Regional support centers do not engage in grant making.

In 2017, CSOs continued to exchange information, promote their interests, and advocate for changes in society on local, national, and international levels through various networks, platforms, and associations. For example, the Croatian Homeless Network, comprised of eleven formal members and three associate organizations, advances care for the homeless and promotion of the rights of the homeless and similarly socially-excluded groups.

In 2017, the Croatian Homeless Network opened an information center for the homeless and persons at risk of homelessness, the first center of its type in Croatia. The GOOD initiative is a network of fifty CSOs and five scientific-research institutes that promotes the introduction of systematic education in human rights and democratic citizenship in the educational system. In 2017, GOOD organized simultaneous protests in six cities demanding the dismissal of the Minister of Education and the repetition of competitions for the implementation of curricular reform. The National Youth Council is an association of sixty-four associations focused on young people and is a member of the European Youth Forum. In 2017, the National Youth Council
focused on improving the position of young people in the labor market.

There are local CSO management trainers. Trainings on CSO management are still largely available in the capital and larger towns. More advanced specialized education in areas such as strategic management, accounting, financial management, fundraising, and volunteer management is available at a charge, mainly in larger towns. However, only developed CSOs have funds available for such education. Training materials are mainly available in the Croatian language.

Cooperation between the civil and private sectors is not sufficiently developed, despite the potential for the development of innovations and sustainable changes through such cooperation.

**PUBLIC IMAGE: 3.2**

The sector’s public image did not change significantly in 2017. The public still has a negative perception of civil society. Although there is no polling data on the matter, mistrust is widespread in Croatia: people do not trust each other or institutions. CSOs recognize that they need to engage in active dialogue, systematically respond to unjustified criticism, and demonstrate the benefits and impact produced by civil society. To date, however, data on the overall contribution of civil society is lacking.

The public attitude towards CSOs reflects the government’s attitude. The top levels of government frequently chastise associations because they interpret CSO initiatives as criticism, although this happened less in 2017 than in 2016. In addition, MPs still convey negative messages about civil society, particularly during debates on the work of the NFCSD. However, in 2017, the prime minister made an affirmative speech about civil society at the opening of the Open Door Days.

For the past two years, there were public accusations that associations live well on taxpayers’ money. This discussion was fed by substantive media attention and coverage of two scandals involving illegal spending of donations collected for the treatment of ill children. These scandals tainted the reputation of the rest of civil society as well.

Apart from these two cases, the media space for civil society was limited in 2017. Few journalists fully understand the mission of civil society, and even fewer of these are in positions that allow them to significantly influence social perception. Sensationalist journalism prevails in Croatia and the media frequently reports negatively on civil society without concrete information. For example, a typical media headline in 2017 stated: Non-profit organizations in Croatia on the state budget: Loudest when they need money.

In 2017, the public television show Croatia Live, which frequently reported on the positive contributions and influence of civil society on the community, was canceled. However, CSO representatives are often invited to participate in the TV show I Have a Problem, where they have the opportunity to raise public awareness about the issues they work on and advocate for solutions. The business sector still rarely recognizes CSOs as potential partners, although there are cases of CSOs and businesses working together, such as through the SOLIDARNA foundation.

CSOs increasingly present their activities and the results of their work. Some associations—generally well-developed CSOs with strong human and financial resources—have recognized the importance of having PR persons and invest in promoting their images on social networks.

CSOs are also working to increase their transparency. CSOs make annual reports available on their websites, and larger CSOs have also started to publish financial reports. CSOs have not formally adopted a code of ethics, but informally many CSOs adhere to principles of ethical conduct in their work.
Although there were both positive and negative developments affecting CSO sustainability in the Czech Republic during the year, overall sustainability remained unchanged. Financial viability improved with increases in public subsidies and funding from private donors, while CSOs were more proactive in pursuing new fundraising opportunities. The legal environment, on the other hand, deteriorated in 2017. New administrative obligations associated with the online registration of sales and monthly VAT control statements were introduced. In addition, there was increased government pressure on CSOs to be more transparent about the sources of their funding and their use of public funds, which led to a number of new restrictions and controls. The sector’s public image also deteriorated as the current government portrayed CSOs as unreliable and incompetent, while pointing out the amount of public funding going to the sector. This was mirrored in growing public distrust in the sector.

According to data from the Czech Statistics Office from April 2017, there were 93,651 associations (compared to 92,878 in 2016) and 26,414 subsidiary associations (26,370 in 2016); 2,774 public benefit corporations (2,792 in 2016); 752 institutes (686 in 2016); 515 foundations (516 in 2016); 1,670 endowment funds (1,635 in 2016), and 4,171 church organizations (4,177 in 2016) registered in the Czech Republic.

**LEGAL ENVIRONMENT: 2.8**

The legal environment governing CSOs deteriorated in 2017, primarily because of the increased administrative burdens imposed on CSOs, as well as growing pressure from the state on CSOs to be more transparent regarding their sources of funding and use of public funds.

All legal forms of CSOs, with the exception of church organizations, must be registered in the public CSO registry. The registration process itself is not demanding, although there are occasional inconsistencies in how different courts interpret the Civil Code. For example, while the law does not specify the exact number of board members that an endowment fund must have, some courts have registered endowment funds with only two...
In 2017, however, CSOs faced increasing administrative burdens. New legal obligations require CSOs to issue receipts for certain types of sales and services and register them online; to submit monthly VAT control statements; and to report foreigners that they are hosting to the Foreign Police. CSOs were also subject to increased pressure to be transparent about their sources of funding and use of public funds. For example, government agencies providing grants to CSOs are monitoring potential conflicts of interest much more closely. This has imposed significant administrative burdens on CSOs, with few tangible results.

The Bill on Public Benefit Status was sent to the Chamber of Deputies in the spring of 2017, but was rejected after CSOs objected to the fact that the bill defined the conditions for receiving public benefit status, but not the benefits that such status confers. Moreover, most sections of the Civic Code focused on public benefit status were removed, including the requirement that public benefit status should be covered by a special law. This had no practical effect on CSOs, as these sections referenced a law that never existed.

Tax policy towards CSOs did not change in 2017. According to the Tax Law, CSOs can receive subsidies, grants, and donations tax-free. Both individuals and companies can deduct the value of donations they make from their taxable incomes. The deduction limits for donations are 15 percent for individuals and 10 percent for companies. Laws set out clear rules for record keeping, although accounting requirements for CSOs are often more extensive and demanding than those faced by the corporate sector.

According to the law, CSOs can engage in business activities as part of their “secondary” activities. There are different interpretations, however, about what this means in practice. When allowed, profit from business activities must only be used to support the organization’s main activities. No progress was made in 2017 on the Law on Social Entrepreneurship, which remains in draft form. The state does not restrict CSOs’ efforts to raise funds for their operations. CSOs can apply for government contracts, and in some cases, public administration entities give preference to CSOs in these procurements.

There are lawyers specialized in issues facing the non-profit sector in Prague and the regions. These lawyers increasingly offer their services to CSOs pro bono or at a significant discount.

**ORGANIZATIONAL CAPACITY: 2.8**

The sector’s organizational capacity did not change in 2017. CSOs actively seek support from local residents, and incorporate an increasing number of activities to monitor and pursue the public’s interest. CSOs, especially service organizations, increasingly reach out to the public through social networks.

Large and medium-sized organizations with a certain level of professionalism engage in strategic planning on a regular basis. Smaller CSOs generally only plan their activities one year at a time. Many donors require strategic plans when considering support.
CSOs are legally obliged to define their organizational structures and the qualifications and duties of their management in their constitutions. In 2017, the Association of Public Benefit Organizations Czech Republic (AVPO ČR) led significant discussions about the role and involvement of boards in CSOs. A working version of a training methodology on this topic was developed and is expected to be finalized in summer 2018.

Larger and more influential CSOs continue to have permanent staff. However, most CSOs are only able to employ staff for the duration of specific projects. CSO employees are typically paid less than employees in other sectors. The unemployment rate was very low in the Czech Republic in 2017 and salaries outside the non-profit sector increased significantly. This caused an outflow of workers from CSOs (primarily social service organizations) to the commercial sector. According to the latest data from the Czech Statistics Office, when converted to full-time employment, a total of 104,277 employees worked for CSOs in 2015, accounting for 2.04 percent of total employment in the country. This was a decrease compared to the 107,243 people employed in the sector in 2014. CSOs often use the services of freelancers in information technology (IT), law, and accounting.

CSOs frequently engage volunteers, both formally and informally. In 2015, there were 26,102 registered volunteers working in the Czech non-profit sector (when converted to full-time employment), who worked 45.1 million hours, a slight decrease from 2014, when there were 26,414 registered volunteers who worked 45.6 million hours. According to the 2017 World Giving Index, 14 percent of respondents reported that they participated in voluntary action in 2016, the same percentage as in 2015.

CSOs routinely and successfully use modern IT and social networks. CSOs have access to a number of opportunities – including through Google Grants and the TechSoup project – to get equipment or software for free or at greatly reduced costs.

**FINANCIAL VIABILITY: 3.0**

CSO financial viability improved in 2017, as a result of CSOs’ increased fundraising activity and increases in public subsidies.

According to the latest data from the Czech Statistics Office, CSOs received approximately CZK 16.9 billion (approximately $804 million) from governmental institutions in 2015, a 0.1 percent increase from the previous year. CSOs received CZK 10.3 billion ($490 million) from private individual donors, including in the form of voluntary work, a decrease from CZK 10.6 billion in 2014. Corporate donors gave CZK 4.25 billion ($202 million), a decrease from CZK 5 billion in the previous year. Most CSOs remain reliant on a single funding source, usually either public subsidies or EU funds, and have limited financial reserves.

The most recent data from the Center for Nonprofit Sector Research (Centrum pro výzkum neziskového sektoru) provides more insight into the composition of government funding to the sector. According to this research, in 2016, NGOs – which includes foundations and endowment funds, associations, subsidiary associations, public benefit corporations, institutes, church organizations, educational legal entities, and common-interest associations – received subsidies worth CZK 17.89 billion in 2016, an increase from CZK 16.48 billion in 2015 and the highest level to date. Of this amount, CZK 10.87 billion came from the state budget; CZK 2.85 billion from regional budgets and the capital city of Prague; CZK 3.95 billion from municipal budgets (excluding the budget of the capital city of Prague); and CZK 221 million from Czech state funds.
Data from the year 2017 has not been compiled yet; however, CSOs predict that there was increased support from both the public and private sector, as a result of positive economic developments in the country.

The public administration continues to support CSO services via subsidies and grants. Governmental funds are mostly given to NGOs with a multi-year history. Newer organizations receive smaller amounts. The biggest share of governmental subsidies given to NGOs in 2016 focused on social affairs and employment policy, physical education, and education and school services. These funds are generally awarded in a competitive and transparent manner.

Most of these funds are for a single year, which poses challenges to CSO sustainability. In 2016, the number of NGOs receiving public funds almost doubled as the Ministry of Education began supporting small NGOs, such as sport and leisure clubs. This trend is expected to continue.

In 2017, CSOs had access to a variety of EU funds focused on such issues as human resource development, sustainable entrepreneurship and resource use, leisure activities, educational programs, and guidance and information services. The current EU subsidy program is scheduled to last through 2020, after which the Czech Republic is expected to receive significantly less money.

With the exception of EU funds, which are considered to be local funding as the Czech Republic contributes to the EU budget, foreign funding is not a considerable source of support for CSOs in the Czech Republic. According to data from the Czech Statistics Office, CSOs received CZK 223 million ($10.6 million) in foreign funding in 2015, a decrease of over 50 percent from the CZK 470 million received in 2014. No analysis has been done on the reason for this significant decline.

Some organizations have already started looking for new sources of funding to cover the expected loss of resources related to the scheduled end of the current EU operational program in 2020. Not all organizations have specialized staff to focus on cooperation with companies or communication with individual private donors. Larger organizations are typically more active in this area. With the exception of sports organizations and voluntary associations (such as those uniting fishermen, fire fighters, or breeders), membership fees make up little of organizations’ total incomes.

Individual philanthropy continues to develop. In 2017, peer-to-peer fundraising, in which individuals engage their personal networks to raise funds for particular causes, increased. Such challenges, for example, to celebrate a birthday or run for a good cause, became an integral part of the online platform Darujme.cz. According to the Via Foundation (Nadace Via), which runs the platform, the average donor challenge raises between CZK 10,000 and CZK 15,000 ($476 to $714) and about twenty people donate through such events, with an average donation of CZK 700 ($33). In 2017, the CSR Association organized the second annual Giving Tuesday event. The hashtag #GivingTuesdayCZ was used more than 1,500 times (up from 1,000 times in 2016). More than 170 donor challenges were registered and CZK 7.4 million (approximately $352,000) was donated. Among the most successful initiatives were collections focused on helping sick people, education, the collection of clothes and shoes for people in need, and help for elderly people or palliative care. According to the World Giving Index, 23 percent of respondents stated that they donated to charity in 2016, the same proportion as in 2015.

CSOs continue to approach corporate donors. Companies require transparent and professional work from CSOs. Corporate donors, as well as individual donors, are usually not willing to cover CSOs’ operating costs, instead wanting to support individual projects with clear outcomes. They often even significantly restrict or exclude operational costs from supported projects. On the other hand, an increasing number of donors recognize the necessity of operational costs and help fund them.
CSOs are becoming more active in terms of self-funding, primarily by selling goods and services. However, some organizations, primarily those active in social and health services, charge only minimal fees. According to the latest data from the Czech Statistics Office, in 2015, Czech CSOs provided more than 56 percent of their goods and services free of charge, while they charged non-market prices for another 16 percent (in 2014, the percentages were 54 percent and 17 percent). Earned income from selling goods (for market price) increased in 2015 to CZK 7.5 billion (from 6.8 billion in 2014). In 2015, earned income from non-market (undervalued) priced goods decreased by CZK 0.4 billion to CZK 12.7 billion. Social entrepreneurship is also developing, although there is still not a clear legal framework.

CSOs are legally required to submit annual reports, to maintain appropriate accounting systems, and to undergo audits. Donors also require these more often. Organizations with more income diversification or entrepreneurial activity usually have more professional financial management and cash-flow monitoring systems. However, due to the persistent lack of financial managers in the sector, directors or other executives often perform financial management responsibilities in addition to their other responsibilities.

ADVOCACY:

CSOs continued to be active advocates and organized many successful campaigns in 2017.

CSOs have a number of opportunities to comment on laws and participate in the policy-making process. CSOs are members of various working groups, councils, and committees. In 2017, for example, CSOs participated in committees and working groups under the Governmental Council for Non-Governmental Non-Profit Organizations (RVNNO), including the Legislative Committee and working groups to promote individual and corporate philanthropy. CSOs also meet directly with representatives and officials to push for their positions.

The Government Policy towards NGOs for 2015-2020 established a number of priorities, including cooperation with associations and umbrella organizations, stronger cooperation with RVNNO, increased collection of information and data on CSOs, and the development of philanthropy. Progress was made towards many of these goals in 2017. The government and central authorities continued to cooperate with NGO networks and umbrella organizations and implemented projects to support their development. In an effort to increase the number of organizations that can access EU funding, RVNNO called on CSOs to identify barriers to such funding. RVNNO also conducted research on individual donations, and developed a proposal to promote individual donations based on the results. Research on corporate donations was also commissioned and is expected to be completed in the first half of 2018; the results will then serve as a basis for draft measures. The strategy also included the need to make changes in the data processing methodologies of the so-called Satellite Account of Non-Profit Institutions, which monitors data on non-profit institutions. This is an important data source for CSOs, but currently has limited informational value. However, in connection with the end of the government’s term of office, implementation of this task was postponed.

CSOs frequently form coalitions to promote their interests. In 2017, an informal coalition of CSOs succeeded in preventing approval of the Public Benefit Status Act. The Social Housing Platform disputed several items in the draft Social Housing Act, including unclear funding and costs, and therefore pushed to postpone consideration of the law. In addition, CSO efforts resulted in modifications to the requirements for online registration of sales, reducing the types of NGOs that are obligated to record such sales. Additionally, CSO advocacy efforts prevented NGOs from having to publish contracts in the public register. A CSO coalition also successfully pushed for a law to ban the rearing of animals for fur.
Lobbying activities at the local and national levels are a common aspect of the work of CSOs, particularly large and umbrella organizations. For example, food banks lobbied against food waste by supermarkets during the year. As a result, a law was passed in 2017 requiring supermarkets to donate unsold food to food banks beginning in 2018.

CSOs are aware of the need for a favorable legal and regulatory framework to enhance CSO effectiveness and sustainability, and many advocacy initiatives during the year focused on such legal issues, as described above. However, most CSOs have limited capacities to address this issue, so it is primarily large organizations, umbrella organizations, and networks that are active in this area.

**SERVICE PROVISION: 2.4**

CSO service provision did not change significantly in 2017. CSOs continue to provide a wide range of services, encompassing educational, social, health, cultural, environmental, and other areas. Without CSO social services providers, the state would be unable to secure such services. Clear rules govern state contracting of social services. Regional governments still prefer to support services provided by government-organized NGOs (GONGOs), thereby undermining other legal forms of CSOs (mainly NGOs) and deteriorating services provided by the sector. Due to low unemployment rates and salary growth in other sectors, in 2017 many social workers moved into the commercial sector, reducing the scale of social services in some regions of the country.

CSOs generally respond to society’s needs flexibly. They often adjust the services they offer to respond to the needs of their target groups when they have capacity and funding to do so. To varying degrees, CSOs identify needs by monitoring the environment, working in communities, and conducting surveys.

CSOs provide their services and products to a wide range of people in a non-discriminatory manner. Very often, they provide services and products to other CSOs for less than they charge other entities, like the corporate sector. There is limited cooperation with the academic sector. Public administration often uses expertise provided by CSOs.

CSOs are allowed to recover costs by charging for services, with the exception of registered social services. However, organizations usually charge less than they need to recover costs fully because clients are not willing to pay the full costs.

Public authorities occasionally express their appreciation of the role of CSOs, but often take the services provided by CSOs for granted. Multiple-stage controls and other manifestations of mistrust are frequent. In addition, political leaders often attack CSOs and question the benefits of their activities. Formerly, such attacks primarily targeted environmental organizations and organizations aimed at promoting human rights and helping migrants, but criticism is now broader, encompassing the entire non-profit sector.
SECTORAL INFRASTRUCTURE: 2.7

The infrastructure supporting the sector did not change significantly in 2017, although CSOs became more involved in networks.

A number of support and resource organizations, including AVPO ČR, the Association of NGOs in the Czech Republic (ANNO ČR), KOUS Vysočina, Nadace Neziskovky.cz, the Civil Society Development Foundation (NROS), and Econnect, provide education and advisory services for CSOs in the Czech Republic. These organizations offer training on current topics (including legislation, management skills, and fundraising) and organize meetings and expert discussions to facilitate the exchange of experience. Service fees typically cover only a part of the costs of these activities, with the remaining costs covered by donations, subsidies, or membership fees. Commercial entities also offer training and consulting to CSOs on such topics as finance, law, marketing, and public relations, sometimes for free or at discounted rates. CSOs can also consult with public authorities.

Foundations and endowment funds regularly offer grant programs for CSOs. In some cases, they also re-grant funds from other entities, including foreign donors. For example, NROS manages the NGO Fund financed by the European Economic Area (EEA) and Norway Grants. According to the latest data from the Donors Forum, the ten largest corporate foundations and endowment funds distributed CZK 551 million ($26 million) in 2016, a significant decrease from the previous year, when the amount was CZK 783 million. The most common areas of support are assistance to people with disabilities, education and research, culture, art and monuments, humanitarian aid, and human rights.

CSOs exchange information through networks and umbrella organizations. In addition to the two national multi-branch associations in the Czech Republic (ANNO ČR and AVPO ČR), local and regional associations of non-governmental, non-profit organizations can be found throughout the country. Professional networks uniting organizations working on such issues as environment, humanitarian assistance, and leisure activities for youth and adults also exist. In 2017, the Mobile Hospice Forum (Fórum mobilních hospiců) was formed to unite hospices, home care agencies, charity organizations, and other health care institutions that specialize in home-based palliative care. The state prefers to communicate with CSO networks and umbrella organizations that are sufficiently representative, rather than with individual organizations. In 2017, the Office of the Government introduced a new grant program to support multidisciplinary networks that operate nationally, distributing CZK 2,300,000 (approximately $110,700) during the year. The program will continue in 2018, with a slightly higher level of funding.

Training opportunities for CSOs are widely available in the capital. In regions, the availability of this kind of education is more limited. Current EU programs are focused on education, so there are currently more training opportunities for CSOs than needed to meet demand. Training is currently focused on such issues as sustainability, board governance, digitization, leaders, and new technologies. During 2017, AVPO ČR trained six trainers on the role and involvement of boards in CSOs. Training, educational materials, and consultations are generally available free of charge for CSOs.

Intersectoral partnerships were widespread in 2017. For example, as the result of a joint project of the Donors Forum (Fórum Dárců) and the Mobile Networks Association (Asociace poskytovatelů mobilních sítí), donors can now send donor SMS at multiple price levels (CZK 30, CZK 60, CZK 90) and also provide monthly SMS support. The 2017 National Food Collection, which was organized jointly by CSOs, companies, and media under the auspices of the Ministry of Agriculture, was highly successful.
Through this initiative, 370 tons of durable food (up from 312 tons in 2016) and 41.5 tons of dry goods (up from 4.6 tons in 2016) were donated. The collection involved 750 retail chains, 90 more than in the previous year.

CSOs also form partnerships with individual political parties to implement specific projects or advocate for solutions to specific problems, although they strive to remain apolitical and therefore avoid longer-term collaboration with parties. CSOs also worked in partnership with the government in 2017. For example, after several incidents emerged related to food safety, including infected eggs and rabbit meat, CSOs and the government cooperated to solve these problems. Some CSOs and media outlets worked together to support charity projects in 2017. For example, the winners of the Czech version of Your Face Sounds Familiar, a singing competition, donate money to selected CSOs. The newspaper Blesk runs a series called A Heart for You (Srdce pro Vás), which shares the stories of individuals and organizations in need, and provides readers with the opportunity to contribute.

In 2017, awards for achieving the UN Sustainable Development Goals (SDGs) were made in the Czech Republic for the first time. The goal of the SDG Awards was to raise awareness of the SDGs and motivate businesses, NGOs, public administration, and the public to incorporate sustainability into their everyday lives. The awards were jointly initiated by the Government Office of the Czech Republic, the Association of Social Responsibility, the UN Global Compact in the Czech Republic, the Ministry of Industry and Trade, the Czech Development Agency, and the UN Information Center in Prague.

**PUBLIC IMAGE: 2.5**

The public image of CSOs worsened in 2017 as a result of growing negative perceptions of CSOs both by the public and government officials.

In the fall of 2017, political campaigns in the run-up to parliamentary elections attacked the credibility of the sector. Some parties even made such criticism a central part of their platforms, accusing CSOs of not being transparent and acting against the interests of the country. The situation remained tense even after the elections, with the new prime minister questioning the amount of public funding going to CSOs. In addition, some of the candidates for the presidential election, which took place in January 2018, criticized civil society during their campaigns.

According to the Center for Public Opinion Research (Centrum výzkumu veřejného mínění), the perception of CSOs has deteriorated over the past few years. CSOs are currently trusted by just over a third of respondents, a decline of over 10 percent in the past three years. Meanwhile, the percentage of respondents that do not trust CSOs has increased from approximately 35 percent to over 55 percent over the past three years. Most people do not understand the role of CSOs in society. Many view CSOs as unproductive beneficiaries of government subsidies, whose activities are often contrary to society’s interests. In 2017, there was significant coverage of accusations of fraud against the chairman of the Czech Football Association. Such examples taint the reputation of the entire sector.

People who use CSO services have a more positive perception of CSOs. Often, however, people do not realize that the services they receive are provided by CSOs. The public still considers organizations that are well-known to be particularly trustworthy. Public media widely cover CSOs and their work; CSOs receive some coverage from commercial media as well. The media present both positive and negative news and information from and about CSOs, but coverage is shallow and issues such as migration, ecology, or subsidies are often politicized.
The media still consult NGO representatives as experts on specific issues. For the first time, Forbes magazine in the Czech Republic included information on charity and philanthropy in its ranking of the wealthiest people in 2017.

Local governments rely on CSOs to provide services for free or reduced cost and as a source of expertise. Large and medium-sized companies include CSOs in their social responsibility work and support specific topics or regions through them.

Many organizations of all sizes are very good at public relations, and make good use of their contacts with journalists, media, and celebrities. Public relations skills, however, are particularly weak among service providing organizations, which often do not see the importance of self-promotion, and do not have sufficient resources for such activities. CSOs use social networks extensively.

Most CSOs are legally obliged to publish annual reports, and while some still do not, the situation has improved in recent years. Large organizations usually prepare annual reports and use them as one of their main communications materials, so these reports are generally of a very good quality.

There are a number of ethical codes in the sector, most of which are focused on a specific field of work or issue, such as work with donors. There are also other self-regulatory mechanisms. The Seal of Reliability, administered by AVPO ČR, was established to provide potential donors and the public with confidence that a public benefit organization uses its funds transparently to fulfill its stated mission. Twenty-six organizations currently have the seal. The Donors Forum provides another evaluation within the Daruj správně portal (Donate Right), the Via Foundation verifies users of the Darujme.cz donation portal, and NROS awards Neziskovka roku (NGO of the Year).
Administrative reforms implemented in Estonia in 2017 reduced the number of local municipalities from 218 to 79. The reforms were aimed at improving the quality of services, but have created some confusion in the short term. For example, communication between individuals and those in power has been complicated because the responsible people and contact information at municipalities have changed.

Municipal council elections were held during the year, and for the first time, sixteen- and seventeen-year-olds were able to vote. While there is no data about actual participation rates, youth organizations organized debates and other related events with support from local municipalities in order to raise interest among youth in issues related to local governance.

Estonia held the Presidency of the Council of the European Union from July to December of 2017. During the presidency, Estonian CSOs played a leading role in European networks. CSOs were also able to organize events and discussions on such topics as the Eastern Partnership, equal rights, civic education, and civic space. These discussions were funded by the Estonian Government Office and managed by the National Foundation of Civil Society (NFCS). CSOs were also included in some important discussions—including on youth work and technology—but these did not lead to any concrete changes.

While overall sustainability did not change in 2017, deterioration was noted in the public image dimension. Media coverage was more polarized and CSOs felt that some politicians were more aggressive towards civic initiatives. For example, Tallinn Pride received quite a lot of negative attention and environmental concerns were met with a dismissive attitude from members of parliament and private sector representatives.

The legal environment governing the sector and the funding available to the sector have both failed to adapt to the needs of and developments affecting CSOs. CSOs’ main funding sources have been stable for years, and no new funding or grant opportunities became available during the year. Meanwhile, the consumer price index increased by 3.4 percent, and salaries increased by approximately 7 percent, making it harder for organizations to sustain their operations with existing resources.
Changes to the legal system are needed to promote CSOs' financial viability, including by raising the limit on deductible donations.

The number of registered CSOs increased slightly during the year. According to the Center of Registers and Information Systems' e-Business Register, there were 33,292 associations and 789 foundations as of December 2017.

**LEGAL ENVIRONMENT: 1.9**

The legal environment governing CSOs in Estonia did not change significantly in 2017, as CSOs' expectations for improvements in the legal environment were not realized. For example, despite CSOs' efforts, the decision-making process for distributing funds collected through the gambling tax is still not transparent.

CSOs in Estonia can register easily: just two people are needed to register an organization and registration can be completed online. CSOs operate freely and can address matters of public debate without harassment. The law details a diverse scope of activities for CSOs, and allows organizations to develop their own internal governance rules. The legislative and regulatory framework provides some special provisions for CSOs, such as tax incentives for public benefit organizations, regardless of their affiliation or the nature of their activities.

CSOs that act in the public benefit and engage in charitable work can apply to be included in the list of public benefit associations and foundations, which currently includes approximately 2,410 entities; political parties, professional organizations, and business associations are not eligible for this status. Individuals can deduct the amount of donations to public benefit organizations from their annual personal incomes up to a total of €1,200 a year. Legal entities can make tax-free donations to eligible CSOs up to 10 percent of their previous year’s profits or up to 3 percent of their personnel costs during the current year. In 2017, the government took steps to simplify the process for inclusion in the register of public benefit organizations, transferring responsibility for this decision from an expert committee to the Tax Board. This is expected to expedite the process of being added to the registry, which previously took a year.

The government failed to initiate new incentives to encourage the growth of private donations in 2017. Limits for tax benefits have been unchanged or even reduced over the years and the available incentives do not encourage large donations or strategic philanthropy. The legal framework also fails to encourage more innovative funding options, such as social investment bonds or investments in social enterprises.

There was a minor positive change to the tax law in 2017—the daily allowances that volunteers receive during assignments abroad are now free of taxation.

CSOs are allowed to earn income through the provision of goods and services, and to compete for government contracts. Changes to the procurement legislation were introduced in 2017 that allow public offices to consider social value as a criteria when selecting service providers. Additionally, the revised law allows contracts to be provided to work integration social enterprises and other service providers in order to improve employment prospects of the most marginalized in society. The new procurement system also increases the threshold at which procurement processes must be followed, which reduces bureaucracy and allows the government more flexibility in allocating resources. At the same time, there are still procurements in which CSOs are unable to take part because the criteria set are difficult for them to meet.
There are very few people with specific CSO legal knowledge that are able to represent CSOs in court. The Network of Estonian Nonprofit Organizations (NENO) provides some legal support and advice, but CSOs in regional centers find it difficult to access even basic legal advice. In contrast to professional advocacy organizations, service providing CSOs rarely have the legal expertise or financial resources to effectively defend themselves in court, for example, to contest procurement decisions. As a result, CSOs often seek media attention about such incidents instead of turning to the justice system.

**ORGANIZATIONAL CAPACITY: 2.5**

The organizational capacity of CSOs did not change significantly in 2017, although the gap in capacity between professional CSOs and other organizations that have not invested in their development has increased slightly. Few CSOs invest significantly in professional training or upgrades in their equipment, even though they are increasingly expected to become professional service providers. Organizations that have received funding from the NFCS tend to have better capacities.1

Transparency governed and capably managed CSOs are active across a variety of sectors and regions. A majority of organizations have defined missions and use strategic planning techniques. Professional CSOs are able to maintain permanent, paid staff and have adequate human resources practices. However, the majority of CSOs do not have paid staff and fail to implement their strategies, instead making their programmatic decisions based on funding opportunities. An increasing number of CSOs outsource professional services. Volunteerism is increasing, with public institutions organizing volunteer events and people campaigning for employers to give their employees at least one paid day of leave to engage in charity actions. The practice of engaging professional volunteers has also become more widespread. According to the 2017 World Giving Index, 22 percent of respondents in Estonia reported participating in voluntary action during the reporting period in 2016, a significant increase from 13 percent the previous year.

CSOs often depend on project-based funding. As a result, when funding ends, staff also change, inhibiting organizational development. For example, when NENO implemented a program to help twenty-five CSOs better plan and execute advocacy activities, changes in staff hampered the program’s effectiveness. More CSOs and initiatives are thinking about improving their management systems to be more sustainable, particularly in terms of integrating future staff and involving more volunteers. For example, programs like Changemakers Academy (for young social entrepreneurs), Superheroes (a leadership program for girls), and Community Practice all target youth in order to increase the number of active citizens in the future.

In general, Estonian CSOs are able to reach their target groups and constituencies. However, there are gaps. For example, only a few CSOs target and advocate for the needs of elderly people. While these CSOs have cooperated with the Ministry of Social Affairs for years, the ministry offers no funding, most elderly people are not financially well off enough to pay for services, and CSOs do not have the capacity to develop services without any outside support, limiting their outreach and impact.

Most CSOs have access to relatively modern equipment that allows them to do their work efficiently, although only a few CSOs have sufficient digital skills to utilize the full potential of ICT. In 2017, NENO started implementing a program to build the capacity of CSOs to use technology to increase their impact. Interest in this area is high and more than 230 CSOs actively participated in the webinars provided by NENO in 2017. The program will continue in the first half of 2018.

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1. Over the past 10 years, 650 organizations have received funding from NFCS.
The CSOs sector’s financial viability did not change significantly in 2017. However, while funding opportunities have remained largely stable, the sector’s needs have grown and salaries and other costs have increased.

Most CSOs have multiple sources of funding. CSOs raise most of their funds from local sources, including public budgets, corporate and individual philanthropy, and earned income.

In 2017, the Center for Applied Social Sciences, in cooperation with NENO and with funding from the Ministry of Interior, put together an online database with information on the public funding available to CSOs. The database, which is based on information from government agencies and CSOs’ annual reports, is a work in progress, but the platform provides useful information on the current funding situation for CSOs, donors, and other stakeholders, and confirms that public funding constitutes the main source of CSO funding.

Individual donations to CSOs have grown, while support from public institutions has remained stable. According to the most recent information available from the Tax Board, just 4 percent of CSOs reported that they received donations from individuals and companies in 2016. Of the €33.6 million CSOs raised through donations in 2016 (compared to €31.4 million in 2015), 40 percent were anonymous donations, 28 percent were donations from companies, and 31 percent were donations from private donors. CSOs increasingly raise funds through crowdfunding. In 2017, 15,815 individuals contributed a total of €524,763 to 126 civil society projects through the portal Hooandja. According to the 2017 World Giving Index, 22 percent of respondents in Estonia reported donating to charities in 2016, compared to 20 percent the previous year. There are still no signs of growth in corporate philanthropy.

Public funding is increasingly distributed through procurements, rather than grant-funded projects. While procurements allow CSOs more flexibility in how they spend their funds, they generally put more emphasis on price than the quality of services. In addition, procurements often offer too little funding to allow CSOs to develop their services further. CSOs have advocated for changes in the public funding system, such as increasing the transparency of the decision-making process for funds collected through the gambling tax. However, such changes are not high priorities for the government.

NFCS’ budget has remained the same—just below €3.5 million—for several years. NFCS provides funds in almost all areas in which CSOs work. During the past ten years, it has supported 1,379 projects implemented by 650 CSOs. NFCS funds are very competitive, with many applications received for a limited number of grants. In addition to NFCS’s standard grants, it occasionally supports activities that address urgent needs in society. For example, in 2017, some NFCS funds supported CSOs focusing on creating better working conditions for people with disabilities.

The number of international funding opportunities and grants has decreased, and the number of organizations that can access international funding opportunities remains limited. For example, the long-awaited resumption of the EEA/Norway grants will not happen until late 2018 or early 2019. International funding tends to be project-based and therefore does not contribute to organizational sustainability.

Membership fees, revenues from products and services, and rent from assets supplement the income of most CSOs. Many social enterprises depend on government procurements, which limits their long-term sustainability. There are very few alternative sources of funding for social enterprises.

Very few CSOs employ financial advisers or managers. Larger organizations undergo independent audits and publish annual reports with financial statements on their websites. Financial reports are accessible through the Register for a small fee.
Estonian CSOs continue to demonstrate strong advocacy capacity, frequently speaking out on issues affecting civil society, their constituents, and society at large. At the same time, pop-up activism—in which people engage in activism without any ties to formal organizations—has become more popular, particularly for environmental and feminist issues.

Direct lines of communication between civil society and policy makers were established in 2002 when the parliament adopted the Civil Society Development Concept (EKAK). Since then, formal mechanisms have been created to ensure that the policy development process is open and consultations are accessible. For example, every ministry has a coordinator focused on involving CSOs in decision-making processes. However, CSOs complain that involvement structures do not always function properly; political will and leadership for improving participation policies are weak; and government committees have no real legitimacy or influence. In particular, CSOs expect the public sector to engage them earlier and to facilitate ongoing dialogue. In addition, the government often treats inclusion as a formality and the proposals made by CSOs may not be taken into account.

Youth were a particular focus in the 2017 local elections, as this was the first time sixteen and seventeen years could vote. The Ministry of Education assembled a youth council through which several CSOs and public institutions worked together to engage in advocacy and put together a youth development plan.

There are several ways for CSOs and individuals to influence the legislative process. The Citizen Initiative Portal rahvaalgatus.ee, coordinated by Estonian Cooperation Assembly, enables individuals to write proposals, organize discussions, and compose and submit digitally-signed initiatives to the Estonian Parliament. Parliament must consider proposals that receive at least 1,000 signatures of support from citizens aged sixteen and older. The government’s central information channel—the e-Consultation System—provides a mechanism for inter-ministerial coordination of documents, the submission of documentation to the government and the parliament, as well as public consultation. In addition to internal documents, legislative proposals from the EU and other documents related to the decision-making processes of the EU are available on this system.

Several broad-based advocacy campaigns in 2017 created change or initiated vital discussions on issues like the environment, the legal rights of same sex couples, and city planning issues. Animal rights activists successfully advocated for a legislative ban on the use of wild animals in circuses in Estonia. Human rights and LGBT groups effectively organized Tallinn Pride and successfully registered a same-sex couple as married in the citizens’ register. Advocacy organizations believe that campaigns are more effective when professional volunteers with public relations or other skills are involved and when the issue is linked to the government’s agenda.

On the local level, advocacy actions take a friendlier, more constructive, and more personal form. At the same time, however, local CSOs report more selective responsiveness. With the administrative reforms implemented in 2017, local CSOs reported that they were being included more in policy-making processes. For example, a municipality in southern Estonia called Rõuge engaged several CSOs to restructure youth work in the region. Rõuge was also granted an award for being the most youth-friendly municipality in 2017 by the Ministry of Education and Research. However, such practices are still uneven.

The biggest obstacle CSOs face in their advocacy initiatives is a lack of resources. CSOs that are service providers find it particularly difficult to advocate for change because they tend to depend on the government for funding. In addition, many CSOs still lack the ability or ambition to mobilize citizens around their issues. CSOs also face problems explaining the need for regulatory changes to the public and politicians.
For example, NENO has been campaigning against pork barrel politics—the use of public funds for projects designed to please voters or win votes—for years. Although the campaign was especially intensive in 2017, it only collected around 600 signatures in the citizen initiative portal.

There were few advocacy initiatives focused on improving the legal environment for CSOs during the year; beyond efforts to change the decision-making process for distributing funds under the gambling tax act.

In 2016–2017, the Government Office convened a task force to develop recommendations for innovative approaches to improving cooperation between public offices and CSOs. The task force’s recommendations included training public servants and CSOs on cooperation during public policy development; incorporating more co-creative and innovative ways of working into everyday practice; decreasing bureaucracy; developing more ICT solutions for process analysis and to raise service quality; and implementing more activities that prioritize social values.

### SERVICE PROVISION: 2.3

CSOs continue to provide a wide range of goods and services in a variety of fields, including basic social services (such as health, education, and welfare), as well as youth work, culture, sports, and other recreational activities on the local level. Many CSOs deliver products beyond basic social services in sectors such as environmental protection or democratic governance, and some share their know-how with other countries, primarily Eastern Partnership countries. CSO services generally reflect the needs and priorities of communities, which CSOs determine through feedback from their target groups.

CSOs have limited resources to market their products. Nonetheless, CSOs market some products, such as trainings and expert analyses, to other CSOs or the government. CSOs have sufficient knowledge of the market demand for their services, and some are able to cover their costs, or even make profits that they can invest in their further development. The national procurement system allows the government to contract the provider offering the lowest price and to set a price limit that the services cannot surpass. This often leads to situations in which services are provided below cost. As a result, CSOs often face difficulties accepting longer-term contracts because of the risks of assuming responsibilities and not covering costs.

It is unclear if the government, at the national or local level, recognizes the value that CSOs add in the provision and monitoring of social services, as value is often interpreted to mean the lowest price. Local administration reform was finalized in 2017, but it has taken longer than expected for the new municipalities to start working efficiently. As a result, there were few new opportunities for CSOs as service providers in 2017.

### SECTORAL INFRASTRUCTURE: 1.6

The infrastructure supporting the sector did not change significantly, although the closure of county administration offices at the end of the year created a great deal of confusion and uncertainty. For example, the future of the Local Self-Initiative Program, a state-funded grant program for small-scale community projects managed by these offices, was uncertain until its continuation was announced at the beginning of 2018. At the same time, CSO resource centers at the county level remained operational and the reforms had little effect on their work.
Rural areas have a relatively strong infrastructure. Several projects have brought technical equipment to villages, built community houses, and empowered small enterprises—mainly in order to support employment. For the period 2014–2020, the total budget for twenty-six regional LEADER programs, which will benefit tri-partite partnerships consisting of CSOs, local municipalities, and private companies, is €90 million.

NFCS is the only grant-making organization in the country focused specifically on building the capacity of the sector. Despite the fact that salaries and other costs have increased significantly, the foundation’s core budget has not changed in the last decade.

CSOs work together and share information through networks and coalitions, although these are difficult to manage and sustain, particularly when they engage organizations of different size, funding, and professionalism. Sectoral interests are largely promoted by umbrella organizations, which have defined rules for consulting with their members and constituencies to preserve legitimacy in policy development. These groups also empower their networks by providing financial or legal advice.

Many trainings and capacity building programs are offered to CSOs. The majority of trainings are provided by local trainers, many of which have personal experience in the field. Trainers travel to all regions of the country. In 2017, more advanced trainings were organized on such issues as fundraising and volunteer management. Kodukant, the Estonian Village Movement, runs Gate for Volunteers, a website that facilitates the recruitment of volunteers for various events. Training materials are available in Estonian, as well as Russian. Estonian CSOs also provide training and other capacity-building services in other countries, mainly Ukraine, Moldova, and Georgia. While CSOs have many opportunities to increase their knowledge and skills, they struggle to implement these skills in their daily work.

Several capacity-building programs were implemented in 2017. For example, the Good Deed Foundation implemented the NULA program, which functions as an incubator for new social initiatives; NENO provided advocacy skills training for twenty-five CSOs; regional development centers offer information, training, technical assistance, advice and cooperation opportunities throughout the country; and NFCS coordinates the network of regional development centers, which provide advice and information regarding funding and other issues.

CSOs continue to establish and maintain various intersectoral partnerships, including with businesses. Several CSOs, businesses, and public organizations have signed the Estonian Diversity Charter, in which they confirm that they respect human diversity and value the principle of equal treatment among their employees, partners, as well as clients. In 2017, NENO named Rimi, one of the largest grocery chains in the country, the business of the year for their social impact programs. There are also several joint philanthropy campaigns.

PUBLIC IMAGE: 2.0

The sector’s public image deteriorated slightly in 2017 as a result of increased negative media coverage and attacks on CSOs by politicians.

In 2017, populist politicians and liberal democrats in the parliament publicly attacked some CSO representatives, primarily for their financial dependence on state institutions.

While media coverage is generally plentiful and positive, there was more negative media coverage of CSOs during the year. For example, a TV show reported on a CSO that used donations made to purchase an incubator for premature children for other purposes. Coverage was also provided of the Food Bank throwing away food donations.
However, this negative coverage also provided CSOs with an opportunity to explain why these situations occurred and in the case of the Food Bank, people spoke up in support of the organization. Some media coverage also validated the opinion that civic activists are aggressive. For example, an incident in which activists tried to stop a tree from being cut down attracted a fair amount of negative press.

Despite these incidents, CSOs generally benefit from good media coverage. Local advocacy CSOs, in particular, find it easy to gain coverage. For example, plans to develop the Nursipalu defense center into a high-quality outdoor training facility met with a lot of resistance from the local population. Despite the fact that this affected a fairly small community near the country’s sparsely populated southern border, the resistance, which was organized by a small village association, received a lot of media attention. As a result, the national defense committee organized a meeting with the community to discuss its concerns and identify compromise solutions, including measures to reduce noise and assign land to a nature reserve.

Organizations providing services, on the other hand, do not often get coverage. One exception to this in 2017 was the media attention focused on a procurement that resulted in several working women’s shelters having to close down; that procurement was later revised in court. The media does not provide much analysis of the role of CSOs. In addition, media coverage tends to focus on individuals and personal stories, rather than CSOs.

The public’s attitude towards CSOs is still generally positive, and public knowledge about civic activism in general is growing. According to the International Civic and Citizenship Study (ICCS), published by the International Association for the Evaluation of Educational Achievement (IEA) in 2017, institutional trust and democratic values has become stronger. However, some people are still not aware of the role of CSOs and do not see the need to support CSOs.

The business sector and local and central government officials have a relatively positive perception of CSOs. Public officials consider CSOs as a source of expertise, and many local governments and government offices have developed long-term cooperation with CSOs.

CSOs strive to publicize their activities and promote their public image, and some have developed relationships with journalists or know how to approach media in a professional manner. However, few CSOs are good at public relations. CSOs’ lack of communication skills makes it very hard to attract media attention. CSOs widely use social media for public outreach.

A code of ethics for CSOs has been promoted since 2002. Annual reports are either available on organizations’ websites or are publicly available for a small fee. By the end of the year, ninety-four organizations had subscribed to the Good Practice of Fundraising, a self-regulation tool to improve transparency in fundraising.

Public debate in Georgia in 2017 was focused on the country’s strict drug prohibition laws, freedom of the press, constitutional and local government reforms, and extreme air pollution, among other national issues. CSOs were increasingly at the heart of these discussions, and engaged in coalition efforts against some of the most pressing challenges and policy developments during the year.

Local government elections were held in October 2017. The ruling party won the majority of positions, including the mayor of Tbilisi. According to leading election watchdog organizations that actively monitored both the pre-election environment and the voting process, the elections were mostly conducted peacefully.

In March 2017, the European Union (EU) granted Georgia visa-free travel, enabling biometric passport holders to enter the Schengen area visa-free for ninety days within any 180-day period for a holiday, business, or any other purpose besides work. The country continued to be highly polarized, however, in its attitude towards the EU. While overall support for accession to the EU remains high, widespread disinformation has contributed to the major decline in public trust towards the EU as an institution in Georgia. Growing anti-European propaganda has vilified Europe and its liberal values, as well as local CSOs and international organizations, for their allegedly anti-Georgian agenda. According to the Caucasus Barometer, an annual survey conducted by the Caucasus Research Resource Centers (CRRC), trust in the EU has dropped from 42 percent to 33 percent over the last five years.

According to Geostat, Georgia’s official statistics service, unemployment in Georgia is about 14 percent. Average monthly pay in 2016 was GEL 940 (approximately $375). Only CSOs that are financially stable, the majority of which are concentrated in Tbilisi, can afford to offer the competitive salaries needed to attract and retain staff. Regional CSOs, on the other hand, struggle with frequent gaps in funding that make it difficult for them to compete on the labor market.

There are more than 26,000 “non-profit, non-commercial” organizations registered in Georgia, a country of just 3.7 million, mostly because of the extremely complicated liquidation procedures that discourage defunct organizations from closing. Registration, on the other hand, remains very simple, fast, and efficient. It is difficult to estimate the number of functional and financially viable CSOs. The majority of well-developed CSOs are concentrated in the capital city, Tbilisi, while regional CSO capacities continue to be limited.
LEGAL ENVIRONMENT: 3.3

The legal environment governing civil society is generally favorable, although it does not provide sufficient incentives or mechanisms to support CSO sustainability. Despite continuous lobbying efforts by CSOs—both individually and in coalitions—to introduce legislation that is more enabling, the legal environment has not changed significantly in recent years.

CSO registration is very quick and easy. Registration can be completed in just one work day and costs GEL 100 (about $40), with optional same-day registration for GEL 200 (approximately $80). There is no minimum number of founders and templates for required documents, such as statutes, are publicly available and easily accessible. Liquidation procedures, however, are lengthy and complicated, which results in many defunct organizations that exist only on paper. CSOs in Georgia generally operate freely under the law. There were no reported cases of administrative harassment in 2017.

CSOs enjoy a few important tax exemptions for non-profit activities, including on membership fees and property taxes. Only a few CSOs own property, though, so this tax benefit is largely irrelevant to most of the sector. CSOs are eligible for VAT refunds, and VAT refund procedures have been significantly improved and simplified over the last few years. As a result, CSOs now request VAT refunds from the tax authority more frequently. Funds from some donors—including the EU and US—are released from VAT altogether based on agreements with the government of Georgia.

Organizational capacity deteriorated slightly in 2017, and remains a critical challenge for Georgia’s CSO sector. The majority of donors prioritize program and activity funding over institutional strengthening. Limited access to institutional funding and organizational development opportunities produces a risky dependence on what local CSOs refer to as “traditional donors.” It also undermines CSOs’ potential for constituency building and makes them more donor-driven, further enabling the anti-Western propaganda that is tarnishing their credibility. Donors normally solicit local CSO input when determining funding priorities and CSOs have long adopted participatory approaches to program planning, in which they actively involve their constituencies in both program design and implementation. In general, however, CSOs and the public believe that local organizations have a limited say in what areas are covered by available funding.

The majority of CSOs have clear missions. They rarely engage in strategic planning, at least formally, as they lack the necessary resources, incentives, and skills to do so. In addition, strategic planning is deterred by CSOs’ dependence on foreign donor funding and the fast-changing operational context, especially in the regions, where CSOs face greater institutional and financial challenges.

Corporate donors, as well as sole proprietorships (referred to as “individual entrepreneurs” in Georgian law), are able to deduct up to 10 percent of their taxable incomes for charitable donations. Individual donors do not receive deductions for charitable donations.

There are no legal impediments to CSOs competing for government or foreign funding. CSOs can engage in economic activities, but are taxed at the same rate as commercial organizations.

Legal capacity among CSOs remains limited both in Tbilisi and the regions. Only a handful of local CSOs provide free legal services. CSOs can also access legal assistance through the state legal aid service.
Only a few larger, more developed CSOs are able to minimize or eliminate the gaps between funded projects and therefore retain staff and sustain the quality and reach of activities and services that they provide. The majority of CSOs, especially in the regions, struggle with training and retaining staff, and remain one-person organizations, in which institutional viability is strongly interlinked with their leaders. Many CSOs utilize the services of volunteers, but volunteerism is still limited. According to the 2017 Caucasus Barometer, only 23 percent of respondents reported that they had volunteered in the past six months, up from 19 percent in 2013. Only a few CSOs have functional boards of directors, while the majority maintains them only as a formality to meet donor requirements.

Modern technologies, both hardware and software, are a luxury among local CSOs. According to CSOs, most donors prefer to fund project activities, rather than equipment updates or other institutional support. CSOs can access software through Microsoft and TechSoup, either for free or for a small fee, but few organizations are aware of these opportunities. A standard license for Microsoft Office, for example, requires a one-time fee of $29 through Techsoup.

**FINANCIAL VIABILITY: 5.0**

Financial viability remains a significant challenge for CSOs.

Foreign governments and development agencies continue to provide the overwhelming majority of program funding for CSOs. Many international CSOs, primarily based in the US or Europe, exist in Georgia’s development market and often outcompete local CSOs to secure large portions of foreign donor funding. Only a few organizations are able to compete successfully against international CSOs. To mitigate this issue, donors sometimes limit the eligibility for their calls for proposals to local CSOs, or require partnerships with local CSOs, often with those that are based in the regions.

Alternate sources of CSO income are mostly unexplored. Current legislation does not provide sufficient incentives to encourage philanthropy, and is not fully conducive to the economic activities of CSOs. Businesses also abstain from engaging with the sector because of their declining trust towards CSOs. Ongoing CSO efforts under the USAID-backed Corporate Social Responsibility (CSR) Club, for example, promote closer connections between CSOs and businesses, but tangible results have yet to be realized. Individual giving also remains limited. Georgia was ranked 135 out of 139 countries in the 2017 World Giving Index, down from 120 the previous year. Only 6 percent of respondents in Georgia reported that they had donated to charities during the reporting period in 2016, down from 10 percent in 2015.

State funding continues to grow as a source of income for CSOs, a positive trend that began a few years ago when select state agencies were authorized to award grants to CSOs. The list of authorized government offices continues to grow, yet the scale and scope of funding is still insufficient to significantly affect the sustainability of the sector. According to the Civil Society Institute (CSI), the state funding system lacks
uniform legislative standards. The CSO sector still criticizes the transparency and fairness of the selection process. Among other drawbacks, CSOs express fears that state funding may be politicized and that authorities may exert influence over grant recipients, thereby effectively discouraging some CSOs from actively seeking state funding.

According to a report by CSI, although the Law on Grants does not allow local governments to award grants, local governments can award “program funding” to CSOs, which according to CSI, is technically identical to state grants. It is important for local CSOs that local governments be granted the legal authority to award grants, which is anticipated to become an important source of income for regional CSOs. According to the data collected by CSI, the municipality of Tbilisi allocated GEL 3,126,250 (approximately $1,250,000) to CSOs in 2017. As a comparison, the Central Election Commission’s Center for Electoral Systems, one of the largest state donors, provided more than GEL 10 million (about $4.2 million) in total funding for local CSOs between 2010 and 2017.

Some government agencies, especially health and education offices, outsource different services to CSOs. The overall scope of these partnerships remains limited, however, and does not affect the sustainability of the sector. Despite the efforts of several CSOs and donors, social entrepreneurship has not yet developed in Georgia, partly due to the lack of an enabling legal environment. Only a handful of developed organizations are membership-based and collect membership fees.

An increasing number of institutionally developed and sustainable organizations use advanced financial accounting and management software. Others generally lack skills and resources to implement similar solutions. Only financially capable CSOs can afford to undergo external audits, either annually or biennially, which many donors now require. CSOs usually make their audit reports publicly available.

ADVOCACY: 3.7

CSOs made significant advances during the year in making their voices heard as they engaged and often shaped national discussions on some of the most critical issues in the country.

Georgian politicians and authorities are generally open to collaboration with CSOs. Many central and local government offices create joint working groups and convene consultation meetings with both international organizations and local CSOs. These partnerships often fail to lead to tangible results, however, as the process can be merely a formality. For example, the parliament of Georgia invited CSOs to participate in major constitutional reform processes in 2017, but CSOs eventually left the consultations as the parliament “failed to accept and acknowledge any of CSOs’ concerns and contributions.” In contrast, the new Public Defender, approved by the parliament in 2017, was one of four candidates proposed by CSOs.

CSO coalitions and campaigns have been able to yield positive impact on some of the most pressing human rights issues. In 2017, for example, CSOs actively rallied against the controversial Supreme Court decision to return ownership of Rustavi 2, the country’s largest independent TV station, to its former co-owner, which critics at home and abroad called an attempt to silence the media. Thirty-four CSOs appealed to the European Court of Human Rights (ECHR) to suspend enforcement of the court’s decision. On March 3, 2017, ECHR ruled that the enforcement of the Supreme Court’s decision of March 2, 2017 should be suspended and that the “authorities should abstain from interfering with the applicant company’s editorial policy in any manner.” In addition, CSOs actively pressured the government on other high-profile cases, such as the abduction of Azerbaijani journalist Afgan Mukhtarli from Tbilisi and his subsequent detention in Azerbaijan. CSOs also gathered around the civil movement
to abolish the country’s radical drug prohibition laws. This movement made significant advances in 2017 when the Constitutional Court voided the article that set imprisonment as a penalty for personal consumption of marijuana in small quantities.

Several CSO projects and initiatives aim to detect and counteract the strengthening anti-European propaganda in Georgia. Twenty leading local CSOs launched the Coalition for Euro-Atlantic Georgia in 2016. The Anti-Western Propaganda Monitoring Report, implemented by the Media Development Foundation (MDF) under the USAID-funded Promoting Integration, Tolerance and Awareness Program, monitors anti-Western messages and disinformation disseminated by Georgian media outlets, politicians, clergy, and other sources.

In November 2017, the government announced and quickly launched major structural and staff changes. CSOs generally welcomed the reform as a promising bureaucratic cost-cutting initiative. However, they voiced their concerns over the government’s decision to merge the Office of the State Minister on European and Euro-Atlantic Integration into the Ministry of Foreign Affairs, calling the abolishment of this office without consultations “unacceptable.”

The Open Parliament Partnership continues to be a successful example of partnership between the state and CSOs. According to the parliament’s 2017 annual activity report, it has fully implemented thirteen and partially implemented eleven out of twenty-four commitments described in the Open Parliament Action Plan 2017. In 2017, Georgia also began its Chairmanship of the Open Government Partnership, around which the Open Government Forum – Georgia mechanism coordinated the participation of citizens by fostering dialogue between the Government, CSOs, and the public.

CSOs actively participated in the monitoring of local government elections in October. According to the Central Election Commission, seventy-one CSOs were registered as election observers, although some of these were registered by political groups as proxies for this purpose.

Decentralization processes long-advocated by CSOs were initiated in 2014, but then the parliament voted to reduce the number of self-governing cities a few months before the 2017 local government elections. CSOs harshly criticized this decision.

CSOs continually lobby for legislation that is more enabling for the sector; although such efforts rarely lead to significant changes. In 2017, CSOs revived their long-standing efforts to push for legal and procedural reforms of state grants. The proposed reform, led by CSI, aims to equip local governments with the legal authority to award grants and to make state awards more fair and efficient.

**SERVICE PROVISION:** 4.1

CSOs provide a limited range of services in organizational development, health, education, environment, social welfare, and other areas. Many CSOs are involved in operating daycare centers, shelters for elderly individuals and persons with disabilities, and other welfare services, often with state funding that is made available through the Ministry of Labor, Health, and Social Affairs, Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia, and other specialized government offices.

CSO services usually respond to constituents’ needs, which are identified through baseline studies and needs assessments. As media focuses on covering the work of CSOs in elections, human rights, and governance, however, the public perceives the work and agendas of CSOs as only remotely relevant to their immediate socio-economic needs. Many donor-funded projects...
implemented in partnership with local CSOs target rural populations, who are predominantly self-employed in agriculture, to provide training, equipment, and other empowerment and technical assistance services. For example, the USAID-supported Restoring Efficiency to Agriculture Production (REAP) project, a five-year initiative that secures investment and technical assistance for small farmers, is generating immediate impact in terms of increased output, sales, and jobs for the local population.

Few CSOs market training, research, and other consulting services to businesses, government, and CSO clients. Foreign donors and umbrella projects remain the largest purchasers of these services, which they usually procure on behalf of government offices, CSOs, or other final beneficiaries. Businesses and government offices rarely procure CSO services. Few CSOs engage in economic activities to cover the costs of services as they lack tax incentives, qualified staff, and unrestricted income to invest in developing such services.

In general, politicians and authorities recognize the value of CSOs and the services that they provide. Attitudes and practices, however, vary significantly along with frequent leadership and staff changes.

**SECTORAL INFRASTRUCTURE: 4.3**

The infrastructure supporting the CSO sector remains extremely underdeveloped. Only a handful of support services exist, the majority of which are concentrated in Tbilisi. The USAID-supported Centers for Civic Engagement (CCEs) continue to be the single most important element of the limited sectoral infrastructure. CCEs provide CSOs with meeting halls, conference rooms, computer labs, and library resources. With USAID funding, the Center for Training and Consultancy (CTC) provides capacity development assistance to local CSOs. There are only a few local grant-making organizations, including the Europe Foundation and Open Society Georgia Foundation, which re-grant foreign funding to local CSOs. In addition, there are several online resources available, including www.cso.ge, which provide relevant resources and regular updates on the sector.

Donors have prioritized CSO networking and coalition building for several years in a bid to strengthen the inclusiveness and sustainability of their efforts. This has resulted in a number of issue-based CSO coalitions, such as the USAID-funded Coalition for Independent and Transparent Judiciary. Many of the resulting thematic networks and coalitions, however, are short-lived and exist mostly as a formality after funded projects end.

Private companies and CSOs offer a wide range of quality trainings, but CSOs can rarely afford them. Donor agencies often organize training in financial management, accounting, reporting, and other technical skills for their grantees. Large umbrella projects occasionally provide capacity building in fundraising, strategic planning, communications, volunteer management, or other areas. CTC delivers a five-month Nonprofit Management Program (NMP) aimed at enhancing the leadership skills of senior and mid-level CSO managers. To date, seventy-seven CSO leaders have completed the NMP.

Businesses show little or no interest in exploring partnerships with CSOs. Poor awareness of CSO work, as well as the perceived politicization of the sector, exacerbates the rift between the two sectors. The USAID-supported CSR Club, which now includes eighty members from CSOs, businesses, and academia, continues to bring the sectors closer together through meetings, consultations, training, and other opportunities. Universities, both public and private, often collaborate with CSOs on educational projects and initiatives. Several graduate and undergraduate programs have been created through such donor-backed partnerships over the last several years, such as the USAID-supported graduate program in Public Policy Administration at Ilia University, one of the largest public universities in Georgia. Ilia University organizes policy conferences and discussions that bring together representatives of academia, civil society, and government. In addition, Ilia University established the Public Policy Research and Training Center, one of the first active university-based think tanks in Georgia.
The CSO sector’s public image improved in 2017. CSOs continued to increase their visibility by fostering CSOs continued to be at the center of media attention during the year because of their role in local government elections and high-profile stories, such as the dispute over the ownership of Rustavi 2. Increased air time, however, did not improve the sector’s public image or increase public trust towards CSOs. According to the Caucasus Barometer, public trust in CSOs remained low at 23 percent, similar to the level in 2016 and approximately the same level of trust enjoyed by the judiciary system (24 percent).

According to MDF’s Anti-Western Propaganda Monitoring Report for 2017, almost 2,000 anti-Western comments were detected in the seventeen media outlets monitored in 2017. According to the report, negative comments against non-governmental organizations tripled in 2017, while negative comments about the EU have doubled since 2016. The highest share of negative comments (25.9 percent) were directed towards the United States, an increase of almost three times from the previous year, followed by NATO (18.4 percent) and the West (14.1 percent).

According to NDI’s Public Attitudes Survey of December 2017, implemented by CRRC, Georgians think the most important national issues are jobs (54 percent), rising prices and inflation (35 percent), poverty (30 percent), and pensions (25 percent). These social issues dwarf the relative importance of human rights (10 percent), fair elections (5 percent), freedom of speech (4 percent), and minority rights (1 percent). As many of the larger CSOs concentrate on democracy and human rights issues, communities find the work of CSOs and their agendas, at least as presented by the media, to be largely disconnected from their needs. Only a small portion of the public views CSOs as a credible and desirable source of information on various topics. For example, just 12 percent of respondents in NDI’s survey mentioned CSOs that observe elections among those “whose opinion do you think matters most, when it comes to deciding whether elections have been run well.” According to the 2017 Knowledge and Attitudes toward the EU in Georgia study by CCRC, only 1 percent of respondents answered positively that they “would like to get information from Georgian NGOs, including their websites.”

A handful of online resources seek to improve the visibility of CSOs and their work. The Civil Society Portal www.cso.ge, created within the USAID-funded Advancing CSO Capacities and Engaging Society for Sustainability (ACCESS) project, provides CSO news and regular updates, research reports, and other resources. It also operates a Proactive Base of Transparency, in which many of the leading and best-known CSOs provide detailed breakdowns of their funding. Such resources, however, are rarely used by members of the public.

Both local and national media are relatively open to partnerships with CSOs, especially on popular social issues such as welfare, consumer rights, and safety. Online media entities, such as Civil.ge or Liberali.ge, also actively cover CSO campaigns and advocacy efforts. The frequent movement of staff between the government and nonprofit sectors, however, continues to support the perception held by the media, government, and businesses that CSOs are politicized. This also hinders efforts to build closer relationships between CSOs and businesses. CSOs increasingly and successfully utilize social media as an instrument for outreach, which has expanded CSOs’ reach and engagement with the public.

In 2017, over 200 CSOs participated in discussions on the guiding principles of CSOs, organized by CSI. These discussions resulted in the publication of Declaration of Key Principles of Civil Society Organizations of Georgia, which outlines sixteen guiding principles for CSO work. The document was developed and signed by CSOs. Very few CSOs publish annual reports. Generally, only large CSOs can afford external audits, and they usually publish their audited financial statements online.
Democratic practices in Hungary have been continuously deteriorating for the past few years. This trend—never before seen in a member state of the European Union—has manifested in many areas of public policy, including media regulations curbing press freedom, efforts to weaken the judiciary, and increased central control over public education. These efforts continued in 2017.

Although general elections are not scheduled to take place in Hungary until April 2018, 2017 was characterized by continuous political campaigning and increasing political clashes. In this atmosphere, CSOs came under increased pressure again after a somewhat quieter 2016. Especially during the second half of the year, government propaganda singled out philanthropist George Soros and his “network” (i.e., organizations supported by or linked to the Open Society Foundations) as the proclaimed “enemy” because of his alleged plan to introduce millions of immigrants to Europe, thereby threatening the integrity of the nation.

In April, in the course of just a few days, the government pushed through parliament an amendment to the Act on Higher Education that threatened to shut down the Soros-founded Central European University (CEU) of Budapest by prescribing obscure conditions that are impossible to meet. This, together with the government’s increasingly hateful and fear-mongering rhetoric, triggered a wave of mass protests in the spring, with several demonstrations and marches bringing tens of thousands out to the streets, mainly in Budapest. The harassment of and restrictions on civil society were among the many themes of these protests. However, as the summer holiday period approached, the protests dried up, continuing only on a much smaller scale. CEU continued to operate at the end of the year, although its future remains uncertain.

In addition to the “Soros campaign,” preparations for the 2018 elections dominated public discourse in the fall. The government launched a “national consultation,” sending questionnaires to all citizens of voting age purportedly to ask their opinions on immigration. The wording on the questionnaire, however, was strongly distorted to support the government’s anti-immigration stance and included leading statements and lies, some of which affected CSOs.
For example, it stated that Amnesty International and the Hungarian Helsinki Committee want migrants to receive lighter sentences for the crimes they commit than Hungarian nationals. At the same time, the five opposition parties on the left side of the political spectrum were engaged in infighting, reducing their chances to achieve meaningful results in the elections, which require them to cooperate and agree on joint candidates.

The economic situation improved somewhat compared to previous years, with growth reaching almost 4 percent. In some sectors, there is even a lack of available workforce due to emigration. Real income also grew. At the same time, large clusters of the economy—including energy services, the media, banks, tourism, and construction—are either nationalized or owned by a handful businessmen loyal to the government. This not only eliminates competition, but facilitates corruption, as these businesses win practically all government procurements.

The unemployment rate is only 3.8 percent, but this is distorted by the extensive public works schemes that involve approximately 200,000 people. At the same time, poverty is still prevalent. According to the Central Statistical Office, one-quarter of Hungarians are poor or at risk of becoming poor, and one-third of children live in deprivation. In addition, four of the seven Hungarian regions are still among the least developed in the EU, and with the exception of the central region, all of them are below the EU average in practically all socio-economic indicators, including GDP, employment, and health status.

In 2017, overall CSO sustainability deteriorated, although there were both positive and negative developments. While the worsening legal, political, and financial environment posed serious constraints on the sector, this also led to an “awakening” of civil society, resulting in increased efforts by CSOs to engage in self-defense, constituency building, and communication.

According to the most recent data from the Central Statistical Office, in 2016 the number of CSOs decreased by a few hundred organizations, while both the number of employees and the sector’s income stagnated. In 2016, approximately 61,400 registered CSOs operated. Among associations, leisure (22.5 percent), sports (20 percent), and culture (15 percent) remained the most popular areas of activity. For foundations, education (33 percent), social care (16 percent), and culture (15 percent) are the leading areas. Public benefit organizations constitute less than 20 percent of the sector.

**LEGAL ENVIRONMENT: 3.7**

The legal environment affecting CSOs in Hungary deteriorated significantly in 2017 with the introduction of a new act “on the transparency of organizations supported from abroad,” which entered into force in late June (Act LXXVI of 2017). This law, styled after the Russian “foreign agent” law, prescribes that CSOs receiving more than 7.2 million HUF (approximately $24,000) from non-domestic sources (whether public or private) on an annual basis must register with the courts as “foreign funded” and use this label on their websites and all publications. Non-compliant organizations are subject to sanctions, which—after several steps—may lead to fines or even the organization’s dissolution. This is the first time in Hungary that the harassment of CSOs has taken the form of a restrictive legal rule, and sets a unique negative precedent among EU member states.

In August, twenty-three affected CSOs submitted a joint complaint to the Constitutional Court about the act, and later in the year fourteen of them also appealed to the European Court of Human Rights in Strasbourg.
At the same time, the European Commission (EC) launched an infringement process soon after the act entered into force on the grounds that it limited the freedom of association and expression as well as the free movement of capital within the EU. In the absence of a resolution, the EC took the Hungarian government to the European Court of Justice (Luxemburg). The results of these legal procedures are expected in the coming year(s).

Direct consequences of the act were not yet visible in 2017. By the end of the year, approximately eighty CSOs (including leading charities, animal welfare, and environmental organizations) had registered themselves as “foreign funded,” while another ten (primarily human rights and community development CSOs) publicly boycotted registration. Those that have boycotted registration have not been sanctioned yet. However, indirect consequences of the legislation are becoming apparent in terms of decreased cooperation with state institutions and public image, as described in more detail below.

By the end of the year, CSOs also began to experience state harassment on the regional/local level. In early December, several mayors of countryside cities made critical public statements against CSOs that were allegedly part of the “Soros network.” The municipal assembly of Pécs went as far as passing a resolution requesting the public not to provide space or cooperation to With the Power of Humanity Foundation, which implements a regional project supported by the Open Society Foundations. This generated a public outcry locally and nationally. In another new development, politicians have attacked some activists individually, calling them threats or risks to national security.

Despite these negative developments, the general legislation governing the registration and operation of CSOs remained largely unchanged. Registration can still be a lengthy and burdensome process, although the electronic system is becoming more functional and during the year courts issued a number of templates and documents to guide the process. Non-registered, informal groups are allowed to operate. At the same time, regulations on accounting and taxation are in some instances still difficult to interpret and apply.

Individual donors still do not receive any tax deductions, while the benefits available to corporate donors strongly favor professional sport organizations over other CSOs. Individual taxpayers have the option of assigning 1 percent of their personal income tax liabilities to eligible organizations. Individuals can assign an additional 1 percent of their income tax liabilities to churches or a “budgetary direction/expenditures of key importance,” which in 2017 was the National Program for Talented Youth. In 2017, a new “automatic” tax declaration system was introduced. While this system generally simplifies taxpayers’ lives, it also makes it easier for taxpayers to forget about designating their tax assignations. In October, the 1 Percent Law was amended, simplifying the assignation of the second 1 percent to churches (by allowing taxpayers to assign their 1 percent to a specific church in perpetuity, instead of making it year to year), while this option was denied to CSOs, despite their objections.

In theory, CSOs are still allowed to raise funds freely, to earn income, and to enter into contracts. In practice, however, they face serious constraints, as described in more detail in the Financial Viability section below. CSOs can accept funds from foreign donors, but this leads to stigmatization according to the new legislation.

Local legal capacity is improving somewhat as a result of the work of pro bono lawyers coordinated by organizations like the Global Network for Public Interest Law (PILNet) and the Hungarian Civil Liberties Union (HCLU), but is still insufficient to meet the growing need and demand for legal advice and services.

**ORGANIZATIONAL CAPACITY: 3.6**

In 2017, the adverse legal, political, and financial environment further impeded CSOs’ options and efforts to improve or even maintain their capacities.

While most CSOs have written missions and goals, few are able to organize their work around well-defined strategies – partly because of the unpredictable external environment and partly due to the lack of internal planning capacities. The same applies to internal management systems. Only large, well established CSOs (most of which are based in Budapest) have clear structures and divisions of responsibilities.
Smaller, more rural organizations are still largely “one man shows,” led and managed by only a few people. At the same time, an increasing number of CSOs—especially those that feel threatened by state harassment—are striving to improve their governance, procedures, and transparency.

CSOs’ experience with constituency building in 2017 was mixed. As a result of the government’s smear campaigns, more and more CSOs, including smaller groups, understand the need to build their memberships and circles of supporters. However, these efforts continue to be ad hoc. The massive wave of volunteering observed in 2015 during the immigration crisis has faded. However, many of the people that became active continue to be engaged locally, often working in informal groups, for example, to help the homeless and people living in poverty. For example, the Bike Mafias are an initiative of cyclists providing food aid that started in Budapest but now have spread to several countryside cities. At the same time, the ongoing negative propaganda has had a negative effect on CSOs’ constituency building efforts, as a significant portion of the population has become more skeptical and suspicious of CSOs.

Under these circumstances, retaining professional staff continues to be a serious problem for most CSOs, especially the smaller ones. According to the latest official statistics, the number of employees in the sector remained constant from 2015 to 2016. CSOs often hire employees on a part-time, project basis, and once funding runs out, have no means to keep them employed. Tasks like accounting and legal support are usually outsourced. Most CSOs have no capacity to provide training for their staff. CSOs can employ people through the public works schemes, which helps to some degree.

Volunteerism is still not widespread. According to the 2017 World Giving Index, Hungary is ranked 123rd in volunteering out of 140 countries, with just 9 percent of the population reporting that they had volunteered in 2016, the same as the previous year. Research by the Hungarian Statistical Office further indicates that most volunteerism does not benefit CSOs, finding that 94 percent of people who volunteer do so informally in their communities, and not through CSOs.

Most CSOs have access to the Internet. Their online presence is often limited to Facebook, and is rather ad hoc. CSOs differ significantly in how proficiently they use social media, including the frequency and usefulness of posting and the use of visual materials. Most CSOs have basic equipment, but struggle to replace and modernize it given the worsening financial conditions.

**FINANCIAL VIABILITY: 4.4**

The financial situation in 2017 was characterized by a theoretical abundance of funding on one hand and “starving” CSOs on the other; the latter including organizations working on issues not favored by the government. For example, all major women’s rights organizations had to lay off their staff and now work on a purely voluntary basis due to the lack of funds. The negative attitude towards CSOs has already had an impact on financial viability: corporate and private donors are distancing themselves from CSOs, either stopping their funding or making donations anonymously.

According to the latest official statistics available, the sector’s total income in 2016 was around 630 billion HUF ($2.33 billion), but 40 percent of organizations still operate with an annual budget of less than 500,000 HUF (approximately $1,850). There is also a strong gap between the capital and the rest of the country, with Budapest-based organizations claiming 60 percent of the sector’s income. The income structure of the sector as a whole is diverse, comprising public and private funding, as well as earned income. Most funding is short-term (usually a year), making sustainability uncertain.
Public funding still constitutes an important source of support for the sector. According to the latest official statistics, public funding accounted for 38 percent of the sector’s total income in 2016, a slight increase from the previous year. The distribution of EU Structural Funds accelerated in 2017, with a large number of grants awarded. However, there are very few programs for which CSOs can apply by themselves – they are primarily only eligible as partners of local governments or churches. Therefore, only CSOs that express support for official policies and do not criticize the government have much chance of winning EU grants. The same applies to funding from the National Cooperation Fund (NCF), the key state financing mechanism that supports CSOs’ institutional costs. NCF distributed approximately 6,000 grants valued at 5 billion HUF (approximately $18.5 million) in 2017. Political bias in the distribution of public funds is well-known and increasing. A characteristic case was that of the so-called Civil Union Forum, a CSO that is fully funded by the government, state-owned companies, and companies owned by oligarchs. Investigative journalists revealed that the state-owned electric company provided a subsidy to the Forum of 500 million HUF (approximately $1.85 million); no other organizations received amounts anywhere near this magnitude. Even after this information was made public, the Forum was reluctant to reveal what it used the money for. CSOs working on sensitive or controversial issues (such as gender and drug prevention) are virtually excluded from public support.

CSOs receiving funds from non-domestic sources are stigmatized both by the new law and government rhetoric; this is especially true of those supported by the Open Society Foundations. Other major international donors, while expressing their concern over shrinking civil space in the region, have so far made only minor contributions. The launch of the new financing period of the European Economic Area/Norway (EEA/Norway) Grants, an important source of funding for CSOs over the last several years, was delayed due to disagreements between donors and the Hungarian government over the program’s management. There are no signs that the Swiss-Hungarian NGO Block Grant will resume funding.

Fundraising from private sources, including through the use of various crowdfunding tools (e.g., adjukossze.hu), are becoming more popular, but still primarily benefits CSOs with professional communication skills, as well as independent media outlets. In addition, more and more CSOs are experimenting with innovative fundraising events, such as running for a cause. Collections for charitable purposes are sometimes successful at raising funds for individual actions. For example, 1.7 million HUF (approximately $6,300) was collected during the largest demonstration against the “foreign funded” law in April. According to the CAF World Giving Index, Hungary ranked 103rd in terms of donating to charities in 2017, with just 13 percent of the respondents reporting donating money during the reporting period in 2016, a decrease of 3 percent from the previous year.

Membership fees still represent a minor share of the sector’s overall income. The total amount of 1 percent income tax assignations decreased from 8.5 to 7.5 billion HUF (approximately $31.5 million to $27.8 million) between 2016 and 2017, largely due to the introduction of a new “automatic” tax declaration system. This is the first time in several years that the amounts designated through this mechanism have decreased. The major beneficiaries of tax assignations continue to be foundations helping sick children and hospitals, as well as animal shelters. At the same time, some harassed organizations, such as the Hungarian Civil Liberties Union, were able to increase their income from tax assignations during the year as a result of increased public attention and visibility.

Although there is no concrete data, corporate giving seems to have increased slightly, and is still championed by multinational corporations. Hungarian-owned businesses give mostly along political lines or within their personal networks.

In theory, CSOs can generate income by selling or contracting for goods and services, but in practice, this is rare. Social entrepreneurship is fashionable and social enterprises can apply for support from both the EU and private foundations. Nonetheless, there are still only a few enterprises that are able to operate without external funding, such as a ten-year old restaurant in Szekszárd that employs people with disabilities.
There are significant differences between the financial management systems of larger and smaller CSOs. Larger CSOs—especially those under threat of harassment or inspections—rigorously follow the rules and operate in a transparent manner; while smaller organizations, especially those in the countryside, are often not able to afford the necessary expertise to do so. While some companies have pro bono programs in this field, these are often not adapted to the circumstances of CSOs, and therefore their usefulness is limited.

**ADVOCACY: 4.3**

In 2017, the negative trends of the past years continued to affect service provision.

Many CSOs provide services in education, health, social benefits, and housing, but their opportunities to do so continue to shrink. Most of these sectors are nationalized, and services are provided by state institutions or outsourced exclusively to churches and state-owned companies. As a result, there is hardly any state funding available for CSOs to provide services in these areas. At the same time, the government—both national and local—attempts to downplay the gravity of social problems and issues, stressing that public institutions can take care of everything without the assistance of independent actors. Even the distribution of food relief in public spaces, including soup kitchens, has been obstructed. For example, Debrecen passed a local decree imposing fees on such activities, while the 7th district of Budapest denied some CSOs permission to use public areas for such purposes in an apparent attempt to hide homelessness and poverty from the public eye.

State control of service provision is also increasing. A good example is the Szentendre Open-air Ethnographic Museum’s coordination of a large project using EU Structural Funds to support cohesion of local communities. The project began by selecting and training more than sixty community development mentors, many of whom had CSO backgrounds. However, after training was completed, but before the actual work started, the Museum, which is a public institution, was pushed to lay-off about one-third of the would-be mentors. According to media articles, their places were to be filled instead by people loyal to mayors and local assemblymen.

An October amendment to the law on cooperatives, which covers social cooperatives—an important legal form that provides employment and services to disadvantaged people—is another example of increased state control. The amendment requires social cooperatives to involve at least one representative from the local or minority self-government as members. Only those on good terms with their municipalities are able to meet this requirement. The national alliance of cooperatives protested against this new obligation, without success.

CSOs provide services beyond their own members, relying on foreign funding, private donations, and voluntary work to do so. Most services are provided without discrimination to the most marginalized and neglected groups, including those living in deep poverty, Roma, homeless, and drug users. As they respond to very obvious needs and fill visible gaps, most CSOs do not conduct assessments or collect data about their services. The measurement of results and impact is at best limited to collecting information demanded by donors. CSOs mostly provide their services free of charge as their target groups are usually not in the position to pay any fees. In addition, beneficiaries have become used to receiving help for free. Many CSOs produce valuable materials, including studies and analyses. However, in the absence of a real market for their products, there are only a few CSOs working in specialized areas (e.g., energy planning for municipalities) that can effectively “sell” their services, and they still must compete with for-profits.
Governmental recognition of CSO service provision is rare, and if there is recognition, it is generally only rhetorical, without any accompanying contracts or practice. Indeed, as an indirect consequence of the “foreign funded” law and the accompanying vilification and smear campaigns, CSOs report increasing difficulties in cooperating with state institutions as the government further distances itself from independent CSOs. For example, during the fall, the prison system terminated long-standing cooperation agreements with the Hungarian Helsinki Committee, the prison radio association, and even the Red Cross. Schools that are now managed by central authorities are reluctant to cooperate with CSOs for fear of repercussions, and therefore bar them from running various education projects. Such developments further limit CSOs’ opportunities to reach their target groups.

**SERVICE PROVISION: 3.4**

Continuing negative trends also affected the infrastructure supporting the CSO sector in 2017.

The network of government-appointed county Civil Information Centers is still operational, although many of the host organizations have insufficient professional capacities to provide meaningful services to CSOs. Many only organize occasional gatherings or distribute very basic information, activities that do little to develop the sector. Those with stronger commitment and expertise, such as the Civil House in Pécs, do not receive sufficient funds to perform well.

Recognizing these gaps, the Open Society Foundations initiated a new regional program in the fall of 2017, selecting and contracting CSOs in two regions (the Association of Alternative Communities in the northeast and With the Power of Humanity Foundation in the southwest) to develop regional community resource centers and manage small grant programs for local groups. These CSOs were immediately subjected to harassment and smear campaigns by governmental and municipal leaders. There are few local grantmaking organizations beyond this effort. Four community foundations operate in the country: the oldest is the Ferencvaros Community Foundation, which operates in the ninth district of Budapest, while the others operate in Pécs, Miskolc, and the Danube-bend region; a fifth one is being developed in Nyíregyháza. However, these are still quite young and have not yet become significant actors in their communities. Several large businesses such as Tesco continued in 2017 to offer small grant programs focusing on local communities with similar levels of funding.

Coalition building is one of the few areas in which there were important positive developments in 2017. In response to plans to introduce restrictive legislation, approximately thirty major nationwide CSOs formed the Civilization campaign in early 2017, eventually getting the endorsement of almost 300 organizations from around the country. Civilization was the main coordinating force of the protest against what later became the “foreign funded” law. Its participants also organized a number of other activities, including a “roadshow” of CSO nights in the five major countryside cities in October, which brought together representatives of major, Budapest-based CSOs with their local counterparts, and served to increase their networking and visibility at the same time. Other more traditional networks and coalitions, including the consortium of resource centers, have become less active or disappeared completely.

In theory, there are professional organizations such as Civil Support with the skills to provide trainings to CSOs in various fields, however, most CSOs lack the resources (financial and human) to use these services. As a result of changes in the law on adult education in 2017 and the preceding years, the accreditation of trainings has become more burdensome and bureaucratic. Without accreditation, however, training organizations cannot apply for public funding to cover their costs. Indeed, nonprofit trainers increasingly offer their services outside of the sector.
The gap left is increasingly filled by for-profit consultancies that offer trainings for a fee or sometimes as part of their pro bono programs. Donors such as the Open Society Foundations and Ashoka only initiated one or two capacity building programs in 2017.

As a consequence of the above trends, intersectoral partnerships are rare and weak. The Hungarian Donors’ Forum tries to promote business cooperation, with some success, and many CSOs work with independent media outlets (mostly online), but the government only partners with its “own” organizations.

### SECTORAL INFRASTRUCTURE: 3.1

The infrastructure supporting the sector did not change significantly, although the closure of county administration offices at the end of the year created a great deal of confusion and uncertainty. For example, the future of the Local Self-Initiative Program, a state-funded grant program for small-scale community projects managed by these offices, was uncertain until its continuation was announced at the beginning of 2018. At the same time, CSO resource centers at the county level remained operational and the reforms had little effect on their work.

Rural areas have a relatively strong infrastructure. Several projects have brought technical equipment to villages, built community houses, and empowered small enterprises—mainly in order to support employment. For the period 2014–2020, the total budget for twenty-six regional LEADER programs, which will benefit tri-partite partnerships consisting of CSOs, local municipalities, and private companies, is €90 million.

NFCS is the only grant-making organization in the country focused specifically on building the capacity of the sector. Despite the fact that salaries and other costs have increased significantly, the foundation’s core budget has not changed in the last decade.

CSOs work together and share information through networks and coalitions, although these are difficult to manage and sustain, particularly when they engage organizations of different size, funding, and professionalism. Sectoral interests are largely promoted by umbrella organizations, which have defined rules for consulting with their members and constituencies to preserve legitimacy in policy development. These groups also empower their networks by providing financial or legal advice.

Many trainings and capacity building programs are offered to CSOs. The majority of trainings are provided by local trainers, many of which have personal experience in the field. Trainers travel to all regions of the country. In 2017, more advanced trainings were organized on such issues as fundraising and volunteer management. Kodukant, the Estonian Village Movement, runs Gate for Volunteers, a website that facilitates the recruitment of volunteers for various events. Training materials are available in Estonian, as well as Russian. Estonian CSOs also provide training and other capacity-building services in other countries, mainly Ukraine, Moldova, and Georgia. While CSOs have many opportunities to increase their knowledge and skills, they struggle to implement these skills in their daily work.

Several capacity-building programs were implemented in 2017. For example, the Good Deed Foundation implemented the NULA program, which functions as an incubator for new social initiatives; NENO provided advocacy skills training for twenty-five CSOs; regional development centers offer information, training, technical assistance, advice and cooperation opportunities throughout the country; and NFCS coordinates the network of regional development centers, which provide advice and information regarding funding and other issues.
CSOs continue to establish and maintain various intersectoral partnerships, including with businesses. Several CSOs, businesses, and public organizations have signed the Estonian Diversity Charter, in which they confirm that they respect human diversity and value the principle of equal treatment among their employees, partners, as well as clients. In 2017, NENO named Rimi, one of the largest grocery chains in the country, the business of the year for their social impact programs. There are also several joint philanthropy campaigns.

**PUBLIC IMAGE: 4.1**

The government’s anti-CSO propaganda was a key feature of the public discourse in 2017. The ruling political elite refers to critical or even independent CSOs as threats to the country’s national security. Political leaders regard CSOs receiving foreign funding as puppets of their funders, carrying out a master plan to undermine the sovereignty of Hungary. Such statements are made on a daily basis in parliament, at press conferences, and in official government and party press statements. Prime Minister Orban, other key government figures, and leaders of the ruling coalition parties regularly indicate that the full might of the state, including the police, prosecutors, and secret services, will be used against such CSOs in order to safeguard the national interests.

The public image of CSOs is strongly influenced by the media landscape, which is dominated by the government: approximately 70-80 percent of media outlets belong either to the public media network or are owned by pro-government businesses. In 2017, pro-government businesses continued to takeover regional media outlets, including county newspapers and local radio stations. The government-friendly media frequently publishes articles naming organizations as traitors and accusing civic leaders of heading up organizations carrying out illegal, dodgy, or useless activities. Otherwise, these outlets do not give space to independent (or critical) CSOs. They cover only non-controversial charitable activities, and actively participate in and report about the government’s smear campaigns against CSOs and immigrants, calling them “security threats” and “Soros agents”. With the takeover of regional media, this trend now increasingly affects local organizations; national CSOs have been victims of this vilification campaign for years. At the same time, the remaining (mostly online) independent media, increasingly cover the work of CSOs. However, this cannot compensate for coverage of the pro-government propaganda and intimidation, which has a much broader reach.

During the year, a number of entities, including Závecz Research, Civil College Foundation, Publicus, and Republikon Institute, conducted public opinion surveys concerning CSOs. According to the survey findings, about 40-50 percent (depending on the survey) of respondents generally consider CSOs and their work important, as opposed to approximately 30 percent who think otherwise. However, public support for the sector has decreased over time, with respondents becoming more insecure in their opinions. For example, Republikon found that the proportion of those who do not consider the work of CSOs important grew from 9 percent in March to 15 percent in September. The Publicus survey found that only 18 percent of the respondents could name a single CSO, showing that Hungarians are still largely ignorant about the sector.

The government attempts to divide the sector by categorizing CSOs as “good” and “bad” organizations – the former includes small charitable or recreational associations, while the latter covers all groups engaged in advocacy or politically unpopular issues. This distinction is made by calling “good” groups “civic,” while referring to the latter category of groups as “NGOs,” using the English abbreviation, which further distances them from the public.
The business sector is still more open towards CSOs, but is reluctant to speak out publicly. CSOs increasingly realize the need to step up their public relations and communication efforts. Given their lack of access to mainstream media, they increasingly rely on social media, predominantly Facebook, and personal communication. Hungarian Civils (Magyar Civilek or MACI), a joint campaign signed by about 300 CSOs, aims to promote a positive image of CSOs; the Civilization campaign also works in this area.

CSOs are legally obligated to publish annual reports, and most do so. Major organizations make serious efforts to further improve their transparency. There is still no generally accepted code of ethics, although the Self-Governing Body of Fundraising Organizations further increased its membership during the last year.
CSOs in Kosovo continue to operate in a challenging environment. Public attention in 2017 was primarily consumed by elections. The political stalemate around the demarcation of the border with Montenegro (an EU requirement before Kosovo can be granted visa liberalization) brought down the governing coalition in May, leading to early elections in June. In September, the political parties led by three ex-Kosovo Liberation Army (KLA) commanders that united under a pre-election coalition, joined forces with several other small parties to form a government with the narrowest of majorities (one seat). Regular local elections were held in October. Most local governments were not constituted until the end of the year, due to second rounds, recounts, and the process of officially certifying results. As a result of these political processes, the assembly made little progress in pursuing its legislative agenda during the year. Kosovo is lagging behind the schedule foreseen in the implementation plan of the Stabilization Association Agreement, the only agreement signed between Kosovo and the EU. Heightened political tensions and polarization due to the elections reduced civic space and impeded CSOs’ ability to effectively advocate.

Corruption and organized crime continue to be major issues in Kosovo. Not a single high-level political corruption case has been successfully prosecuted in the country. Members of parliament (MPs) have been indicted on charges of fraud, embezzlement, and money laundering and yet are still allowed to participate in parliamentary proceedings, though under house arrest.

The sustainability of CSOs in Kosovo did not change significantly in 2017. Legal changes facilitating public funding of CSOs and sponsorship of sports and cultural events contributed to an improved legal environment. Financial viability improved with the initiation of a few large international funding programs and improved financial management practices. Meanwhile, advocacy deteriorated as CSOs had few opportunities to advocate for their priorities during this election year.

At the end of 2017, there were approximately 9,100 local non-governmental organizations (NGOs)—a term used in Kosovo to describe both associations and foundations—and around 530 branches of international organizations formally registered with the Department for Registration and Liaison with Non-Governmental Organizations (DNGO) within the Ministry for Public Administration. These numbers are comparable with those reported in 2016, with just a slight increase in the number of international organizations.
LEGAL ENVIRONMENT: 3.4

The legal environment governing CSOs improved in 2017.

In June 2017, the Ministry of Finance adopted Regulation No. 04/2017 on Criteria, Standards and Procedures on Public Funding of NGOs, marking a major improvement in the legal environment for CSOs. This regulation governs the public system of financial support for NGOs. Funding for NGOs is foreseen as a special budget code\(^1\) in public institutions’ annual budget plans, and funds should be publicly announced and competitively awarded. The regulation is expected to significantly improve the transparency of public funding to civil society; however, as it entered into force only recently, its impact remains to be seen. Very few CSOs were aware of the enactment of this regulation at the time of writing this report.

The Law on Sponsorship in the Field of Culture, Youth and Sport was also passed in 2017, contributing to the improvement in the legal environment. According to this law, sponsors of sports events are entitled to deductions of up to 30 percent on profit tax, while those sponsoring cultural events are entitled to a maximum 20 percent deduction. The law recognizes both cash and in-kind contributions as deductible expenses. Income from sponsorship is not subject to taxation by the recipient.

The 2011 Law on Freedom of Association of NGOs, which governs the registration and operation of CSOs, was under revision during the year. The government approved the revised law in December of 2017, but it awaited a vote in parliament at the end of the year.

CSOs can register as foundations or associations. As this does not provide an adequate range of options, the new law is expected to expand the list of possible organizational types. The 2011 law provided for the creation of an online registration system; the Electronic System of Non-Governmental Organizations was finally created in 2017.\(^2\) Registration is free of charge, and samples of registration documents are available online.

According to the Regulation of Kosovo Government No. 05/2016 on Minimum Standards for Public Consultation Process, which was adopted in 2016 but only began to be actively implemented in 2017, all proposed legislation must be made available online for a certain period of time. This is intended to provide greater opportunities for the public and civil society to participate in the policy process, but it is unclear to what extent the platform was utilized in 2017.

No progress was made in 2017 on the Law on Volunteerism or the Law on Social Enterprises.

CSO operate free of harassment by the government and have minimal reporting requirements towards the state. They are required to report to the tax administration on financial matters and submit narrative reports of their activities to DNGO. The laws in place protect CSOs from harassment and enable equal treatment for all organizations. During 2017, DNGO suspended the activity of Airsoft Club Vukovi on the grounds that its activity was contrary to public security interests and is not in compliance with Kosovo’s constitution.\(^3\) This decision was publicly endorsed and justified as an appropriate use of state authority.

CSOs are exempt from VAT and income tax on grants received from international, bilateral, and multilateral organizations. As of 2017, companies offering goods and services to CSOs will be able to invoice them VAT free.

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1. Public budget units plan and report expenditures according to specific expenditure codes. As of 2017, grants to NGOs were assigned their own budgetary code. Institutions can grant funding to CSOs, only if they are planned and executed under this budgetary code.
2. The NGO electronic portal can be found here: https://ojq.rks-gov.net/Regjistrohu.aspx
3. Original decision (in Albanian) can be accessed at: https://map.rks-gov.net/getattachment/ed6dcfc3-694c-4e13-a139-8ac783f800d/Vendim.aspx

The 2017 CSO Sustainability Index for Kosovo 107
CSOs are allowed to earn income through the provision of goods and services, but must pay taxes on earned income. CSOs are allowed to compete for government grants and contracts, but CSOs perceive public procurement as corrupt and therefore rarely participate in public tenders. Although reforms of the procurement system are underway, CSOs do not anticipate that this will have a significant impact, as the biggest problems relate to the culture of corruption and impunity before the law, rather than the legal infrastructure.

Legal advice is available for CSOs in the capital and other major cities. No lawyers specialize in CSO law, but there are lawyers knowledgeable in this field. The demand for legal services is limited, primarily because few CSOs can afford them.

**ORGANIZATIONAL CAPACITY: 3.8**

Organizational capacity did not change significantly in 2017. Organizations representing non-majority communities continue to have lower capacities than those representing majority communities.

Most CSOs are unsuccessful at building constituencies or mobilizing the public. A handful of CSOs—primarily organizations focused on issues facing discrete groups, such as persons with disabilities, LGBTI individuals, and religious groups—have clear constituencies. CSO activities do not always reflect the needs and interests of their constituencies. Instead, CSOs often engage in activities that reflect the funding priorities of their donors.

Most active CSOs have well-defined missions and visions, and an increasing number have strategic plans. But because of their dependence on donor funding, in most cases CSOs do not hesitate to stray from their strategic documents in order to pursue funding opportunities.

On paper, CSOs have clearly defined management structures, including a recognized division of responsibilities between the board of directors and staff members, as this is a legal requirement for registration. However, boards are often pro forma and seldom engage actively in the governance of organizations. CSOs generally have basic written organizational policies and procedures, but are often lax in implementing them.

CSOs find it very difficult to maintain permanent, full-time staff since they rely almost entirely on project-based donor funding. Most successful organizations are able to maintain paid, full-time staff for longer periods of time, but when donor funding is not available, these organizations too are forced to let staff members go. Most CSOs sign formal contracts with their staff and have other basic procedures, including job descriptions and payroll, in place, as these are required by both donors and state institutions. However, very few CSOs have and adhere to clear personnel policies. Depending on the need and availability of funding, CSOs utilize professional services from accountants, IT managers, and lawyers.

CSOs increasingly recruit and engage volunteers. The typical volunteers are youth who want to build their professional resumes and experience; mid-level or senior professionals rarely engage in volunteer activities. According to the 2017 World Giving Index, only 6 percent of respondents in Kosovo reported that they participated in voluntary action in 2016, down from 12 percent in 2014 and 2015.

CSOs’ resources generally allow for modernized basic office equipment, including relatively new computers and software, printers, and cell phones. This equipment is usually financed through grants. Kosovo has the highest household Internet penetration rate in the Balkans, with almost 70 percent of households connected to the Internet, and the 3G/4G network covering over 90 percent of the population. Hence, Internet access is not an issue for either individuals or CSOs. CSOs increasingly making use of modern technology and information communication technologies (ICT), including social media tools like Facebook, to facilitate their operations.
FINANCIAL VIABILITY: 4.5

CSO financial viability improved in 2017. New international funding programs were initiated and an increasing number of CSOs have sound financial management systems and procedures.

CSOs generally have multiple and diverse sources of funding to sustain their operations in both the short and long terms. While most established CSOs have several regular sources of funding, they are unable to sustain their operations with discretionary funds or their own revenues, including earned income or membership fees.

The CSO sector largely relies on international donor funding to cover its basic operational costs. This is particularly true of think tanks and democracy and governance organizations. USAID and the European Commission are the biggest international donor organizations in Kosovo; the Swedish International Development Cooperation Agency (Sida), Swiss Development Cooperation (SDC), the German development agency GIZ, and other bilateral donor programs are also important donors. In addition to awarding grants directly to CSOs, international donors increasingly grant funds to local foundations to re-grant to smaller local organizations.

A few large international funding programs were initiated in 2017. The Global Community Engagement and Resilience Fund (GCERF), a multi-donor program funded by the US, EU, and private donors, began operating in Kosovo in 2017. This two-year program focuses on prevention of violent extremism and radicalization leading to terrorism and will be implemented by a dozen local organizations. By December 2017, GCERF had committed around €2.5 million to its Kosovo program. During 2017, Save the Children in Kosovo initiated a grant scheme for social and family services, re-granting EU funding, which is also expected to continue in 2018.

Local and central government institutions award a significant amount of funding to CSOs, reaching €14 million a year in 2014–2015, the only time period for which this data has ever been released. Until recently, this funding was awarded largely on a preferential basis, with little transparency. As described above, in June 2017 the Ministry of Finance adopted a regulation on the conditions and procedures for awarding grants to CSOs, which is expected to increase the transparency of awarding these funds by introducing public competitive processes, external members on evaluation committees, transparent evaluation criteria, and follow-up (monitoring and accountability) measures. This regulation did not have any impact in 2017, as most public funding is committed in the first part of the year, but is expected to have a positive impact on the sector’s financial sustainability in the future.

CSOs rarely receive support from the business sector. The new Law on Sponsorship in the field of Culture, Youth and Sports is expected to significantly improve the financial viability of sports and culture organizations by allowing corporate entities to deduct donations to these two types of organizations from their profit taxes. While this law is expected to spur local support and philanthropy, its impact will not be clear until 2018.

Most membership-based organizations collect dues from at least some of their members. For functioning membership-based organizations, this represents the bulk of their core discretionary funding, although they also pursue external funding for their activities.

CSOs earn some revenues by charging fees for services and products and rent from assets, but this income is generally insufficient to cover even basic operational costs. A handful of organizations (predominantly engaged in media work or education and training) have developed sustainable self-financed products that are commercially marketable. Microfinance organizations, many of which are registered as not-for-profit CSOs, are also an exception in this regard.
A number of social enterprises have been established either on the initiative of CSOs or as part of donor-funded programs. Due to the lack of a law on social enterprise, these are usually registered as NGOs.

CSOs are not able to draw upon significant volunteer and non-monetary support from their communities, as they generally do not build constituencies effectively. CSOs do, however, increasingly organize philanthropy development and resource mobilization activities, including sporting events and cultural festivals, to raise support from local sources. According to the 2017 CAF World Giving Index, 41 percent of respondents in Kosovo reported donating to charities in 2016.

CSOs have begun to use crowdfunding platforms to raise funds. Kosovo 2.0, a non-profit media organization, is a pioneer in this regard, raising funds through crowdfunding initiatives for a number of activities, including film projects and advocacy campaigns. Crowdfunding has also been used to raise funds for charities and medical treatments.

An increasing number of CSOs have sound financial management systems and procedures. Every CSO uses at least some basic financial system to manage and report on its finances to donors and relevant state institutions. Established CSOs use specialized software and other systems to manage their finances more effectively. CSOs have access to professional financial management services, but very few of them can afford such services. Most active CSOs carry out independent financial audits of their projects and organizations, the costs of which are generally covered by project funding. However, few CSOs make their financial reports publicly available.

**ADVOCACY: 3.8**

As an election year, 2017 offered few opportunities for CSOs to advocate their priorities and objectives. Political rivalries between the governing coalition and the opposition, which led to the early election, and topics such as the demarcation of the border with Montenegro and the creation of the Association of Serb Municipalities in Kosovo continued to dominate public discourse in 2017. During campaigning in both central and local elections, political parties pledged to forward CSO priorities, including social welfare policies, inheritance rights, and gender equality, but little progress was made in implementing these campaign promises by the end of the year.

Most active CSOs have direct lines of communication and other avenues for collaboration with policy makers at the central and local levels, but in most cases, these are based on personal networks and relationships rather than long-term or permanent relations based on formal understanding of duties and responsibilities. The government often invites CSOs to participate in working groups, and such meetings and processes are often facilitated by CSOs. An online public consultation platform became available in 2017, but its use remains rather limited by both CSOs and individuals.

CSO participation in legislative and policy processes was limited during the year, as such processes were barely functioning because of the opposition boycott in the first half of the year and the elections and post-election process in the last half of the year. CSOs did not engage in any meaningful advocacy attempts at the national level during 2017. Many organizations engage in monitoring or accountability activities and successfully advocate for causes at the local level. However, these efforts remain largely unnoticed due to limited coverage by the national media, which focuses its attention on the activities of CSOs from the capital.

CSOs—both individually and through issue-based coalitions—frequently conduct broad-based advocacy campaigns aimed at shaping the public agenda, public opinion, or legislation. The success of such initiatives varies significantly depending on the topic, nature of the campaign, and the change sought.
In 2017, CSO advocacy campaigns focused on such issues as implementation of the Gender Equality Law, women’s property ownership rights, children’s rights, the Labor Law, and an amendment to the Law on Pre-University Education to include assistant teachers for children with special needs. However, CSOs did not record any major advocacy successes in 2017.

The DNGO does not allow CSOs to list lobbying as a potential activity in their registration forms, and there have been cases when CSOs have been requested to reformulate lobbying activities into advocacy and awareness raising. Nevertheless, in practice, most CSOs engage in some form of lobbying.

The government strategy for cooperation with civil society expired in 2017; a new strategy was under development at the end of the year. Progress in achieving the strategy’s priorities was limited in its first few years, but a significant number of actions identified in the previous strategy—including several activities related to service provision and the regulation on CSO financing—were furthered under a service contract funded by the EU in 2017.

CSOs are aware of the importance of an enabling legal environment for the sector and take part in working groups and committee sessions related to legislation affecting CSOs.

**SERVICE PROVISION: 3.8**

Service provision remained largely unchanged in 2017. The social service system in Kosovo relies heavily on CSOs to deliver basic social and family services, and laws and sub-legal acts enable line ministries and municipalities to contract CSOs for the delivery of such services on an ongoing basis. CSOs also offer many other services, including education, home-based care, health, infrastructure, shelter for vulnerable groups, and counseling. A significant number of CSOs also provide services in the fields of economic development, democracy and governance, as well as employment promotion. CSOs also provide incubator and support services for business startups. Other CSOs offer theater and music services, including some world-renowned festivals such as Dokufest and PriFilmFest.

Member-based organizations tend to cater to their constituencies’ needs, although they also provide goods and services to individuals beyond their own members, generally charging non-members higher fees. Other organizations are not as connected to their constituencies and local communities, as their priorities are largely shaped by donor funding priorities. CSOs generally provide their goods and services without discrimination.

Most CSO services are funded through grants from the government or other donors. In 2017, an EU-funded grant scheme was initiated that aimed to provide “opportunities for organizations that provide social services to further strengthen their capacities to transform the needs of their beneficiaries into concrete actions, thereby contributing to improved community-based, essential social services for the most vulnerable communities.”

Through this program, CSO service providers were able to compete in public processes with clear evaluation criteria for the first time. Previously, all social services were delivered through memorandums of understanding (MoUs) with the relevant ministry or municipality. The Ministry of Labor and Social Welfare (MLSW) is expected to continue the competitive contracting scheme after donor funding is exhausted.

In general, CSOs have very little knowledge of the market demand for their products and services. As a result, only a few CSOs have developed products that are commercially viable or semi-viable and even larger CSOs are generally only able to recover a fraction of their operating costs through earned income.

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Some exceptions to this rule include media organizations that sell products to media outlets or use online platforms to generate income from their content; organizations with a training focus (such as the American University in Kosovo (AUK) and the Association of Finance and Accounting Services (AFAS)); and microfinance organizations. In addition, some CSOs have been able to earn income by implementing service contracts for donors or the government.

The delay in passing a law on social enterprises has inhibited many organizations that could benefit from the fiscal incentives such status may bring. Despite the legal ambiguity, some CSOs are managed like social enterprises, engaging in such activities as selling used clothes or running innovation/startup hubs, training centers, or even production facilities to finance a portion of their activities. The government, at both national and local levels, recognizes the value that CSOs add in the provision of basic social services. The government almost completely relies on CSOs for the delivery of social and family services. The only public service providers are the Centers for Social Work, while the remainder of social services are delivered by CSOs contracted by MLSW or municipalities. Shelter services for victims of domestic violence and trafficking, foster care services for children, home-based care, care for persons with special needs, or the elderly, are all offered by CSOs licensed by MLSW, in accordance with delivery and quality protocols. CSOs also frequently provide services including strategic planning, policy and process optimization, and employment and training programs to the central or local government. These services are generally funded by donor programs.

SECTORAL INFRASTRUCTURE: 3.7

The infrastructure supporting the CSO sector in Kosovo generally remained the same in 2017.

A number of intermediary support organizations (ISOs)—including Kosovo Civil Society Foundation (KCSF), CIVIKOS, Kosovo Women’s Network (KWN), and Advocacy Training and Resource Center (ATRC)—support CSOs. All ISOs and resource centers are located in Pristina; support services are not generally available in other cities. ISOs and CSO resource centers generally meet the needs of local CSOs when donor funding is available, but when funding is exhausted, services cease to be offered. The EU-funded TACSO civil society support project concluded in 2017. However, as this project was regional in nature, only a small number of CSO professionals benefited from its activities over the past four years, so its closure will not affect the sector significantly.

Several local grantmaking foundations were active in Kosovo during 2017. These organizations generally redistribute international donor funding to smaller organizations. Three major local foundations—ATRC, Community Development Fund, and KCSF—actively award funding to CSOs through periodic calls for proposals. Kosovo Foundation for Open Society (KFOS) and KWN also continued their re-granting programs for CSOs in 2017.

CSOs generally share little information with each other, and seldom cooperate to achieve objectives and aims other than jointly applying for funding. CIVIKOS is the only CSO network seeking to facilitate cooperation between civil society and the government, but to date, its function has been predominantly limited to sharing information on grant and training opportunities, as opposed to representing the sector. KWN has over seventy members focused on advancing women’s rights.

Basic CSO management training is available in the capital, but less so in secondary cities. Specialized training is available for CSOs on such topics as strategic management, accounting, financial management, fundraising, volunteer management, advocacy, public relations, and corporate governance. However, the demand for such training is limited, and therefore such training is not offered on a regular basis. Training is generally offered free of charge. Most trainings are offered in Albanian, with capacity development services in Serbian being much more limited. A similar situation exists with regards to the availability of training materials in
local languages. ISOs and resource centers have made limited efforts to employ technology to enable them to reach larger audiences.

Intersectoral partnerships to further the public agenda are rare. In 2017, the Social Justice Coalition (SJC) was formed by a group of local and international CSOs, as well as media organizations and trade unions. Though it is still in its early stages of development, the SJC has already begun to advocate actively on social issues, for example, seeking the inclusion of topics such as social welfare in mayoral candidate debates.

PUBLIC IMAGE: 3.5

In 2017, CSOs’ public image did not change.

In general, CSOs—both those engaged in advocacy and service provision—enjoy significant media coverage at both the local and national levels. Both the public broadcaster and private media outlets provide extensive coverage featuring positive analysis of the role CSOs play in Kosovo. CSOs are often invited to participate in media shows to present their work or as a source of expertise in debates. The public broadcaster RTK clearly distinguishes between public service announcements (PSAs), which are generally free to CSOs, and advertisements, but private media outlets do not do so as clearly.

According to the UNDP Public Pulse published in October 2017, 34.3 percent of respondents believe that civil society in Kosovo serves as a truthful monitor of democratic developments in the country, a 2 percent increase since the same study was done approximately one year earlier. The government predominantly views CSOs as having a positive impact. CSOs are often invited to participate in working groups and meetings related to policy change or formulation, and their reports are often cited by public institutions. Participation by CSOs from outside the capital is much more limited. CSOs have particularly good relationships with MLSW, the Ministry of Culture, Youth and Sports (MCYS), and municipalities. The private sector is less informed about the work of CSOs, particularly those involved in democracy and governance, and businesses generally show little interest in the work of CSOs.

CSOs extensively raise awareness about their activities and promote their public image. Kosovo has over one million active Facebook users and the highest per capita usage on this social network in the region. CSOs also use other platforms such as Twitter, LinkedIn, and Pinterest, but to a lesser extent. Mirroring this usage, CSOs use social media tools to promote their work and advocate their causes to a broader audience. Some of the more active and experienced CSOs develop and maintain media relations, including with journalists who cover their topics. This often ensures that they get privileged coverage by local media.

Many organizations have publicly promoted codes of ethics, but the extent to which these are genuinely implemented is unknown. The Code of Ethics adopted by CIVIKOS remains partially implemented because CSO members lack the necessary governance and accountability mechanisms. CSOs are not legally required to publish their annual reports and most CSOs prefer to keep their financial information private. Thus, only a few leading CSOs publish their annual reports or financial statements on their websites. However, CSOs generally fully disclose information and materials to donors and responsible state institutions.

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5. UNDP Public Pulse XIII. Available at: http://www.ks.undp.org/content/kosovo/en/home/library/democratic_governance/public-pulse-xiii/
During 2017, public attention in Latvia was focused on a political scandal involving the rule of law, political responsibility, and state capture. Over the summer, the private magazine IR published a number of articles reporting on leaked recordings of conversations in which several current and former politicians and influential businessmen discussed how to organize political and other processes for their private benefit. The published materials came from a corruption case in which there were no convictions, further highlighting weaknesses in Latvia’s democratic structures. Latvian society was incensed by these so-called “conversations of oligarchs” and demanded justice for and explanations from those involved. A commission was created within parliament to investigate the leaked information, but the commission was led by a person mentioned in the tapes and therefore had limited public trust. The commission issued a report with general recommendations about improving investigative institutions, but no concrete steps were taken.

Overall CSO sustainability decreased slightly in 2017. The legal environment deteriorated as changes were made to the tax system in 2017 that will have a long-lasting negative impact on the CSO sector. Deterioration was also noted in organizational capacity, financial viability, and public image. In addition, civil servants had an increasingly negative attitude towards the engagement of CSOs in the public policy process.

According to the database of Lursoft Ltd, at the end of 2017 there were 22,751 registered associations and foundations in Latvia, an increase of approximately 1,129 since 2016. Approximately 220 organizations were liquidated in 2017. There are also about 1,573 foundations registered in the country.
LEGAL ENVIRONMENT: 2.5

The legal environment governing CSOs deteriorated in 2017 with the adoption of changes to the tax laws that affect CSOs. Despite strong opposition from CSOs, the Ministry of Finance (MoF) and Cabinet of Ministers adopted a decision that frees enterprises of income taxes as long as they reinvest their profits into the development of their businesses. Tax breaks have been a key motivating factor for many businesses, so this change is expected to greatly decrease the level of donations businesses make to CSOs, which will not be considered reinvestment into the business.

CSOs continue to be governed primarily by two laws – the Law on Associations and Foundations and the Public Benefit Law. The registration process for associations and foundations did not change in 2017. The process is relatively easy. CSOs can register by submitting documents to the responsible state institutions in person, by mail, or by electronic means. While the process took almost a month a few years ago, it can now be completed in a few days. Dissolving an organization, on the other hand, is more difficult.

EU regulations require each EU country to develop regulations and support systems for social enterprises. In October 2017, the parliament adopted the Law on Social Enterprises, thereby fulfilling this requirement. The law, which comes into force in April 2018, will affect CSOs providing social services that engage people from disadvantaged groups or operating social businesses. CSOs supported the law, which requires them to register separate enterprises; prohibits social enterprises from paying dividends to their owners; and requires social enterprises to engage members of their target groups in the management of the enterprise.

Increasingly, there are discussions about whether homeowners associations should continue to be governed by the Law on Associations and Foundations. Many of the rules in this law do not readily apply to such associations, as they are engaged in business activity related to real estate management, rather than activities for the public good or the common interest of a larger social group.

CSOs are generally able to operate freely under the law without harassment by the government and can freely address matters of public debate and express criticism. However, there have been instances in which state institutions have been unwilling to organize open and transparent participation processes.

Individuals and corporate donors can receive tax exemptions for donations made to organizations that have public benefit status, which includes state and municipal institutions and religious organizations, in addition to some CSOs. Corporate donors are eligible for tax exemptions of 85 percent of the amount of their donations to public benefit organizations, not to exceed 20 percent of their total tax liabilities. Individual donors are eligible for income tax credits equal to 23 percent of the value of their donations to public benefit organizations, up to a maximum of 20 percent of their taxable income.

CSOs can engage in economic activities and compete for government contracts, but there is some uncertainty in regards to the allowed level of CSO business activity. In 2017, the State Revenue Service increasingly punished organizations that it claims exceeded a certain level of business activity during the tax year. In response to these incidents, CAL requested a written explanation from the Legal Office of the Parliament to clarify this issue. According to the response from the Legal Office, the Law on Associations and Foundations allows CSOs to engage in economic activities without any limitation.

As in past years, there are still no lawyers in Latvia specifically trained in CSO law, but there are CSO experts—both lawyers and non-lawyers—who are knowledgeable about and have experience in the legal issues facing associations and foundations and are able to advise others.
ORGANIZATIONAL CAPACITY: 3.1

The organizational capacity of Latvian CSOs is generally adequate, although it deteriorated slightly in 2017 due to the increased challenges to the sector’s financial sustainability. Some leading CSOs, particularly those focused on democracy building, faced budget cuts and staffing decreases or changed or lost their leadership during the year. This focus on basic survival has weakened the level of CSO professionalism and slightly decreased the ability of CSOs to represent public interests in the policy-making process. There are also concerns that the sector’s capacity may deteriorate further in the coming years. In addition to the anticipated negative impact of the changes in the Tax Law, the latest research by the University of Latvia shows that children and young people have insufficient knowledge about civil society, which will limit organizational capacity in the future by reducing the number of potential staff and volunteers.

Organizations strive to engage more people in their activities, with some organizing social media campaigns to engage new members and attract new volunteers. For example, the organization Palīdzēsim. LV uses both social media and traditional media to organize its annual week of good works, during which people—particularly young people—are encouraged to become volunteers to do something good in their communities.

CSOs generally have strategic plans that they develop in close cooperation with their members and staff. However, in practice, many CSOs focus their attention on the activity plans of funded projects.

Most CSOs have functional boards and management structures. Many CSOs rely on state or municipal institutions for funding. Accordingly, they have become very bureaucratic in order to meet the funding requirements, in addition to being very loyal to their funding sources. Sectoral experts are concerned that this will harm the sector in the long term.

According to research conducted by CAL in 2017, Latvian CSOs employ approximately 18,000 people, including 3,000 who work part-time. The average monthly salary of a CSO employee is €360. According to the 2017 CAF World Giving Index, Latvia, along with Bulgaria and Armenia, have the lowest levels of volunteering in the world, with just 5 percent of respondents reporting that they participated in voluntary action during the reporting period, down from 11 percent the previous year. The Law of Volunteering, which came into force in 2016 and regulates relationships between volunteers and employer organizations, has created some uncertainty about the proper administration of voluntary workers and some CSOs fear they may be fined by the state revenue office for errors.

CSOs effectively use ICT tools in all spheres of their work, including fundraising, public relations, service provision, data collection, the distribution of information, and communication with their constituencies and partners. Public benefit organizations continue to receive free software from Microsoft.
Financial viability deteriorated in 2017. Most Latvian CSOs continue to struggle with financial sustainability, and there are significant fears that the tax reforms adopted in 2017 will decrease corporate donations to the sector in the coming years.

CSOs’ income sources are somewhat diversified. According to research by CAL, the main funding sources are still projects funded by the government, EU, and private donors; donations; and business activities. Although CSOs look for ways to motivate local, individual, and corporate donors to support their work, organizations working in the field of public policy (including good governance, cohesive society, anti-corruption, and democratization) are generally unable to generate systematic financial support from individual and corporate donors.

EU Structural Funds for 2014-2020 provide limited funding possibilities for CSOs in specific fields, primarily social service provision. The EU also provides substantive funding to local community programs, including through the LEADER program, which supports rural development. Although CSOs are eligible for support through this program, some of the program’s requirements make it challenging for CSOs to access funding. For example, organizations have to guarantee the sustainability of project results for at least five years after funding ceases, which is difficult for CSOs to do. Therefore, most applicants are municipalities or entrepreneurs. In the coming years, there will also be approximately €12 million available through the EU Structural Funds for social enterprise development. In 2017, with some rare exceptions, CSOs had to maintain their operations without support from the European Economic Area (EEA)/Norway funds, which is expected to resume in 2018.

In 2017, Latvian CSOs continued to receive funding from the National NGO Fund, which issued its second call for proposals in late 2016, distributing approximately €380,000 to forty-two projects to be implemented during 2017. Funded projects focused on capacity building, advocacy, and citizen initiatives. The NGO Fund issued its third call for proposals in 2017 for projects to be implemented in 2018. CSOs can also apply for funding through state-supported programs administered by state agencies including the Social Integration Fund, State Culture Capital Foundation (SCCF), and various ministries to implement state policy in such areas as media, diaspora, and teaching the Latvian language to minority groups. For example, the Ministry of Foreign Affairs administers funding for development co-operation.

Although precise data is not available, individual philanthropy seems to be growing. People donate both money and goods, including food, clothes, and school supplies. In particular, people actively donate funds to cover medical expenses not funded by the state, often through social media campaigns. According to the 2017 World Giving Index, 20 percent of respondents in Latvia donated to charities in 2016, down from 28 percent the previous year.

CAL conducted research on donations in 2017 called the Gingerbread Index. According to this study, people in Latvia spend about €253 million a year on sweets, but only make €10.6 million a year in donations for the public good. Based on these findings, CAL implemented a social media campaign to promote philanthropy.

In 2017, several enterprises gave generous donations to CSOs. For example, the eco-cosmetics company Madara provided extensive support to association Marta, which provides support to women in Latvia, donating 1 Euro for each product sold on Black Friday.

CSOs fear that the tax reforms adopted in 2017 will decrease corporate donations to the sector in the coming years. In addition, there are some shortcomings in the legislation that deter the business sector from providing more support to public benefit organizations. For example, a business entity that provides pro bono support to CSOs has to pay VAT on the value of the service.
CSOs organized the very successful Dod pieci (Give Five) campaign in 2017 to raise money to provide psychological and physical support to foster families. The campaign was generously supported by corporations, national media, and some philanthropic organizations, such as foundation Ziedot.lv, ultimately collecting over €350 thousand. It also benefited from the greatest engagement of people in the history of philanthropy campaigns in Latvia. One of the most generous donations came from the IT company Draugiem group Ltd, which donated €55,555.

While there is no data available, few CSOs earn significant revenues from the sale of products or services or the rental of assets.

In general, CSOs, particularly those with public benefit status, have financial management systems and transparent reporting systems in place.

**ADVOCACY: 1.9**

Although there are a sound legal framework and institutionalized tools governing public participation in public policy processes, state institutions and civil servants showed less interest in engaging citizens in the public policy process in 2017.

CSOs have institutionalized tools of communication with policy makers, and procedures for advocacy and lobbying are quite developed. Each ministry has a consultative council, and parliamentary commissions invite CSO representatives to participate in their meetings and provide input. The Council of the Memorandum of Understanding among NGOs and the Cabinet of Ministers (Council of the MOU) continues to be the highest platform in which CSO issues and matters of public participation are discussed. Some believe, however, that this instrument has become a formality. For example, in 2016, there was a procedure to adopt the law on management of the EEA/Norway financial instruments for the upcoming period. Although civil servants with the Ministry of Finance claimed that the Council of the MOU would be consulted on the law, in reality the Council was only involved in an informative meeting. At the municipal level, there have been similar cases in which institutions falsely claimed that CSOs were consulted on an issue. Unfortunately, there have been no consequences that would help eliminate such practices.

In 2017, policy makers increasingly ignored the opinions of professional and voluntary organizations, increasing conflicts between the two. For example, ongoing health reform efforts led to a strike organized by the Association of Family Doctors. Similarly, a reform that suggested gradually stopping the use of the Russian language in minority schools led to protests organized by organizations with political roots.

Many MPs have negative attitudes towards CSOs, which makes it difficult to advocate for changes promoting transparency and good governance. For example, one MP stated that CSOs need to find a single “spokesman” for the sector, showing total ignorance about the democratic process and the way the sector works.

Nevertheless, there are still positive examples of public participation and advocacy. For many years, community foundations have organized regional citizen forums attended by local citizens and representatives of local municipalities. Participants in these events discuss development strategies, and citizens’ opinions are incorporated into each territory’s policy documents.

Environmental and animal protection organizations organized very successful advocacy campaigns during the year, marked by clear, well-coordinated, and targeted messages. Dzīvnieku brīvība (Freedom of Animals) organized one of the most visible campaigns during the year which successfully promoted legislative changes to ban the use of wild animals in the circus.
Another outstanding advocacy campaign in 2017 was 100 kailcirtes Latvijai (Hundred clear-cuts for Latvia), organized by a coalition of environmental organizations including Friends of Earth, Latvian Fund for Nature, World Wildlife Fund, and Latvian Ornithological Society. The campaign, whose name references the fact that Latvia is celebrating 100 years of independence in 2018, was initially focused on protesting proposals that would ease the cutting of trees. Over time, however, the campaign became more general, promoting a more sustainable forestry policy. The coalition was well-coordinated and received extensive media coverage. By the end of the year, it succeeded in its efforts and the proposals that would make it easier to cut trees were rejected. However, during the campaign, commercial lobbyists used a variety of methods to push for their goals, including joining consultation mechanisms within the Ministry of Environmental Protection and Regional Development that were created for public benefit organizations, thereby discrediting these instruments in the eyes of many CSOs.

Non-formal groups increasingly advocate for issues important to the public. For example, when the municipality of Riga proposed building a new tram line that would run near the cultural monument park Grand Cemetery, the informal group Friends of the Grand Cemetery raised questions about how the municipality organizes public hearings and citizen engagement for large infrastructure projects, which highlighted a number of problems in the cooperation between the authorities and residents of the city.

After many years of lobbying, the practice of so-called MP quotas, which allowed individual MPs to assign funds to specific projects, was stopped, as this practice was seen as a non-transparent and highly subjective way of allocating taxpayer money. Nevertheless, CSOs discovered that politicians and civil servants created new ways to finance such projects through line ministries. Some advocacy CSOs protested, but their complaints were ignored. At the same time, despite many requests, CSOs were excluded from discussions about the state budget.

Another positive sign is the increased use of the citizens’ initiative portal ManaBalss.lv (myvoice.lv), which allows CSOs and citizens to get public policy ideas on the agenda of the parliament. In 2017, 197 initiatives were submitted to the portal, compared to 85 in 2016. Parliament must consider initiatives that receive at least 10,000 signatures. During the year, about 796,261 users visited the portal from Latvia and abroad and 219,088 signatures were collected. Two initiatives that were submitted in 2016 received the required level of support during 2017.

During the year, CSOs struggled to engage in decision-making processes related to the sector’s financial future. CSOs sent open letters to the highest officials of the country pointing out the requirements for proper citizen consultations on the taxation policy and their engagement in the design of the state annual budget. In addition, CAL used the support of licensed attorneys and tax law consultants to analyze the financial implications to the sector from the introduced amendments to the Tax Law. Although this analysis showed a very negative impact, the Ministry of Finance included the controversial changes before passing them to parliament for adoption.

### SERVICE PROVISION: 2.4

CSO service provision did not change significantly in 2017. CSOs continue to develop and provide a wide range of services for their constituencies and the wider public. According to the Ministry of Welfare, CSOs provide about 30 percent of social services. Some new services—including in the fields of energy efficiency and business analytics—became more visible in 2017. For example, the think tank CERTUS, established by the former minister of economy, provides analysis and expertise in the field of economic development. Some services are provided exclusively by CSOs. For example, CSOs are the main service providers to refugees and victims of domestic violence.

In general, CSOs identify community needs through needs assessments, electronic questionnaires, focus groups, and other tools. Organizations working in the social field are in particularly close contact with their clients. They provide support to their target groups, analyze their needs, and engage in advocacy on the local and national level. The network of community foundations continues to support local community needs. For example, the community funds in Valmiera (Vidzeme Region) and Talsi (Kurzemes Region) have supported the creation of many services for local communities, including youth projects and food banks.
In most cases, CSO services are free for members and others, with CSOs raising funds to cover their costs. A growing number of organizations, however, are developing business activities to sustain their work. For example, association Marta issued an album and organizes concerts in Latvia and abroad to generate income. According to data from the Ministry of Welfare, thirty-nine CSOs applied for support in the first six months of a program supporting social enterprises. In addition, about 4,000 people attended informative seminars about social enterprises; at least half of participants were CSO representatives, indicating the sector’s interest in the concept.

Municipalities regularly engage local CSOs in service provision, including support for disabled people and the elderly, cultural events, and youth activities. Municipalities also show great interest in supporting social enterprises.

**SECTORAL INFRASTRUCTURE: 2.1**

With support from the Ministry of Culture, the five Regional NGO Support Centers continue to organize and support local activities to build the capacity of local organizations and other initiatives, including legal advice about founding organizations and consultations on topics including bookkeeping, advocacy, organizational development, citizen engagement, volunteer management, and board development. The centers also continue to implement a regional re-granting program with a budget of approximately €100,000 per year (€20,000 per center) to support civil society initiatives, intercultural dialogue, and the initiatives of minority organizations. The Regional NGO Support Centers hold a joint conference each year, organized by one of the centers in close cooperation with the Ministry of Culture, in order to evaluate initiatives from the previous year and set goals for the upcoming year. Some in the sector believe that the resource center concept is outdated, and that new organizations require more practical financial and legal guidance than resource centers can provide.

A small network of community foundations operates in some municipalities. These organizations also work with the Latvian diaspora to build the capacity of diaspora organizations.

The National NGO Fund continues to support CSO projects. In 2017, the Fund’s priorities included: capacity building of CSOs; support for civil society initiatives; co-funding for EU- or internationally-funded projects; CSO cooperation; advocacy; support to minority organizations; and a small grant scheme to cover unexpected expenses of CSOs. However, there are complaints about the management of the Fund, including delays in signing contracts.

Riga’s NGO House, which is financed by the municipality of Riga, continues to provide training in various fields of interest to CSOs in the capital city. The NGO House also provides space for CSOs to organize different events, and provides many small organizations with office space for their activities.

CSOs continue to build coalitions and networks. CAL continues to be the main network working to protect the sector’s interests. CAL shares information with the sector on a weekly basis. In 2017, CAL organized joint events and invited people from other sectors to CSO events in order to promote cross-sectoral linkages. Multi-sectoral cooperation to achieve common goals has also increased. For example, organizations working in the field of development cooperation cooperate with environmental organizations, as well as municipal organizations and various UN agencies.

For the third year in a row, the foundation DOTS organized the LAMPA (Lamp) festival in Cesis (in Vidzeme Region) to foster dialogue on issues affecting the public. The event was organized in cooperation with many CSOs and institutions, with support from state institutions, businesses, and public media.
The festival included about 200 different events, including performances, debates, and other interactive events. Some new topics were included in the festival’s agenda this year, such as critical media reading and cyber-security. Compared to the first year in which the festival was held, participation has increased five-fold, reaching 10,000 participants.

In 2017, the Association of Social Enterprises organized the first forum of social entrepreneurs, focused on co-operation between traditional businesses and social enterprises. The same association created a network of ambassadors for social entrepreneurship. Currently, there are forty-two ambassadors who have committed to fostering the concept of social entrepreneurship in their local communities.

PUBLIC IMAGE: 2.8

The sector’s public image deteriorated somewhat, due to the growing prevalence of strong rhetoric by politicians and civil servants that CSOs are a burden for “smooth politics” and “smooth developments.” In addition, the sector’s image has been tarnished by the close ties that some organizations have with politicians.

Despite these negative developments, media outlets frequently interview CSO experts and all national, regional, and local news outlets cover CSO activities, often presenting the sector as strong advocates for particular societal groups. In addition, some nationwide charity campaigns are promoted on TV. For example, the Give Five campaign receives extensive TV coverage.

Civil society is involved in the work of the National Electronic Mass Media Council via a dedicated consultative committee. One of this committee’s tasks is to advise the Council on the tri-annual strategies and the annual work plans of the national TV and radio stations. For 2018, the annual work plan of the national TV focused on key thematic areas such as society, democracy, culture, knowledge, creativity, and cooperation, yet the role of CSOs was not addressed under any of these headings, either explicitly or implicitly. The plan for the national radio referred to strengthening civil society under its overall vision and mission, without any further elaboration. Two members of the consultative committee recommended adding the role of civil society as a thematic area to the annual plan, and systematically involving CSO representatives in radio and TV programs to provide an adequate variety of opinions. However, the Council did not accept the proposal, except for a specific reference to civic education within the framework of youth-oriented media content.

As in previous years, local municipalities continue to issue newsletters and distribute them widely in local communities. While the published information is typically favorable to local politicians, some of these newsletters also cover issues addressed by local CSOs, as long as they do not criticize the municipality.

Parliamentary elections are scheduled for 2018; therefore, some new political organizations and movements were formed in 2017. The media covered these movements, which mobilized many CSO representatives.

In 2017, CSOs increasingly used social media to communicate with their followers and manage targeted social campaigns. The Circus without Animals campaign, which succeeded in convincing parliament to ban the use of wild animals in circus performances in 2017, used social media extensively to garner public support for its efforts. CSO-organized social campaigns also attract the attention of traditional media. For example, in 2017, the organization Zaļā brīvība (Green Freedom) created a campaign about fair trade products in cooperation with local supermarkets, which received good coverage.
CAL and regional TV station Re:TV worked together during the year to develop a series of six TV shows about the integration of different groups in society. Experts and practitioners working on these issues were interviewed about the specific challenges and ways that different social groups overcome these challenges.

The public positively perceives organizations that address issues important to them, including animal welfare, orphans, and cancer treatment.

The government’s attitude towards CSOs has become more critical, and there were incidents in 2017 in which incorrect and false information was provided about processes in which CSOs were involved. CSOs feel that the quality of dialogue has decreased and become more formal, and that state institutions try to avoid critical discussions related to important issues in society.

Business institutions are more open to cooperation with CSOs as they increasingly recognize their interconnectedness. During the year, taxation policy affected both sectors, leading to cooperation among the sectors in building common messages and statements.

In 2017, the Council of the MOU started developing a code of ethics for CSOs. The document was still in the consultative process at the end of the year.

Some organizations, such as LAPAS, a platform of CSOs involved in development cooperation, already have such codes. CSOs’ understanding about the need to publish annual reports and actively inform the public about their work remains unchanged. Organizations with public benefit status are obliged to publish activity and financial reports, but this is voluntary for other CSOs.
Since 1990, the population of Lithuania has shrunk by 23 percent, largely due to migration, with nearly 72 percent of emigrants aged between fifteen and forty-four. This has dramatically changed the demographic structure of the country, and affected the CSO sector in multiple ways. In 2017, CSO staff continued to emigrate and retire. Replacing staff is difficult as CSOs’ financial resources are insufficient to compete for the limited workforce. To meet the growing need for social services, the government has created avenues to outsource services to CSOs, yet continues to lack trust in CSOs as partners and therefore imposes restrictions upon cooperation.

Overall, 2017 was a constructive year for Lithuania’s CSOs. Despite complex and frequently adverse conditions, improvements were noted in several dimensions of sustainability, while the groundwork was laid for future improvements in several other dimensions. CSOs increasingly expressed their opinions on public policy issues and contributed to government decision-making processes. Umbrella organizations received dedicated government funding for the first time and played an important role in advocating for change. New government policies increasingly recognize the value of CSO service provision. CSOs increasingly engaged in entrepreneurial initiatives and implemented complex fundraising strategies, resulting in increased support to CSOs despite the shrinking population. However, many government funds allocated to the sector in 2017 were either delayed or came with unrealistic requirements, severely limiting CSOs’ access to them. With limited organizational capacities, CSOs looked for partnerships and formed alliances within the sector to share resources and jointly implement activities. Cross-sectoral cooperation also grew.

In contrast to these positive developments and tendencies, the legal environment governing the sector deteriorated slightly during the year with the introduction of new restrictions on the sector. However, CSOs worked hard to improve the legal environment, achieving important victories enabling better CSO representation in law-making processes and facilitating procurement to CSOs.
According to an analysis by the NGO Information and Support Center, approximately 31,000 organizations are incorporated under the laws on associations, foundations, and public non-profit entities in Lithuania. Of these, 17,000 have requested public benefit organization status, 3,000 to 4,000 of which are government institutions, including hospitals, health centers, and schools.

**LEGAL ENVIRONMENT: 2.3**

The year 2017 was a dynamic one for the legal environment governing the CSO sector. While there were both positive and negative developments, the introduction of numerous restrictions overshadowed the sector’s legislative achievements during the year. At the same time, two important legislative initiatives—the Law on a National NGO Fund and the Law on Social Business—continued to be stalled.

The registration process is straightforward and can be easily completed. The cost of registration increased during the year, with notary fees nearly doubling from €120 to €212. However, a process to use electronic signatures also became available, which eliminates the need for a notary.

In general, CSOs and their representatives are free to operate under the law and to express criticism and engage in public debate. A new version of the Law on Lobbying, passed in June and enacted in September, eliminated a major hurdle to CSO participation in the law-making process by clearly distinguishing between public interest advocacy and commercial lobbying. As a result, CSOs no longer need to register as lobbyists to participate in legislative processes.

New regulatory measures aimed at promoting greater CSO transparency came into effect in 2017. CSOs are now required to list the names of and amounts given by all donors, including individuals, regardless of donation size and organizational capacity. Similarly, all organizations incorporated under the Law on Public Non-Profit Entities are now legally obliged to report data on their shareholders—including name, title, and address—to the State Register. The sector views these demands not only as additional bureaucratic burdens, but also as a sign of the state’s tightening control over CSOs.

CSOs have been required to provide activity and financial reports to the State Register since 2016. This has proved challenging for many CSOs—particularly small regional ones—as the process requires an electronic signature and the report forms are not easy to fill out. In September 2017, the government took punitive action against 231 CSOs for failing to submit annual reports, imposing fines of up to €1,000. CSOs subsequently called on the government to issue warnings before taking this kind of punitive action in the future. The government consented, and will now send electronic reminders to comply with the new requirements to all organizations affected by the law.

In 2017, the Law on Charitable Foundations and other laws were amended to prohibit political advertising by charities. These changes were introduced after foundations that had close relations with politicians funded initiatives supporting the politicians during the 2016 elections. However, the legislative changes use a vague definition of the term political advertising, a broad interpretation of which would threaten the ability of CSOs to engage in public debate. Also during the year, the State Data Protection Inspectorate determined that CSOs’ electronic solicitations, including invitations to participate in demonstrations or campaigns or to volunteer or donate, should be considered direct marketing. As such, CSOs will need to receive prior consent before they are able to send such electronic communications or otherwise make contact via e-mail.
In July 2017, the new Labor Code came into force, introducing revised social security rates. The unemployment tax rose from 1.1 percent to 1.6 percent on permanent contracts and to 3.2 percent on temporary work agreements. This change will have a significant impact on the sector, as the CSO workforce is largely employed on temporary contracts due to funding uncertainties.

Perhaps the greatest threat to the sector’s sustainability this year was the establishment of a social security tax base. The change—effective beginning January 2018—requires employers to pay taxes on part-time staff at the minimum salary of €400 a month. This will significantly increase the tax burden for CSOs, as most of the sector’s workforce is employed on a part-time basis.

Other taxation policies did not change. Individuals can assign 2 percent of their income tax obligations to CSOs, but do not receive any tax benefits for donating to CSOs. The list of potential beneficiaries of the tax assignations was broadened in 2017 to include artists. Businesses can deduct twice the amount of their charitable donations from their profits when calculating income tax.

Excessive regulation often limited CSOs’ access to resources in 2017. The Ministry of Interior, European Social Fund Agency, and other government agencies that control the distribution of EU funds set strict conditions that prohibited CSOs from competing for funds. Prohibitive restrictions included requiring applicants to have employed a certain number of people for a number of years; to meet high co-funding requirements; to make upfront investments in project activities; and to be legally registered with certain municipalities.

Amendments to the Law on Public Procurement, passed at the beginning of the year and enacted in July, introduced the concept of reserved procurement, which makes it easier for the government to contract with CSOs. The amendments were not yet fully implemented by the end of the year.

CSOs’ access to qualified legal assistance and support continued to be limited in 2017 due to a lack of resources. The NGO Law Institute provides consultations to CSOs on various legal questions. Its website offers user-friendly information on important areas of CSO activity, such as founding a CSO, changing its bylaws, changing the registration address, entering into agreements, accounting, and taxation. However, it cannot represent clients in court as only professional attorneys are authorized to do so. CSOs can also request qualified opinions from the Legal Department of the Seimas (Parliament), for example, when new legal acts are not fully harmonized with other laws or if there are gray areas that can potentially affect CSOs.

**ORGANIZATIONAL CAPACITY: 2.7**

Organizational capacity did not change in 2017.

The sector’s response to constituent needs and interests during the year was fragmented. National CSOs, CSO associations, and coalitions and umbrella organizations, including municipal and national NGO councils, were criticized sporadically for their inadequate responses to issues raised by their constituents. In negotiating with the government for a pay increase, for example, the Lithuanian Doctors’ Union was criticized for not representing health workers effectively; this, in turn, led to the emergence of the Medics’ Movement.

At the same time, community centers and other community organizations generally work closely with local communities and vulnerable groups. These CSOs, typically run by a few activists and consisting of about fifty to sixty members, play an important role in rural communities and small towns, providing cultural, educational, and social services and facilitating de-institutionalization reforms by offering community-based care for children, the elderly, and people with disabilities.
Children’s daycare centers (which number approximately 310) are almost exclusively run by local community organizations. However, in general, the ability of local CSOs to address constituent needs is hampered by their limited funding.

Larger, well-established CSOs typically have clearly-defined missions and engage in strategic planning, while smaller CSOs operate on a more ad hoc basis. Several donors incentivized strategic planning in 2017. CSOs funded by the Department of Youth Affairs were asked to present three-year strategic plans, and the Ministry of Social Security and Labor required strategic plans as a condition of participation in the NGO Institutional Strengthening program for 2017-2018. Most organizations that start strategic planning to meet donor demands continue to engage in planning exercises even after funded projects end. Strategic planning, however, is still difficult as CSOs have very limited access to core funds to engage in such processes.

Internal management structures and processes tend to vary according to the type of CSO. Associations and charitable foundations are legally required to have boards. Boards of directors are actively involved in the governance of membership CSOs and community organizations. CSOs incorporated under the Law on Public Non-profit Entities, on the other hand, are not legally bound to have boards of directors and are often governed instead by their managers—who are also the organizations’ founders and shareholders. Some of these organizations still have boards of directors, although they generally do not make much effort to cultivate and involve their boards in decision making, and the boards may consent to a formal role, in which they sign official documents but are otherwise uninvolved.

In general, CSOs that seek funding through the 2 percent tax allocations and various public fundraising initiatives are subject to more public scrutiny, and therefore strive to develop sound internal management systems to ensure transparency and accountability. New reporting requirements came into force in 2017 requiring organizations to publicize their sources of funds. While this imposed an additional bureaucratic burden on CSOs, it is expected to increase transparency in the sector and protect it from groundless accusations, including that CSOs spend too much on salaries or that they promote political agendas or business interests.

Staffing remained a major challenge for the sector during the year. The growth of the economy along with massive emigration has shrunk the pool of available CSO workers and volunteers, while a large turnover of staff made outsourcing a necessity. CSO accounting, for example, is now done nearly exclusively by accounting firms. Some donors increase staffing challenges by imposing strict limits on staffing costs. Vilnius Municipality Youth Program, for example, set a 10 percent limit on staff costs, which translated into only €300 for salaries on projects with €3,000 budgets. Such restrictions make it difficult for CSOs to compete with the salaries and employment stability associated with jobs in the business sector and the civil service.

Although volunteers were hard to recruit in 2017 due to the availability of paid jobs elsewhere, the culture of volunteering has become more established. Some organizations rely heavily on volunteers in their daily work. For example, the Food Bank had about 800 regular volunteers in 2017, and over 8,300 volunteers in special events like food collections at supermarkets. The I am for Lithuania initiative, which began in 2016 with the goal of engaging one million individuals in volunteering actions to mark the country’s 100-year anniversary in February 2018, continued during 2017. Final data on the number of volunteers will be available in early 2018.

Lithuania has one of the world’s fastest and most efficient public Internet systems, creating many opportunities for CSOs to work from mobile offices, create online services, and reach out to supporters and volunteers on social media. The Youth Health Line, for example, launched online psychological support services at the end of 2016. By the end of 2017, it had served about 1,000 clients and doubled the number of online consultation hours it provided. Although Facebook has not yet made its fundraising instruments available in Lithuania, it is broadly used to organize civil actions including protests, alternative festivals, and volunteer opportunities.
The 2017 CSO Sustainability Index for Lithuania

FINANCIAL VIABILITY: 3.3

CSO financial viability did not change significantly in 2017. CSO funding sources continued to lack diversity and were severely limited; however, there were some signs of improvement during the year as well.

In February, the government passed the Plan of Action to Strengthen Nongovernmental Organizations and Local Communities and allocated €900,000 to strengthen national umbrella organizations. The funds reached organizations in September 2017 and had to be spent before the end of the year. Although hasty absorption of funds meant that grantees had little time to organize activities, this was the first time funding had been made available in Lithuania with a focus on strengthening umbrella organizations, allowing sixteen major organizations to improve their internal management and member services. The Program of Initiatives to Increase Public Intolerance to Corruption and Participation in Public Administration Process funded thirteen CSO projects worth over €1 million.

CSOs anticipated several other government and EU-funded programs, which either failed to materialize or were not available to CSOs due to funding requirements. Preparations for the 2016-2020 LEADER Program, for example, were delayed and no funds were made available to CSOs in 2017. The INTERREG Program established funding rules favoring government institutions, and the European Social Agency—which manages the Integration of Persons Experiencing Social Exclusion into the Labor Market Program and Program 56+, which aims to increase the social integration of older people by involving them in volunteering activities—set requirements unattainable for most CSOs.

Local CSOs depend heavily on municipal governments for funding and while some bought services from CSOs through transparent and objective procedures, others sought to divert funds to the municipality’s own establishments or to certain favored CSOs. There also seems to be a lack of criteria as to what constitutes a CSO. For example, Kaunas municipality allocated €5 million in funding for CSOs, €2 million of which went to a professional basketball club. Many municipal grant programs also continued to distribute small subsidies to support small local events instead of using resources to promote innovation. While no data is available, local governments are believed to have distributed more funds to CSOs in 2017 compared to the previous year. Many municipalities diverted unused social support funds to children’s daycare centers.

Although the World Giving Index reported that 10 percent of respondents in Lithuania donated to charities in 2016 (1 percent lower than 2015 and the same as 2014), national statistics showed that funding from individuals actually increased slightly. According to the latest available data from the Department of Statistics, individual support grew from €12.8 million in 2015 to €14.4 million in 2016. Individual tax allocations through the 2 percent law grew from €16.8 million in 2015 to €17 million in 2016. CSOs collected €378,000 in 2017 on the online fundraising platform Aukok.lt.

The National Campaign for Safe Lithuania, initiated by Lithuania’s President Dalia Grybauskaite, supported social projects of national CSOs and local community organizations with funding from foreign companies like Lidl, Nestle, IKEA, Lithuanian Energy Companies Group, and smaller businesses.

Although no major foreign support programs focused on CSOs in 2017, some foreign embassies, as well as the British Council, the Nordic Council of Ministers, and individual donors from abroad supported CSO actions and campaigns. The Open Society Foundation officially relaunched in Lithuania in 2017, but had not awarded any funds by the end of the year.

Income from services is limited, but continued to grow.
The country’s biggest charities implement complex fundraising strategies. Maltese Order, Caritas, and the Food Bank are visible year-round, utilizing traditional and social media, and online and billboard advertising. In 2017, CSOs continued to organize traditional fundraising events such as charity concerts and food collections, as well as some new initiatives that led to new fundraising records. The Food Bank raised over €300,000 through its new project Good Price – Good Work with the IKI supermarket chain; for each specially-marked product sold, IKI donated €1 to the Food Bank. The National Equality and Diversity Forum successfully raised funds for its National Equality and Diversity Awards by selling sponsorships for specific awards to foreign embassies.

While large CSOs already have sound financial systems, the introduction of mandatory reports to the State Register promises to enhance the financial management of smaller CSOs. CSOs have started to contract accounting services from specialized firms, rather than hiring accountants under staff contracts. More accountants are now specializing in CSO finances and the quality of services is improving, while prices remain competitive. Since electronic invoices were legalized in 2017, bookkeeping has become simpler and services can be provided remotely.

Although audits are increasingly requested by private foundations and required for government funding, too few auditors are qualified to conduct CSO audits. Furthermore, CSOs lack knowledge on how to prepare task specifications for independent auditors.

**ADVOCACY:** 1.9

In 2017, CSOs increasingly expressed their opinions on public policy issues and contributed to government decision-making processes.

The political coalition led by the Lithuanian Farmers and Greens Union, which finished the process of forming the new government in 2017 after elections in October 2016, did not have a well-established relationship with the CSO sector when it came to power, but still appointed several CSO representatives to government positions. While this positively affected government communication with CSOs, cooperation was still not as constructive as CSOs had hoped. The Ministry of Social Security and Labor kept CSO representatives at a distance and failed to build capacity to collaborate with CSOs. Although CSOs commended the formation of the Civil Society Development Group by twelve Seimas parliamentarians, the group did not achieve any tangible results in 2017.

NGO councils, which represent the sector in national and local government bodies, were more active in 2017 than in previous years; however, their mandate and influence are still limited. In some cases, there were suspicions that local authorities exerted illegal influence over these bodies by determining their composition and the subject matters they would address, thereby constraining their independence. A renewed National NGO Council worked vigorously in 2017 and organized eleven meetings and two national forums of regional NGO councils. The National NGO Council contributed to the amendments to the Law on Lobbying, one of the sector’s most important legislative victories in 2017. It also put significant effort into accelerating the development of the NGO Fund; however, no results were reached in this regard in 2017.

The public widely supported several CSO campaigns, many of which led to government action. CSOs called for protests and civic action in response to the tragic death of a child beaten up by his family in Kėdainiai and pushed the government to pass acts prohibiting corporal punishment and violence against children. This was swiftly followed by the adoption of the long-delayed Law on the Fundamentals of the Rights of the Child.
A large group of CSOs and umbrella organizations voiced various opinions on the ratification of the Istanbul Convention against domestic violence and violence against women. Although the government had not yet made a decision regarding the Convention by the end of the year, the opinions expressed by CSOs led to a constructive dialogue and greater public understanding of the issues. Over forty CSOs signed a petition successfully urging the Seimas to take away the mandate of a parliamentarian accused of sexual harassment. Eighty-one CSOs and twenty-seven academic representatives requested that the president not sign the Law on Family Strengthening which, according to some CSOs, violates the principles of democracy. However, the Law, which was supported by a number of other CSOs, was ultimately signed in November.

Various umbrella organizations worked with Lithuania’s sixty municipalities and government agencies on Lithuania’s Advancement Strategy and Action Plan in preparation for CSOs taking over at least 15 percent of public services by 2020. Another important achievement was the incorporation of CSO-suggested actions into the government’s program, including measures in the areas of social business expansion, the inclusion of CSOs in decision-making processes, the creation of conditions and incentives for life-long learning, the renewal of civic education, and civic activism involving CSOs.

Transparency International sought to promote transparency in the sector’s dealings with the parliament. It analyzed official work calendars and the personal websites of Seimas members and informed the public about members’ meetings with CSOs and registered lobbyists.

Despite these many successes, CSOs’ advocacy potential is still limited by their lack of financial and human resources, as well as the government’s inadequate approach to engaging in consultations. The government, for example, asked CSOs to evaluate hundreds of UN Human Rights protocols, while failing to allocate funding for CSOs to do this work. Invitations to government deliberations are often sent to CSOs with too little notice or with invitations going out only to select CSOs.

### SERVICE PROVISION: 3.3

Service provision did not change significantly in 2017. As in previous years, most services provided by CSOs were in the social sphere. The variety and scope of these services grew in 2017, with CSO services increasing in the areas of health, sports, education, and animal welfare. The number of children’s daycare centers and their funding increased, as did the provision of services to the elderly and people with disabilities and special needs. Local community organizations continued to expand tourist-oriented services and to sell local products. Several kindergartens and schools that are registered as CSOs opened in 2017.

Through its policies, the government demonstrates a recognition of the value of CSO service provision. For example, the funding principles in the Services to Families’ Action Plan demonstrate the government’s commitment to begin outsourcing to CSOs. Reserved procurement, which makes it easier for the government to contract with CSOs, significantly improved the legal environment for service provision, while the Plan of Action for implementing Lithuania’s Advancement Strategy formalized the government’s commitment to purchase services from CSOs. Governmental strategy calls for CSOs to provide 15 percent of all public services by 2020. However, experts warn that CSOs may not be prepared to assume this responsibility, considering their limited financial resources and bureaucratic restrictions linked to Lithuania’s strongly-monopolized public service system. CSO umbrella organizations actively cooperated with local governments in the implementation of child social care reform. As a result, municipalities started buying CSO services for foster parents and children from children’s homes.
CSOs aim to provide services to all of those in need, generally making no distinction between members and non-members. CSOs do not have the resources or skills to engage in thorough market research. They launch new services based on observation and experience, sometimes guided by limited surveys and information provided by local administrations, municipal social departments, school principals, or community members. Some services, like language classes for migrants, begin with project funding from EU sources, for example, and then expand.

A growing number of CSOs charged for their services in 2017. More than ten organizations ran online stores and the New Theatre of the Disabled got companies to pay for performances for their employees. Local action groups representing regions and local communities organized events at which they sold products. The Dzukija Local Action Group united various CSOs to offer goods and services to tourists, including tours, events, activities, and local products; some regional organizations selling such goods and services earned more than €5,000.

Cost recovery is still limited, however, especially in the area of social service provision. Local governments seek to use CSOs as a free or extremely cheap workforce, and commonly invite CSOs to provide free training or expertise. In addition, procurement rules establish low rates for services and require volunteer involvement. For example, the national program funding children’s daycare centers asked for at least a 10 percent financial contribution and the recruitment of five volunteers. In areas where prices are regulated by the market, such as transportation, agriculture, and cemetery maintenance, cost recovery is better.

Although initial steps were taken to develop legal regulations for social enterprise, the process failed to advance much in 2017. This is expected to change in 2018, when the EU LEADER program will start supporting social enterprise development in the countryside.

SECTORAL INFRASTRUCTURE: 2.9

Intermediary support organizations, especially umbrella organizations, expanded their services to CSOs in 2017, disseminating information, organizing trainings, and making it easier for members to sell services. Large numbers of CSOs united to achieve common aims, and inter-sectoral partnerships focused on social areas were notably stronger.

Funds allocated by the government helped umbrella CSOs to renew their membership strategies, improve their internal communication, analyze their members’ needs, and provide membership-strengthening activities. These CSOs were able to hold countryside trainings and meetings as well.

Trainings were abundant in 2017. CSO umbrella organizations and government agencies organized several trainings and consultations in each of Lithuania’s sixty municipalities, each attracting twenty to thirty representatives from CSOs and local governments. Specialized trainings were held for CSOs running children’s daycare centers and participants in the de-institutionalization program, and on implementing local action strategies and funding applications. These trainings were free for participants. Trainers used informal settings to promote networking and allow for the exchange of information and experiences. CSOs also organized social leaders’ breakfasts, evenings to discuss good ideas, and other events, all with a strong presence on social media.

The NGO Information and Support Center coordinates the activities of the National NGO Coalition, made up of fourteen umbrella organizations and over 5,000 CSOs. The Center disseminates sector-relevant information on its website and, together with the Ministry of Social Security and Labor, organizes an annual National NGO
Forum where CSOs discuss and agree on the sector’s strategic actions and priorities for the coming year.

Coalition building expanded in 2017. The Coalition of Human Rights Organizations and the National Equality Forum were formally registered. Ten new national CSOs joined the umbrella organization of CSOs working in education, and the National Poverty Eradication Network signed cooperation agreements with nine local authorities.

Local action groups—which consist of CSOs, businesses, and local government representatives—have provided institutional support to regional CSOs for several years. In 2017, local action groups in larger towns and cities received EU funds aimed at social integration and the fight against poverty. The groups have not yet channeled financial resources to CSOs, but have helped to improve CSOs’ access to information.

Public libraries, cultural centers, and other public spaces strengthened their role as resource centers for CSOs, providing CSOs with free access to newly-renovated and technology-equipped premises for their events and mobile offices. While some CSOs, including LGBT organizations, previously felt unwelcome in public spaces, no cases of discrimination were reported in 2017.

Few local grantmaking organizations were active in 2017. Only one out of ten community foundations—the Utena Community Foundation—raised and distributed funds to CSOs. The Zemaitija Community Foundation organized various social and community actions and partnered with other organizations in projects. In 2017, corporate foundations began to fund daycare centers and CSO social projects.

Although local governments do not always treat CSOs as equal partners, cooperation improved in 2017. For example, the two sectors partnered to develop local strategies and prepare to outsource social services to CSOs. Another example of a cross-sectoral partnership that helped to shape public policy was the CSO-initiated Memorandum on Possibilities for People with Disabilities to Compete in the Labor Market, which was signed by businesses, the Seimas, and the Ministries of Social Security and Labor, Economy, and Labor Exchange. The Presidential Campaign for Safe Lithuania boosted cooperation between CSOs, businesses, local governments, and media in the social area and widely involved the Lithuanian public. CSOs participated in dozens of these inter-sectoral cooperation initiatives. For example, Lidl Lithuania initiated a long-term national Campaign for Safe Environment for Children. The company encouraged customers to donate their recycling deposits, which Lidl then doubled, using the funds to support CSOs that manage daycare centers for children.

**PUBLIC IMAGE: 2.3**

Despite CSO-related scandals escalated by the media, the sector’s public image remained positive overall. Regional media outlets willingly cover CSOs, their activities, and events. National media, however, is not eager to highlight CSOs except in the context of widely-appealing topics and sensational news. There were several reports in 2017 on unlawful or unethical connections between government ministers and vice-ministers and CSOs. For example, media outlets tried to track personal interests in the government’s “splurging” to fund CSO umbrella organizations. Allegations were never proven and investigations by the State Ethics Commission drew no negative conclusions. However no apology or disclaimer appeared in the media. Some negative media coverage of CSOs was valid however. The existence of multiple organizations established by politicians called into question the relationship between politicians and CSOs in general.
In another example, the Ministry of Social Security and Labor inspected the implementation of a ministry-funded project and found that the organization misappropriated funds and carried out negligent accounting. CSOs continued to organize successful charity concerts in 2017 to increase their visibility, improve their public image, and attract generous donations. CSOs widely use social media in their public relations and communication campaigns, as well as to mobilize the public. For example, social media increased public support for the Lithuanian Medics’ Movement, encouraging more than 40,000 people to sign an online petition and bringing together over 1,000 people for a rally protesting the workers’ low pay and poor working conditions.

Traditional media sought alternative funding sources, including funds dedicated to CSOs. Funded media projects subsequently highlighted CSOs working in areas such as human rights and social inclusion. For example, the Ministry of Social Affairs and Labor funded coverage of people with disabilities on lryt sost.lt, which promoted CSO activities. The Council of Culture funded 15min.lt, where it republished a considerable amount of content from Manoteises.lt, a website managed by the Lithuanian Human Rights Center in cooperation with members of the Coalition of Human Rights Organizations.

The Civic Empowerment Index, carried out annually by the Civil Society Institute, presented its latest findings in June 2017. The data showed a 3.6 point increase in citizen engagement compared to the previous year, with the most significant rise being 10.5 points in citizens’ perception of political influence in society, an indicator which includes confidence in CSOs.

While businesses were increasingly supportive of CSOs running children’s daycare centers during the year, most businesses continue to regard CSOs as money-seekers that are unable to offer anything in return. The government, despite recognizing the role of CSOs in public life, often treats CSOs as cheap resources, rather than equal partners.

By the end of 2017, some 2,097 organizations had published information on their activities and supporters in the online NGO Atlas. However, the State Data Protection Inspectorate challenged the Atlas’ expansion by ruling that under personal data protection regulations, electronic invitations to join the Atlas without prior consent would be illegal.

Many organizations operate with small budgets and limited human resources, and dedicate few resources to public relations. Most organizations cannot afford to present and market their activities, discuss results, or analyze their impact to demonstrate the value of their work.

In 2017, several individual organizations subscribed to the NGO Code of Ethics, and the National Coalition for Poverty Eradication invited all of its members to subscribe to the Code.
The first half of 2017 was marked by political uncertainty in Macedonia. General elections were held in December 2016. In January, VMRO-DPMNE failed to form a parliamentary majority, having won just fifty-one seats in the 120-seat parliament. The Social Democratic Union of Macedonia (SDSM), which obtained forty-nine seats, claimed the mandate to form a government, but the president blocked its efforts, leaving the country in uncertainty and turmoil. Meanwhile, members of parliament (MPs) from VMRO-DPMNE obstructed the process of electing a parliamentary speaker for a month before the new parliamentary majority decided to act unilaterally and elect a speaker. An ethnic Albanian from the political party Democratic Union for Integration (DUI) was elected as speaker on April 27, but an angry mob stormed the parliament and physically attacked MPs from SDSM, DUI, and the Alliance for Albanians (AA). President Ivanov finally delivered the mandate to SDSM in May, and SDSM, DUI, and AA formed the new government, thereby bringing an end to the eleven-year rule of VMRO-DPMNE. The new government promised to reinvigorate Macedonia’s EU and NATO accession processes and to dismantle so-called “state capture” across all branches and levels of government. Local elections were held in October 2017. In a landslide victory, SDSM won fifty-seven out of eighty-one mayoral seats, thus consolidating its political power at the central and local levels.

The first half of 2017 was heavily marked by a “de-Sorosization” campaign. This extended campaign of political persecution, led by VMRO-DPMNE and its supporters, aimed to expose CSOs as criminals and traitors and severely weakened civil society’s work, resources, and reputation. Both pro-government media and state institutions carried out orchestrated attacks and smear campaigns against CSOs, accusing them of allegedly serving foreign interests to politically destabilize the country. In early 2017, twenty-two organizations that were critical of the previous government were subject to inspections by the Public Revenue Office and other institutions. Although overall CSO sustainability did not change during the year, the hostile environment contributed to a deterioration in the legal environment for CSOs and the sector’s public image. At the same time, improvements were noted in financial viability, advocacy, service provision, and sectoral infrastructure.
The new government has shown willingness to cooperate with CSOs in policy dialogue and decision-making processes. CSOs have increased their constituency-building efforts. Even with the change in political atmosphere in the second half of the year, however, civil society continued to face many problems. CSOs and activists still have to operate within a dismal economic reality and a difficult political situation influenced by political conflicts both within and outside the country.

The number of registered organizations for 2017, according to the published list of CSOs of the Central Registry of Macedonia (CRM) is 13,726. Although the basic data for the civil sector have been released for free in 2017 on the initiative of CRM within the Open Government Partnership framework, the challenges with their precision, usefulness and timeliness persist.

**LEGAL ENVIRONMENT: 4.0**

The legal environment affecting CSOs in Macedonia continued to deteriorate in 2017, as CSOs that were critical of the government during the first half of the year were subject to extensive state harassment.

The Law for Citizens’ Associations and Foundations (LAF) provides a relatively enabling framework for the operation of associations and foundations. Registration is generally fast, inexpensive, and easy to complete. The LAF is sufficiently clear with respect to organizational governance, permissible activities, reporting obligations, and other aspects of CSOs’ operations. While the legal framework governing registration and operations did not change in 2017, developments during the year demonstrated the sector’s vulnerability when it comes to the state’s interpretation and implementation of the law.

In the wake of the inconclusive special parliamentary elections, CSOs were subject to serious rhetorical threats as well as institutional harassment. Smear campaigns accused CSOs of allegedly serving foreign interests to politically destabilize the country. In 2016, the Public Revenue Office began conducting selective financial inspections of CSOs critical of the VMRO-DPMNE government, and these intensified in 2017. Twenty-two CSOs were visited by financial inspectors from six different institutions, affecting their image and limiting their abilities to receive further funding and conduct regular activities. In November, the Minister of Interior gave a public statement suggesting that the investigations had concluded, and that no evidence of CSO wrongdoing had been found. However, by the end of the year, CSOs still had not received official documents confirming that the inspections were closed.

The European Commission’s (EC) Report on Systematic Rule of Law Issues in Macedonia, released in September 2017, also highlighted the alarming harassment and inspections of CSOs. The EC recommended that relevant authorities conclude their investigations, noting the chilling effect they are having on other CSOs.

The fiscal framework is still not fully supportive of CSOs. However, the Law on Personal Income Tax was amended in 2017 after many years of advocacy. Before the amendments, organizations were obliged to pay 10 percent income tax for the travel costs, accommodations, and other material costs they provided to participants in their activities, in addition to VAT. The amendments, which became effective in January 2018, free CSOs of these costs. This will have a positive impact on the sector, by reducing expenses that many donors did not accept as eligible costs.

The LAF allows CSOs to engage in economic activities aligned with their statutory goals, although there are various interpretations on whether earned income is subject to taxation. CSOs can participate in public procurements at the national and local levels under the same conditions as other entities.
According to changes to the VAT Law that were made in 2015 but implemented in 2017, all types of organizations are now included as VAT payers if they reach the threshold of MKD 1 million (approximately $20,000) in profit. As this only covers income from an organization’s direct economic activities, and not income from donations, very few organizations will be affected by this change.

CSOs can access legal assistance from experts associated with a few organizations, most of which are based in the capital. These legal experts provide mainly pro bono assistance as there are few donor programs or other types of support for such services.

**ORGANIZATIONAL CAPACITY: 3.7**

The organizational capacity of CSOs did not change significantly in 2017, although CSOs developed strong constituencies that allowed them to play a significant role in achieving societal change.

CSOs often adapt to donor priorities instead of adhering to their own strategic goals. With the exception of several larger organizations, CSOs rarely engage in strategic planning. However, due to donor-supported programs, CSOs were more engaged in strategic planning in 2017. For example, through the Civica Mobilitas Program funded by the Swiss Agency for Development and Cooperation (SDC), forty-eight grantees received assistance in strategic planning and preparing organizational development plans. As part of this support, the organizations had the opportunity to reconsider their missions and visions, to revise their organizational documents, and to implement activities stated in their plans. The USAID Civic Engagement Project (CEP) provided extensive and tailored capacity development assistance to eight grantee organizations. The assistance included help developing strategic plans, capacity development plans, and annual work plans.

Most Macedonian CSOs do not have a clear division of responsibility between their boards of directors and executive staff, mainly because of their size. (According to data received from the Central Register of Macedonia, 65 percent of CSOs have annual budgets less than $3,000.) As in previous years, donors continued to support initiatives to improve this situation. For example, the Civica Mobilitas program supported the efforts of the think tank Center for Research and Policy Making (CRPM) to propose standards for good governance. However, there is still no evidence of concrete improvements from these efforts.

CSOs employ a small number of full-time staff. According to the Central Register of Macedonia, membership-based associations employed approximately 1,483 full-time staff members in 2017, approximately the same number as in the previous year. In 2017, several prominent CSO activists joined the new government as civil servants, making it somewhat easier for the CSO sector to communicate with some public institutions. CSO employees are usually hired on a project basis and are not afforded pension or health insurance benefits. Only the largest CSOs or those that have institutional support are able to invest in personnel development and training. Accounting, IT, and other professional services are usually outsourced.

CSOs primarily rely on institutional grants to update their basic equipment. The Internet is accessible to more than 65 percent of the population, including CSOs. The largest CSOs have their own websites, and others are active on social media like Facebook and Twitter.
**Financial Viability:** 4.3

The financial viability of CSOs improved slightly in 2017, as a result of increases in local philanthropy. According to the 2017 CAF World Giving Index, Macedonia is amongst the thirteen most improved countries in terms of giving, moving from an overall ranking of 119 in 2016 to a ranking of 69 in 2017. Contributing to this improvement, 39 percent of respondents in Macedonia reported that they donated to charities in 2016, a notable increase from 26 percent the previous year. In a survey conducted by MCIC in 2017, 45 percent of CSOs responded that they have received local private donations including from individuals, businesses, and foundations.

Despite these positive developments, most CSOs have not diversified their funding sources and continue to depend on project funding from foreign sources, including the EU, USAID, SDC, the British Embassy, and the Dutch Embassy. By the end of 2017, the SDC-supported Civica Mobilitas program had awarded 221 grants worth a total of 6.5 million CHF to 195 CSOs. The Delegation of the European Union (DEU) in Skopje launched an action grant through the European Instrument for Democracy and Human Rights 2016-2017 with a budget of €1.1 million, and additional action grants through the IPA grant schemes with a budget of €5 million. In 2017, the five-year USAID-supported Civic Engagement Program awarded seventeen grants for partnerships, strategic support, youth engagement, and rapid response activities. In addition, CEP awarded three in-kind grants to its Youth Civic Engagement Award Winners.

According to MCIC’s Analysis of the State Budget Support to CSOs on Central Level, published in October 2017, the amount of public funds at the central level is insufficient to meet CSOs’ needs. Annually, around €5 million is awarded to CSOs through budget line 463 - Transfers to CSOs. On average, this represents just 0.14 percent of the total budget expenditure over the past four years. Most of the funds from budget line 463 are distributed through the Ministry of Justice to political parties (39 percent), through the Ministry of Labor and Social Policy to associations working with people with disabilities (32 percent), and through the Agency for Youth and Sport to sports associations (23 percent). Nearly half (48 percent) of public funds are awarded directly, without the use of a public call. In 2017, the Unit for Cooperation with CSOs did not distribute funding to CSOs. The planned budget for 2018 does not include a budget sub-line for the government to provide direct support CSOs.

Corporate philanthropy is still underdeveloped. Businesses do not have strategic corporate social responsibility (CSR) or philanthropy programs to support CSOs.

CSOs rarely collect funds from their constituencies. Membership fee are a minor source of income for CSOs. Formal and informal organizations use ICT to raise support for their causes, although they are more effective at collecting material donations than financial support. For example, the initiative Retvitni Obrok collects cooked meals from individuals, which it then provides to vulnerable groups. CSOs affected by financial inspections found it difficult to engage in fundraising activities during the year due to the need to redirect their human resources to respond to the inspections.

According to an analysis by Konekt, 75 percent of CSOs did not earn income from economic activities in 2017. An increasing number of organizations, the majority of which provide services to marginalized groups, are transforming themselves into social enterprises. According to the register of social enterprises developed by the Association for Research, Communications and Development Public, there are about forty CSOs in the early stages of developing social enterprises in order to finance the services they provide to their beneficiaries.

Not all CSOs demonstrate financial transparency unless they are required to do so by donors. Audits typically are conducted on behalf of specific projects.
ADVOCACY: **3.6**

2017 was an extremely important year for CSO advocacy in Macedonia. Civil society responded to many developments in the country and conducted coordinated advocacy efforts, some of them with notable success.

The formation of the new government created many opportunities for CSOs to participate in policy making and cooperate with both national and local governments. For example, CSOs participated in the creation of or had opportunities to contribute successfully to the Strategy for Open Data, judicial reform, public finance reform, and the Law on Amnesty. On the local level, there were significant structural reforms that involved CSOs as well, such as the development of the Strategy for Representation of LGBTI in the municipalities of Strumica, Tetovo, and Kumanovo.

Cooperation with ministries also improved. For example, the Ministry of Health formed a joint working group to amend the Law on Abortion. Since the changes in management, the State Agency for Youth and Sports—one of the most criticized institutions in previous years for its lack of cooperation with the sector—started organizing monthly meetings with youth organizations. Civil society groups—including professional unions and student groups—were also invited to participate in the revision of various laws related to education reform.

On the local level, CSOs noted improved cooperation with many municipalities, especially in terms of assistance to vulnerable groups. For example, the Roma Civic Platform now has representatives in the mayor’s cabinets of Stip and Kocani.

New inter-parliamentary groups were formed in the parliament. A club of young parliamentarians and an unofficial inter-parliamentary group on LGBTI already had nine MP members by the end of the year.

CSOs, especially those that work on rule of law and good governance, achieved visible results through their advocacy actions in 2017. Several advocacy initiatives were reflected in new government strategies. For example, the government’s reform plan 3-6-9 heavily reflects the Blueprint for Urgent Democratic Reforms, a comprehensive document developed by seventy-three CSO representatives, scholars, and independent experts, in response to the changed political situation. The document outlined priorities and measures to guide the new government’s program over the next twelve months. Policy areas addressed in the document include: public finances and economy; the justice system; the fight against corruption; elections and electoral system; public administration; oversight of the police and agencies for security and (counter)intelligence; parliament; civil society; social protection, welfare and sustainability; education and youth policies; environment; culture; and health care.

In addition, after years of advocacy efforts by human rights and women’s CSOs, Macedonia ratified the Istanbul Convention - Council of Europe Convention on preventing and combating violence against women and domestic violence.

In 2017, the timeframe for submitting comments to proposed draft laws was increased from ten to twenty days, a notable development that should facilitate the involvement of CSOs and individuals in policy and law making processes. Unfortunately, most laws are still enacted through a shortened procedure that violates the public consultation period. On the other hand, the Parliamentary Commission for Euro Integration and the Secretariat for European Affairs have established good practices for consulting with CSOs.

Representatives of eight major CSOs in Macedonia developed a Draft Roadmap for civil society development in Macedonia for the period 2018–2022.
The Roadmap proposes measures in five areas: policies and institutional framework for CSOs; an enabling legal and fiscal environment that is conducive to CSOs’ sustainability; state funding of CSOs; promotion of mutual cooperation among CSOs and cooperation with the public and the business sector; and self-regulation, good governance and increasing trust in CSOs. Consultations were organized around the country to jointly finalize this important document, which presents a joint vision for civil society development.

CSOs demanded that the problematic election of members to the Council for Cooperation with Civil Society in 2016 be annulled, as the government failed to take into consideration the remarks submitted by CSOs on the Decision for Establishment of the Council and the process for the election of members. As a result of CSOs’ efforts, transparent consultative processes were organized to revise the Decision, and most CSO proposals were accepted. In addition, even though members had already been elected, the whole election process was annulled and restarted in late 2017.

In 2017, a new informal network was formed, which aims to advocate for changes in the fiscal treatment and financial position of CSOs. More than seventy organizations have joined the network. The coalition’s priorities are to improve tax treatment of CSOs, provide tax relief for donations and sponsorship that are linked with public interest status, improve the accounting systems of CSOs, and create incentives for employment in the sector.

**SERVICE PROVISION: 3.7**

CSO service provision improved slightly in 2017 as a result of increased cooperation with state institutions in the second half of the year.

CSOs continue to provide a range of social services, such as social protection of children, persons with disabilities, and marginalized groups, as well as humanitarian aid to refugees and migrants. CSOs do not experience any significant obstacles to providing services, such as social protection and aid, health care, education, and free legal aid. At the same time, however, the current legislation does not stimulate CSO service provision.

With USAID funding, the Helsinki Committee for Human Rights – the LGBTI Center opened a safe house aimed at protecting LGBTI victims from all forms of violence. The City of Skopje opened the first Family Center, which offers free psychosocial support and counseling for families in conflict and violence. The center is managed by the CSO H.E.R.A and the services are offered for free.

In the second half of 2017, CSOs noted improved cooperation with state institutions, particularly the Ministry of Health and the Ministry for Labor and Social Policy, in the provision of services.

The Ministry of Labor and Social Policy awarded contracts through a public calls for proposals to CSOs that were selected to implement projects focused on improving the work of the Stip daycare center for children with autism, social protection of street children, protection of victims of domestic violence, reintegration of homeless persons, and psychosocial support of children in social risk.

The Ministry of Health also worked cooperatively with CSOs, signing service contracts worth MKD 14 million (approximately $275,000) with CSOs in 2017. In addition, the Ministry of Health stepped in to fill the funding gap left when the Global Fund to Fight AIDS, Tuberculosis and Malaria stopped operating in Macedonia, disbursing around 80 percent of what the Global Fund was funding.

Despite improved cooperation, the state has still not established service partnerships with CSOs or taken steps to decentralize services.
CSOs often do not have sufficient funding to entirely meet the needs of their beneficiaries. Some CSOs produce analyses and research publications, which are generally provided to institutions and the public free of charge.

**SECTORAL INFRASTRUCTURE: 3.2**

The infrastructure supporting the sector improved slightly in 2017, primarily due to increased cooperation within the sector and with other sectors.

The foreign-funded programs that support CSOs’ infrastructure and capacity building continued to operate for much of the year. The EU-funded TACSO Resource Center, which officially ended in November 2017, offered diverse support, including a help desk, capacity strengthening services, and information on calls for proposals. The USAID-funded Civic Engagement Program and the SDC-funded Civica Mobilitas program also offered in-person and online services and information to CSOs.

MCIC re-grants SDC funding through the Civica Mobilitas program. There are four Macedonian partners on the Civic Engagement Project (CEP), which is implemented by US-based East West Management Institute (EWMI). Two of EWMI’s local partners—the Association for Democratic Initiatives (ADI) and the Foundation for Internet and Society (Metamorphosis)—provide grants to local CSOs and CSO networks. A third partner, the National Youth Council of Macedonia (NYCM), provides support to young people to design and implement community-level service activities. The Foundation Open Society Macedonia (FOSM) coordinates all of CEP’s capacity development assistance to grantees and carries out a significant portion of these activities.

Highly qualified trainers offer various types of training. Trainings are typically provided for free through donor-funded programs, and transportation costs are often covered. Training materials are available in Macedonian and to some extent in Albanian. In 2017, there were many opportunities for training and education, but CSOs did not always recognize the value of those opportunities. There are fewer training opportunities on the local level.

Networks and partnerships functioned extensively during the year, increasing their influence and expanding their constituencies. Initiatives such as the Blueprint became wider civil society efforts and not just the province of a few. Platforms such as the IPA 2 mechanism, Anti-Corruption platform, and Network 23 implemented joint projects, demonstrating that donors have also recognized the importance and representativeness of these platforms.

In February 2017, a Club for Responsible Businesses was formed. Founded by the CSO Konekt, the Club brings together approximately fifty companies that have committed to promoting the principles of social responsibility.

In 2017, there was increased cooperation between media and CSOs as a result of several donor programs. These programs—mainly supported by the EU and USAID—promote cooperation between CSOs and media, and also directly fund media products, such as the debate shows Top Tema on Telma TV, 360 on ALSAT, and Otvoreno on 24 vest, which often include relevant discussions and raise awareness about topics important to the sector.
The public image of CSOs deteriorated significantly in the first half of 2017, due to the “de-Sorosization” campaign launched at the very end of 2016 by the government then in power. The campaign sought to undermine the work of organizations associated with the foundation of George Soros, along with other institutions such as USAID, and heavily shaped media coverage and political debates in the first half of the year. The change of government in the second half of the year contributed to some positive developments in terms of media coverage of CSOs; nonetheless, the long “de-Sorosization” campaign severely affected the reputation of civil society in Macedonia. According to data from MCIC, trust in CSOs decreased from 50.5 percent in 2015 to 43 percent in 2017. NVO Infocentar published a monitoring report in December 2017 on the presence of the “de-Sorosization” campaign in the main media in the country. The monitoring found that from March until June, there were seven articles per day focused on this issue. After the new government was formed, the campaign continued, but its intensity decreased to an average of two articles per day. Media close to VMRO-DPMNE published 80 percent of these stories. The negative campaign mainly attacked George Soros, FOSM, certain CSOs, activists, USAID, and the US ambassador in Macedonia. Most of the published articles were anonymous, and oftentimes the same content was published in various media outlets.

In the beginning of 2017, the leader of Macedonia’s ruling party and former Prime Minister Gruevski pledged to “cleanse” Macedonia’s civil society sector. Following an official proclamation read by Gruevski at the end of 2016, he made public statements in early February warning CSOs to get ready for a “final showdown.” Gruevski argued that rather than seeking support from foundations and governments outside of Macedonia, the civil sector should rely on the Macedonian government for financial support. He also alleged that 90 to 95 percent of CSOs in Macedonia are financed by George Soros or by foreign governments under Soros’ control. At the same time these claims were being made, the Stop Operation Soros initiative—a movement founded to initiate and contribute to the process of de-Sorosization in the country—began.

CSOs failed to react in a coordinated manner to these attacks on their credibility. However, there were some CSO efforts to counter the negative effects of the campaign, specifically the targeted inspections, and to increase trust and solidarity among CSOs. For example, the project “Legal competence for inspections in civil society organizations” was implemented by the Macedonian Young Lawyers Association, the Coalition All for Fair Trails and the Institute for Human Rights. The project, which was supported by the program Civica Mobilitas, provided legal support to CSOs facing inspections and developed practical guides explaining CSOs’ obligations in the field of tax and labor law, as well as their rights in such inspection procedures.

During this period of pressure on CSOs, EU institutions acted as partners to civil society, demonstrating their trust by meeting with CSO representatives before every major political visit or negotiation meeting that took place.

In the second half of the year, positive media coverage of CSOs increased. CSO experts were regularly invited to participate in TV debates on relevant topics and CSO reports and findings were regularly covered and discussed, especially in the politically “neutral” media. CSOs and media outlets also developed joint programs, as described above.

After the formation of the new government, the government’s perception of CSOs changed dramatically and CSOs were invited to participate actively in the reform process. In November 2017, the Minister of Interior announced that all inspections and investigations of CSOs had concluded, and that no evidence of CSO wrongdoing had been found.
The business sector still does not perceive CSOs to be reliable service providers, as evidenced by the low number of business contracts with CSOs for service provision. Instead, businesses largely see CSOs as charities.

Macedonian CSOs still do not consider public relations and communication with the public as necessary components of their organizational structures or plans. As a result, CSOs do not pay much attention to creating communication strategies and do not have staff focused on these competencies. According to a report published by the Institute for Communication Studies in November 2017 titled Connecting with Citizens: Digital Technology in the Civil Society Sector in Macedonia, CSOs only use social media for self-promotion without regards to their target audience’s interests or needs.

With funding from Civica Mobilitas, the think tank CRPM led a process to evaluate the level of regulation and good governance in CSOs. A self-regulation model was prepared and discussed on many occasions in 2017, although no agreement was reached on this model by the end of the year.

CSOs widely use social media, including Facebook, Twitter, and Instagram, to promote their activities and engage the public. Most CSOs are sophisticated in their use of social media, allocating funds for social network promotion and often having a dedicated person in charge of such initiatives. There is little self-regulation in the sector. The CSO coalition Together towards the Goal, which has ninety-nine CSO members, has a code of ethics, but it is unknown how widely it is implemented. All of its members are also asked to publish annual reports. Well-developed CSOs regularly publish annual reports, while only a small number of local CSOs do so.

In light of their limited access to local and national media coverage, CSOs increasingly use the Internet and social networks to promote their work, launch advocacy campaigns, and build constituencies. However, in October 2017, Facebook introduced a pilot system in a number of countries (including Serbia) that drastically decreased the reach of organizational and project pages, forcing CSOs to pay to promote their posts and get them viewed by more people. In 2017, the TACSO Resource Center provided training and published a Digital Media Toolkit to help associations improve their visibility.

There were no initiatives or changes in terms of self-regulation in 2017. Annual reports are still only published by leading organizations.
The governing coalition of the Democratic Party of Moldova (PDM) and Liberal Party (PL) collapsed in May 2017, transforming PDM from a junior coalition partner into a dominant political force. As an objective of the Public Administration Reform Strategy 2016–2020, the number of ministries was reduced in 2017 from sixteen to nine and several national control and regulatory institutions were restructured in order to optimize the government’s structure and increase salaries for the remaining positions.

Communication between the authorities and CSOs was tense after several CSOs criticized various legislative initiatives during the year, particularly one that would have excluded CSOs that receive foreign funds from decision-making processes and imposed additional reporting requirements on them. Although this initiative was not passed, the attempt to limit and persecute CSOs that do not share the governing party’s vision alarmed CSOs.

After two years of consultations, the 2018–2020 Civil Society Development Strategy was completed and formally introduced in parliament at the end of the year. The strategy largely repeats the previous strategy’s priorities, only 27 percent of which were achieved. Most of the recommendations formulated by the strategy’s working group, which included civil society representatives, were incorporated into the final version of the draft. Parliament is expected to approve the Strategy in early 2018.

The more than 3,000 CSOs in the breakaway Transnistrian region are not allowed to monitor human rights or democratic processes; the regime only allows CSOs to work on social, medical, and environmental issues. The CSO sector in the Transnistrian region is still weak, both organizationally and financially.

According to the State Register of Not-For-Profit Organizations, there were about 11,653 CSOs registered in Moldova as of December 2017, an increase of 781 over the past year. Of the twenty-nine areas in which CSOs operate, the most common are education (1,774 organizations), sustainable development (1,742), human rights (1,035), and social assistance (1,007). The number of active CSOs is much smaller. According to a study by the Institute of Public Policy, only twenty-two out of 479 registered CSOs in the Autonomous Territorial Unit (ATU) of Gagauzia\(^1\) are viable.\(^2\)

\(^1\) Gagauzia (Gagauz-Yeri) is an autonomous territorial entity within the Republic of Moldova with a special status that includes additional rights of self-determination.

\(^2\) For the purposes of this study, viability was defined to mean that CSOs had at least one employee, volunteer, or expert working with them; that they were active or wrote at least one project application during the 2014 to 2016 period; and that they had a budget above zero in one of the years in the same period.
**LEGAL ENVIRONMENT: 4.1**

The legal framework regulating the work of CSOs did not change significantly in 2017. While authorities attempted to limit the participation of foreign-funded CSOs in the decision-making process, this effort ultimately failed, while other positive changes were introduced.

The CSO registration procedure did not change in 2017. CSOs can register either at the national level with the Ministry of Justice, or at the local level with local public authorities (LPAs). In general, the registration process is straightforward and relatively simple, although LPA representatives have limited knowledge about the legislation governing CSOs, which complicates registration and processes for adjusting CSOs’ bylaws. As a result, some CSOs choose to register at the national level or operate without making necessary adjustments to their bylaws. At the end of 2017, a draft law that would amend the CSO registration process was submitted to the parliament; this law was adopted at the beginning of 2018. According to these amendments, political parties, periodicals, press agencies, civic association, foundations, employers’ organizations, trade unions, mediation organizations, and religious groups will register with the Public Services Agency, rather than the Ministry of Justice. This is expected to improve the registration process and make data on the number of registered organizations more accurate. In addition, the amendments reduce the registration period from thirty to fifteen days.

During 2017, the Ministry of Agriculture, Regional Development and Environment set up a national working group to identify a legal form for the registration of Local Action Groups (LAGs). These groups are made up of representatives of local CSOs, public institutions, and the business community and seek to implement the LEADER concept, which engages local actors in the design and delivery of strategies, decision making, and resource allocation for the development of rural areas.

At the end of the year, a draft law approving the 2018–2020 Civil Society Development Strategy was submitted to the parliament. The Strategy, which was developed through several working sessions during the year, has three general objectives: strengthening the framework for civil society participation, strengthening the financial sustainability of CSOs, and developing a sense of active citizenship and volunteering. The document provides for a number of institutional changes, including the creation of a new governmental unit responsible for cooperation with civil society and changes to improve and simplify the 2 percent mechanism, which was implemented for the first time in 2017. Parliament is expected to pass this strategy in early 2018.

The most striking development during the year was the Minister of Justice’s attempt to introduce new provisions in the draft law on not-for-profit organizations. These provisions would have prohibited CSOs that receive funding from abroad from participating in the elaboration and promotion of public policies. In addition, these organizations would have been subject to additional reporting requirements related to their income and the members of their governing bodies. While the original draft law on not-for-profit organizations was developed by a working group with CSOs, these provisions were added at the last minute without the engagement of the working group. After more than eighty CSOs publicly expressed their indignation, the entire draft was withdrawn and was not revisited during the year.

CSOs protesting or voicing critical public positions were harassed by authorities in several instances during the year. For example, the Presidential Administration prevented a journalist who worked for an independent press association and was critical of some of the president’s decisions from attending several public meetings with the president. In response to practices like these, in October a group of media CSOs launched an appeal to the public and Western diplomatic missions in Chisinau, informing them of the alarming situation faced by Moldova’s independent media institutions.
In November, the parliament passed the Law on Social Entrepreneurship, which defines social entrepreneurship as an activity that prioritizes social or community-related objectives over profit-making. Social enterprises can be established by civic associations, foundations, private institutions, and individuals. Even though the tax breaks that the original draft proposed were not included in the final law, CSOs still welcomed the legislation, which is expected to spur the development of social enterprises. The National Commission for Social Entrepreneurship will be created in the near future to accredit social enterprises. Social enterprise status will be granted for a period of three years, with the possibility for extension.

CSOs are exempt from income tax on grants, and some projects are exempt from VAT. CSOs can earn income through the provision of goods and services, as long as such activities are explicitly stated in their bylaws. CSOs accredited as social service providers can also earn income by providing services for the government. The government exempts CSOs from tax on income from economic activities if they request such an exemption from the local subdivision of the tax authorities. However, tax authorities have interpreted the law regarding tax exemptions on earned income differently, causing confusion among CSOs.

Corporate taxpayers can deduct philanthropic or sponsorship donations up to 5 percent of their taxable income. Donations can only be deducted if they have philanthropic or sponsorship purposes, in accordance with Government Decision 489. The procedure for getting such determinations continues to be outdated and complicated, potentially discouraging possible donors. Beginning in 2017, individuals can designate 2 percent of their income taxes to eligible CSOs. The Ministry of Justice approves the list of potential beneficiaries of the 2 percent mechanism on an annual basis; among the main criteria are that CSOs deliver services in the public benefit and do not owe funds to the government.

Local legal capacity remains fairly limited. Most lawyers with knowledge of CSO legal issues are based in the capital, while there is limited capacity in rural areas. The legal clinics at Balti and Cahul Universities provide CSOs with some limited legal services with the assistance of law students.

The legal environment governing CSOs in the Transnistria region did not change in 2017. However, in October, the authorities created a new working group to analyze the regulations for CSOs and design ones giving them more control over CSOs. The authorities justified this measure by claiming that some CSOs are destroying the region from within and disregarding the laws and constitution.

ORGANIZATIONAL CAPACITY: 3.6

Organizational capacity improved slightly in 2017. Despite the fact that CSOs continue to lack sufficient financial resources for organizational capacity building, CSOs improved their connections with their constituents and increasingly developed internal management systems during the year.

Constituency building improved in 2017. With the launch of the 2 percent mechanism during the year, CSOs sought to communicate more actively with their constituents. Several CSOs organized campaigns to inform and consult with their constituents. Such efforts may have contributed to the fact that 46 percent of those who directed 2 percent of their taxes to CSOs in 2017 were not required to file income tax statements, but chose to do so anyhow in order to support particular CSOs. Religious organizations were amongst those organizations receiving the most funds through the 2 percent mechanism. In addition, Local Residents Associations managed to actively involve members of the diaspora in the development of their home towns; through the Migration and Local Development Project (MiDL) implemented by UNDP Moldova, twenty-three settlements raised funds through a crowdfunding platform from more than 4,000 emigrants for community projects.
Few CSOs have strategic action plans. Such plans are largely developed to satisfy the requirements of donors who aim to ensure the long-term viability of their beneficiaries. In 2017, the Embassy of Sweden continued to implement its core support program, which provides CSOs with funding to implement actions outlined in their strategic plans. The instability of funding and the limited number of long-term support programs deter CSOs from developing strategic plans on their own.

Large CSOs have more developed internal management systems consisting of internal governance regulations, clearly defined organizational charts, human resource policies, and financial procedures, while smaller ones have rudimentary internal procedures. The development of internal management systems improved slightly in 2017. The approximately twenty CSOs that participated in Moldova Partnerships for Sustainable Civil Society (MPSCS), implemented by FHI 360 with USAID support, demonstrated improved capacities on the project's institutional development assessment in 2017. In 2017, the Center for Organizational Training and Consultancy (CICO) and FHI 360 also launched several online institutional assessment tools focused on not-for-profit management.

Staff turnover within CSOs remains high. Because of the temporary nature of CSOs’ project-based funding, staff members frequently leave CSOs to take jobs in other sectors, particularly the private sector. In addition, many people leave the country either to study or to work in more developed countries. CSOs are attracting more and more volunteers to their organizations, especially by offering volunteer cards, a nationally-recognized document confirming work experience.

Approximately 138 organizations and institutions have the status of Host Institution of Volunteering Activity and are therefore able to issue volunteering cards. During the annual Volunteering Week in 2017, 23,186 volunteers—fourteen times more than in 2014—participated in about 1,000 voluntary activities across the country. According to the World Giving Index 2017, 17 percent of respondents reported volunteering in 2016, the same as in the previous year.

CSOs’ technological capacities are still modest, especially in rural areas. Most of the software used by CSOs is unlicensed. Although CSOs can access licensed software for free or discounted prices through TechSoup Moldova, few know about this opportunity.

**FINANCIAL VIABILITY: 4.5**

CSOs’ financial viability improved in 2017. Even though CSOs continue to be very dependent on funding from foreign donors, new sources of income for CSOs emerged and developed in 2017.

The 2 percent mechanism was implemented for the first time in Moldova in 2017, constituting a completely new source of funds for CSOs. At the end of 2016, the Ministry of Justice published a list of the 484 CSOs accredited to participate in the mechanism. In the first few months of 2017, 21,201 individuals directed 2 percent of their 2016 income taxes to the accredited CSOs; approximately $159,000 was collected in total.

A positive trend in philanthropy was noted in 2017. According to the World Giving Index, 24 percent of Moldovan respondents said they donated money to charity in 2017, compared to 20 percent in 2016 and 17 percent in 2015. Youth funds collected money from individuals and companies to implement youth projects in their communities. The Rascani Youth Fund, for example, collected over $4,350 from individuals, legal entities, and local authorities, which they used to co-fund fourteen projects in seven settlements. Corporate philanthropy did not improve in 2017. The bureaucratic system for reporting donations continues to be an obstacle to the development of corporate giving. In 2017, a working group facilitated by the
The European Center for Non-Profit Law (ECNL) evaluated the existing mechanism and prepared some initiatives to improve it in 2018.

In 2017, the use of crowdfunding platforms grew, with many people contributing to CSO projects on platforms such as www.caritate.md and www.guvern24.md. Under the MiDL project implemented by UNDP Moldova, 4,000 individuals from abroad gave approximately $100,000 through www.guvern24.md for community projects in twenty-three settlements. Similarly, CSOs actively used social networks such as Facebook and Odnoklassniki to raise funds for projects. CSOs also use SMS giving to raise funds; this has proved to be a particularly successful means of raising money for medical treatments for sick people.

Several ministries continue to organize grant competitions for CSOs at approximately the same level as in 2016. In 2017, the Ministry of Culture funded fifty-two projects worth a total of $117,000. The Ministry of Youth and Sports provided support to twenty-nine national and regional youth CSOs. For the first time, the Ministry of Health, Labor, and Social Protection provided four grants totaling $5,800 for four projects in the field of active aging. Local government support did not change notably in 2017, and is still moderate due to LPA's limited resources and capacities. However, in 2017, the Ministry of Education, Culture and Research (formed by the merger of the Ministry of Culture with the Ministry of Youth and Sports as part of the administrative reform process) launched a three-year national support program for youth centers that will increase local youth CSOs' opportunities to receive grants and contracts. In November, nine LPAs signed partnership agreements and will start implementing the project in 2018.

CSOs continue to depend on foreign donors for more than 80 percent of their funding. The EU, UNDP and other UN agencies, USAID, the Swedish Agency for Cooperation and Development (Sida), and the Swiss Agency for Development and Cooperation (SDC) are among the international donor institutions that funded CSOs in 2017. Embassies also played a key role in providing financial support, including the Embassies of the United States of America, United Kingdom, and Slovakia. Private international donors supporting CSOs in 2017 included the Soros Foundation Moldova, the East European Foundation, the IM Swedish Development Partner, and Swiss Church Aid (HEKS). Larger CSOs have more access to these funds than smaller groups. In 2017, small and medium CSOs' access to grants from foreign donors decreased further. However, a number of large EU-funded projects with sub-granting components were launched that small CSOs will be able to access in the future.

Only a small portion of CSOs have developed revenue-generating activities. With the passage of the Law on Social Entrepreneurship, CSOs are likely to generate more revenue through the development of social enterprises in the coming years.

Public authorities contract social and health services from CSOs through different mechanisms. For example, in 2017, the National Health Insurance Company signed contracts with three foundations, eight civic associations, and one private institution to provide healthcare services amounting to a total of $470,500. However, according to research published in 2017 by the Center for Legal Assistance for Persons with Disabilities (CAJPD), local contracting mechanisms are almost nonfunctional. The government—at both the central and local levels—can also contract CSOs through public procurements. During the last few years, however, procurements were used only four times, twice by the Ministry of Health, Labor and Social Protection and twice by the Chisinau Municipality.

The financial management practices of CSOs are still quite rudimentary. Even though CSOs understand the role of financial management procedures, very few CSOs have payroll policies or financial sustainability plans. In 2017, CICO organized a set of financial management trainings for Russian-speaking CSOs both in the Transnistria region and the rest of Moldova.

**ADVOCACY: 3.1**

CSO advocacy improved in 2017. Civil society made its voice heard throughout the year, although CSO campaigns to prevent or promote legislative initiatives were not always successful.

In 2016, a working group of representatives from parliament, the central government, and civil society worked on amendments to the Law on Transparency in the Decision-Making Process and other laws that affect parliament's
cooperation with civil society. No progress was made in pursuing these initiatives in 2017, largely due to institutional bottlenecks caused by public administration reforms that were taking place during the year. The reform consolidated the sixteen ministries that previously existed into just nine.

On April 18, the government approved the members of the National Participation Council (NPC), the body tasked with promoting the participation of CSOs in decision making. However, the platform was not very active during the year due both to the weak involvement of the twenty-six members and the council’s limited leverage to influence the public agenda.

In July, the parliament passed Law No. 154 on the transition from the proportional electoral system to the mixed electoral system. Previously, all members of parliament (MPs) had been elected on party tickets, but according to the new mixed electoral system, 50 percent of MPs will be elected on party tickets, while the other 50 percent will be elected by first-past-the-post voting. A group of CSOs and extra-parliamentary political parties launched public appeals and organized protests against the bill. They argued that the change was carried out without taking into account the key recommendation of the EU and the Venice Commission, both of which advised against replacing the proportional voting system with a mixed one in Moldova. The parliament did not revisit its decision, however, and the next parliamentary elections will be held in accordance with the new voting system. According to the Public Opinion Barometer from December 2017, only 16 percent of respondents support the mixed electoral system.

Several effective advocacy campaigns were organized at the local level during 2017. The Piligrim-Demo Association of Gagauzia carried out an advocacy campaign to promote a local law on transparency in decision making; it was ultimately adopted by local authorities in ATU Gagauzia. Motivation Association, a CSO working to improve the lives of people with disabilities, trained eighteen individuals with and without disabilities to engage in public decision making. Among other results, a group from Edineț managed to influence the Civil Registration Office and town hall to build ramps for people with disabilities.

Thanks to efforts made by CSOs, some regulatory acts favorable to CSOs were approved in 2017. The Initiative Promoting Social Entrepreneurship in Moldova played an important role in getting the parliament to approve the Law on Social Entrepreneurship in October. Also, due to the efforts of CSOs involved in working groups, the 2018–2020 Civil Society Development Strategy was submitted to the parliament. The draft law on not-for-profit organizations, in the works since 2016, was withdrawn in 2017 after CSOs and development partners strongly opposed several articles introduced by the Minister of Justice related to foreign-funded CSOs, as described above.

In December, the Platform for Active Citizenship and Partnership for Human Rights organized the National Volunteering Conference in partnership with the parliament. At the conference, the Platform advocated for a variety of actions to promote volunteering, including the creation of a National Volunteering Center, more public funding to support volunteering, and the delegation of a state representative to cooperate with the Platform to promote volunteering.

In 2017, several advocacy campaigns were organized in the Transnistria region to promote human rights. Joint advocacy efforts by local CSOs and OHCHR in the area of rights of people with disabilities led to the declaration of 2018 as the Year of Equal Opportunities in the Transnistrian region, with a special focus on opportunities for people with disabilities.
**SERVICE PROVISION: 4.2**

Service provision did not change significantly in 2017. The most common areas of service provision in Moldova are social assistance for disadvantaged people, education, and capacity building. Services provided with foreign support are generally based on needs assessments conducted by the CSO or the donor. CSOs that provide services for a fee regularly adjust their services to meet market needs. For example, CICO, which provides 30 percent of its services for a fee, has adjusted its portfolio to focus on fundraising support in response to the number of requests for services in this area.

As a rule, most CSOs provide services to target groups beyond their members. For example, the National Youth Council of Moldova provides trainings and other services to its more than sixty members, as well as other youth organizations in Moldova. Think tanks such as Expert-Grup and IDIS Viitorul develop and make their analyses and research available to the public. In contrast, business associations, like the Moldova Business Persons’ Association (MBPA) and the Small Business Association (SBA) of Moldova, focus their efforts mostly on their members.

Through the Libraries and NGOs Collaborative Community Development Grants program, Novateca supports the establishment and advancement of sustainable partnerships between libraries and CSOs in the development of modern library services that address community needs and interests. Through this program, Novateca has offered financial and technical support to four CSOs to implement projects in financial education and project writing and management. As a result of these activities, more than 300 women and young people have received training in financial education and employment, strengthening their skills in writing a professional CV and letter of intent, and preparing for a job interview; 70 of these were employed. Another 25 percent of the 152 library users who attended business management courses started their own businesses.

More than twenty social enterprises operate in Moldova. They have created about 120 jobs over the last three years. Almost 40 percent of the employees in social enterprises are people with disabilities. The adoption of the Law on Social Entrepreneurship is expected to contribute to the development of service provision by CSOs by encouraging them to set up businesses that will direct revenue back to the CSOs.

CSO services are mostly provided free of charge to beneficiaries, with international donors covering the costs on a project basis. Few service providers conduct cost benefit analysis and the majority cannot provide even basic information about cost, limiting their ability to develop strategic plans to sustain their services.

In 2017, the government was expected to approve quality standards for youth-focused services. However, due to the government’s emphasis on reforming the central public administration, the standards were not approved and youth centers continue to provide services without minimum quality standards.

Legislation in Moldova allows public authorities to contract social and health services from CSOs through different mechanisms, including direct payments to accredited CSOs, public procurements, and public-private partnerships. However, according to a study by CAJPD in 2017, the existing mechanisms for contracting CSO services have many flaws. The lack of designated financial support for social services, legislation that fails to recognize the specific nature of non-profit providers, and the lack of financial sustainability of local authorities are among the key issues highlighted in the study. Some LPAs do not contract with CSOs as they believe foreign donors should fund their services.

CSOs intending to provide social services on behalf of the state must be accredited by the National Council for the Accreditation of Social Service Providers. The main criteria for accreditation include technical capacity, financial management, staff background, and compliance with the minimum standards of quality established.
by the government. Fourteen out of twenty applicant organizations received accreditation to provide social services in 2017. According to the CAJPĐ study, half of accredited CSOs (50 percent) did not think there were any difficulties in the accreditation process, while 33 percent thought the requirements were exaggerated or irrelevant to the nature of the services to be provided. The other 17 percent of respondents said that CSOs experience difficulties in the accreditation process because they do not know the minimum quality standards for that service.

**SECTORAL INFRASTRUCTURE: 3.3**

Sectoral infrastructure did not change significantly in 2017. Resource centers, such as those run by CONTACT, offer informational and technical support for CSOs, including libraries with resource materials. However, demand for their services has decreased as most of the information they provide is also available online.

Twenty-eight youth centers in Moldova continued to provide support services to young people and youth CSOs during the year. In 2017, the Ministry of Youth and Sports launched the 2017–2022 Youth Center Development Program comprising three basic pillars: professional development of human resources in youth centers, support for the development of infrastructure in youth centers, and support for the development of competitive district and municipal grants programs for the financing of youth initiatives and projects of youth CSOs. In November, the ministry signed agreements with nine district councils to begin implementation of the program.

Larger CSOs that have greater fundraising capacities and LPAs provide local grants. For example, the Varnita Youth Fund provided grants of up to $500 to regional youth CSOs. In 2017, Balti City Hall launched the Civic Budget 2017 Grants Competition for CSOs, under which projects of up to $7,000 were funded.

The National CSO Council remains one of the most active and representative platforms of Moldovan CSOs. In 2017, it was steered by the eight members of its governing body; its next General Forum is to be held in 2018. The National Youth Council of Moldova expanded its membership to more than sixty youth CSOs. In September, nineteen CSOs focused on the rights of people with disabilities, including thirteen from the Transnistria region, signed a partnership agreement and developed the Platform for Sustainable (Community) Development. This platform will monitor the rights of people with disabilities and work to improve their living standards.

Programs with an organizational capacity-building component, such as the USAID-funded MPSCS and the Embassy of Sweden’s Organizational Development Program, continued in 2017. Russian-speaking CSOs in the Transnistrian region and the ATU of Gagauzia had more access to institutional capacity-building programs during the year. The Soros Foundation, in partnership with the CONTACT Center and the Pilgrim-Demo Association, launched a two-year capacity building project for local and regional CSOs, local and central public authorities, and mass media institutions in the region. CICO developed a six-month intensive program for Russian-speaking CSOs, including twelve from the Transnistria region. The program consisted of five trainings and 205 hours of individual consultations in organizational management.

In 2017, the development of LAGs responsible for managing local development in Moldova continued. The LAGs are partnerships between CSOs, businesses, and LPAs where none of the three stakeholders has more than 50 percent of the decision-making power. With the help of the Support for Agriculture and Rural Development (SARD) program that is implemented by UNDP Moldova, declarations establishing eight LAGs representing forty-four rural settlements from the ATU of Gagauzia and Taraclia district were signed by the future members of these LAGs.
PUBLIC IMAGE: 3.9

The public image of CSOs deteriorated in 2017 due to smear campaigns run by authorities and related institutions. Government-affiliated mass media launched a defamation campaign against CSOs that opposed the new electoral system. Two polls ordered by the PDM and conducted by IMAS during 2017 presented civil society in a negative light. According to the polls, approximately 31 percent of respondents believed that the activity of CSOs in Moldova is politically biased, and 32 percent thought that these organizations are used for money laundering. Over a quarter (27 percent) were convinced that civil society supports specific political forces. CSOs harshly criticized these surveys, the results of which were spread widely in the media, because of the manipulative manner in which questions were worded.

Authorities also directly criticized the work of CSOs in 2017. Speaking during a TV show, the speaker of the parliament said that CSOs should not be involved in issues related to the electoral system of Moldova, and that CSOs that do so are politicized and aligned with the opposition. In a message posted on a social network, the president of Moldova accused CSOs of receiving funds from the National Endowment for Democracy, money laundering, and political partisanship. Although none of the CSOs were ever contacted to clarify or respond, these accusations were widely shared on channels affiliated with the Party of Socialists of the Republic of Moldova.

Despite these attacks, the Public Opinion Barometer developed by the Institute of Public Policy indicated a slight increase in public trust in CSOs, although trust remains very limited. In November, the Barometer reported that 17 percent of those surveyed said they trusted CSOs, compared to 15 percent in the fall of 2016. As in previous years, people aged thirty-three to forty-four trusted CSOs more (19 percent), with those above sixty years of age trusting them the least (12.9 percent).

Communication between CSOs and the business world was positive. In December, CAJPD organized the third edition of the Remarkability Gala during which awards were given to companies hiring people with disabilities and providing favorable working conditions for them.

The fifth Civil Society Festival (CIVIC FEST 2017) was organized in October. Over two days, more than 300 CSOs presented their organizations and projects at the conferences, presentations, and fairs within CIVIC FEST 2017. About 4,000 people attended the events and about ninety projects were presented.

CSOs increasingly use social networks like Facebook and Odnoklassniki to promote their organizations and activities. According to the April 2017 Public Opinion Barometer, these two social networks are the key sources that Moldovan citizens use to get information on a variety of topics, including CSOs.

At a workshop in February, CSOs discussed the reasons they have limited public trust. The minimal transparency of some CSOs, the involvement of some of their members in politics, and the emergence of some CSOs defending the interests of the business sector were identified as key problems in this regard. The workshop culminated in a decision to set up a working group to develop a new Code of Ethics for CSOs.
Montenegro continued to be plagued by a deep political crisis, including a boycott of the parliament by most of the opposition parties, in 2017. Political polarization and mistrust between the ruling coalition and the opposition have continued to grow since parliamentary elections were held in October 2016. Prosecutors formally charged fourteen people, including two Russians and two pro-Russia opposition leaders, with plotting to overthrow the government on the eve of parliamentary elections. The international community undertook significant efforts to promote dialogue and to encourage the opposition parties to return to parliament, which finally happened at the very end of the year.

Montenegro officially became the twenty-ninth member of NATO on June 5, 2017. EU integration continues to be a priority for the country. While some progress has been made in accession negotiations, the country still needs to make additional reforms in many areas, especially rule of law, media freedom, the fight against organized crime and corruption, the judiciary, and fundamental rights. In addition to informing the public about progress towards integration, CSOs have taken an active role in monitoring and evaluating various integration processes.

Overall CSO sustainability did not change in 2017, although improvements were recorded in the financial viability, sectoral infrastructure, and public image dimensions. Financial viability improved as a result of the adoption of amendments to the Law on NGOs, which designate funds from the public budget for CSO activities. The infrastructure supporting the CSO sector was strengthened in 2017 as new resource centers increased their capacities and intersectoral partnerships continued to grow. The latest research shows that public trust in CSOs has increased, resulting in an improved public image.

According to the Ministry of Public Administration, as of January 2018, there were 4,627 non-governmental associations, 173 foundations, and 115 branches of foreign CSOs. During 2017, 371 new CSOs were registered. Most registered CSOs work in culture, human rights, arts, formal and informal education, agriculture and rural development, social and health care, civil society development and volunteerism, and environmental protection.
LEGAL ENVIRONMENT: 3.5

The overall legal environment remained the same in 2017. Amendments to the Law on NGOs adopted during the year introduced positive changes regarding the state financing mechanism for CSOs, but the requirements for the formation, registration, and other aspects of CSO operations remained unchanged.

The main legislation governing CSOs is the Law on NGOs, which defines NGOs as non-governmental associations and non-governmental foundations. Registration procedures for CSOs are simple and founding documents are not demanding. At least three founders are required to register an association, whether domestic or foreign, but only one founder (either a natural or legal person) must have a domicile, residence, or seat of office in Montenegro. To be a founder, a person must be at least fourteen years of age, though minors require consent from a legal guardian. A foreign CSO must submit proof of registration from the country where its main office is located. The online registry provides basic information about CSOs but does not allow for online registration.

According to the Law on NGOs, a CSO should have an assembly as its highest governing body and a person(s) authorized to represent the organization. CSOs can define other governing bodies in their statutes. Most well-developed CSOs have established governing boards, but a limited number of these boards are fully operational. CSOs generally enjoy the freedoms and legal guarantees necessary to carry out their work without political or institutional interference. Media-based intimidation and smear campaigns of CSOs decreased compared to 2016, but CSOs are still subject to latent pressure expressed through tax and financial inspections.

Amendments to the Law on NGOs adopted in 2017 introduce a new mechanism for public funding of CSOs, which will be implemented in 2018. These amendments stipulate that 0.3 percent of the current budget should be spent on CSO activities in the public interest; 0.1 percent should be spent on co-financing programs and projects funded by the EU; and another 0.1 percent should be designated to support CSOs working on the protection of persons with disabilities. If implemented fully and consistently, the Law will lead to a significant increase of public funds for CSOs.

The Income Tax Law generally exempts CSOs from taxation on foreign grants and donations; imported humanitarian goods; all services provided by CSOs, unless the exemption would unfairly distort market competition; and “public interest” services, which include educational, cultural, sports, and religious services. In addition, all expenditures above €50 made on EU-funded projects are exempt from VAT. In practice, however, the procedure to access these tax exemptions is complicated and varies depending on the type of EU grants. The biggest obstacle is that competent authorities lack information and knowledge to carry out the procedures. Individual and corporate donors do not receive any tax benefits.

All projects funded through decentralized EU funds must be registered with the Ministry of Foreign Affairs and then the line ministry. In practice, if a project covers several topics a CSO has problems identifying the appropriate line ministry, especially since it is common in these situations for ministries to claim that they are not responsible for the project.

The Labor Law treats CSOs like other employers, without considering the specific environment in which CSOs operate. For example, the law requires employers to pay severance when employment is terminated, but CSOs are largely project-funded and unable to guarantee long-term employment or to cover such costs. During 2017, the Association for Democratic Prosperity - Zid (ADP - Zid) proposed amendments to the Law to recognize this fact, including the introduction of six months of severance pay paid by the government for CSO employees who have worked at least three years in an organization. However, this proposal was rejected.
CSOs may engage in economic activities, but income from economic activities in a given year may not exceed €4,000 or 20 percent of an organization’s total income in the previous year; CSOs therefore cannot compete directly for tenders for service provision and in order to provide these services must establish separate companies, which are taxed at the corporate rate.

National-level support organizations and individuals provide legal advice to CSOs on a voluntary, ad hoc basis. CSOs dealing with specific topics such as domestic violence, child protection, and other vulnerable groups usually hire lawyers on a project basis.

**ORGANIZATIONAL CAPACITY: 4.2**

Organizational capacity did not change significantly in 2017.

The CSO sector in Montenegro is diverse. Well-developed CSOs\(^1\) are recognized as major social players and are active in diverse fields of public interest. They operate on the national level and focus on raising awareness, advocacy, and research on human rights, good governance, the fight against corruption, and other issues closely related to some of the key obligations deriving from the EU integration and accession process. On the other hand, there are many local grassroots organizations and community-based CSOs that rely mostly on public funding and only conduct short-term projects, which hampers the continuity of their activities.

Constituency building is still not a primary focus for most CSOs. CSOs operating in smaller communities or supporting specific target groups, such as parents, LGBT individuals, Roma, Ashkali, and Egyptians (RAE), and victims of domestic violence, have developed strong, direct links with their constituencies. CSOs that provide services are generally better at establishing and maintaining relationships with their constituencies than CSOs that are focused on advocating for policy changes. CSOs use a variety of ICT tools, including Facebook, Twitter, and livestreaming, to engage the wider public in their work and provide space to comment or take part in online discussions.

Well-developed CSOs regularly conduct strategic planning while medium-sized and small CSOs engage in such planning only when required to by donors. In order to maximize the financial resources available for their operations, CSOs tend to apply for calls for proposals that are beyond their missions.

The internal governance structures of Montenegrin CSOs are still underdeveloped. Few CSOs have developed their staff, management bodies, and governing boards. In most organizations, one or two leaders still make the majority of decisions. CSOs are not legally obliged to have governing boards.

There is no official data regarding CSOs’ income, staff levels, salaries, or number of volunteers. Staff members are usually hired on a project basis. Only a few CSOs can ensure permanent work contracts for their staff or have employment policies and procedures in place. CSOs can participate in a state program that enables them to recruit interns paid by the government for nine months. CSOs utilize the professional services of accountants, IT managers, and lawyers for specific tasks when they have resources available.

The conditions for developing volunteerism in Montenegro are not favorable. The Law on Volunteer Work treats volunteering as a special type of labor relationship, which complicates such arrangements, most of which are spontaneous and not contract-based. The law prohibits minors under the age of fifteen from volunteering, even if an activity is organized by a school. According to the 2017 World Giving Index, 10 percent of respondents in Montenegro reported that they participated in voluntary action in 2016, compared to 8 percent the year before.

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\(^1\) According to a study in 2010, only 12.9 percent of CSOs had budgets of €50,000 or higher.
Most CSOs are equipped with basic technology, including computers, phones, and Internet access. CSOs increasingly use social networks to promote their work, establish dialogue between individuals and decision makers, and engage their constituencies. Well-developed CSOs carefully plan and design their social media announcements and use various tools such as info and video-graphics, designed messages, and short videos to influence decision makers and gain support for their activities.

**FINANCIAL VIABILITY: 4.9**

The financial viability of CSOs improved in 2017. Newly adopted amendments to the Law on NGOs introduce a new mechanism for public funding of CSOs that will be implemented in 2018. As described above, the new amendments stipulate that certain percentages of the state budget should be spent on CSO activities in the public interest; co-financing programs and projects funded by the EU; and CSOs working on the protection of persons with disabilities. If implemented fully and consistently, these changes will lead to a significant increase in the level of public funds available for CSOs.

However, there is skepticism among the CSO community about how and whether these new requirements, which involve centralized planning but decentralized allocation of funds, will be implemented. According to the Law, the government identifies priority areas for funding based on the ministries’ proposals, and then line ministries allocate and distribute the funds. However, six ministries—including the Ministry of Public Administration, which is in charge of implementing the Law on NGOs—either missed the deadline for defining priority areas for CSO funding in 2018 or did not identify distribution of funds to CSOs as a priority.

In 2017, Montenegrin CSOs continued to be highly dependent on international donor funding, including from the EU and various embassies. During the year, the EU Delegation to Montenegro made €2 million available to CSOs under the Civil Society Facility Program and €700,000 under the European Instrument for Democracy and Human Rights (EIDHR) Country Based Support Scheme. In general, EU grants are only accessible to a relatively small number of well-developed CSOs that are capable of meeting the strict co-financing and administrative requirements. In addition, many EU programs do not provide pre-financing, instead requiring applicants to provide the funds for project implementation up front and then get reimbursed based on real costs. Few CSOs have flexible resources that they can use in this way.

Revenues from games of chance were still the major source of state funding for the sector during the year. In 2017, CSOs received over €3.5 million from games of chance, approximately a 10 percent increase from 2016. This funding covered six areas of work: social protection and humanitarian activities, needs of persons with disabilities, sports development, culture, non-formal education of youth and children, and addiction issues. Funds are generally distributed in a competitive and transparent manner.

In 2017, the Ministry of Sports funded thirty-six youth projects through its Youth Directorate for the first time since the adoption of the 2011 Law on NGOs.

Government support to CSOs at the local level is still insignificant. Allocation of funds by municipalities is not transparent, and personal relationships—rather than the quality of projects—are still the primary factor in funding decisions. There are municipalities that have not allocated any funds for CSOs since 2010.

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2. Besides the Ministry of Public Administration, the Ministry of Finance, Ministry of Interior, Ministry of Sustainable Development and Tourism, Ministry of Science, and Ministry of Foreign Affairs will not allocate funds to CSOs in 2018.
Most CSOs have limited funding diversification, as individual philanthropy, in-kind support, volunteerism, and corporate social responsibility (CSR) all remain underdeveloped in Montenegro. Although the legal framework does not provide incentives for companies to make financial donations, a few companies, including Trebiesa Brewery, Telekom, Telenor, and Coca-Cola Hellenic, regularly fund CSOs through calls for proposals. Topics funded include environment and sustainable development and the development of ICT tools to promote and advance youth and children’s rights and Internet safety. Individual philanthropy is also still limited due to the lack of incentives, the country’s poor financial situation, and the lack of awareness of the value of engaging in such activity. Humanitarian CSOs, such as Food Bank, manage to involve the public, companies, or individuals, and collect in-kind contributions such as food and clothes for persons and families in need.

Well-developed CSOs have one or two staff members dedicated to financial operations, while most CSOs have weak financial management practices which they adjust to meet project requirements. Lack of institutional support leaves CSOs with few opportunities to invest in the development of their human resources, financial management, or procurement procedures.

CSOs are obliged to submit annual profit and loss balance sheets to the Tax Administration. Bookkeeping rules are the same for CSOs as for other legal entities, which complicates the work of organizations that have little or no income. While CSOs generally adhere to the bookkeeping rules, this does little to contribute to the development of sound financial management systems, as most CSOs outsource bookkeeping to accounting firms, which are not well-informed about the activities or specific environment in which CSO operate. Audits are obligatory only for EU-funded projects above €60,000.

**ADVOCACY: 3.5**

CSO advocacy did not change significantly in 2017.

Since 2012, two government decrees have regulated CSO participation in the legislative process and the work of public institutions: the Decree on the Manner and Procedures of Cooperation between State Bodies and CSOs and the Decree on the Manner and Procedures for Organizing Public Consultations in Law Preparations. CSO representatives also have space to participate in working groups for the preparation, and, later, the conduct of EU negotiations. However in the past several years, backsliding in cooperation between the government and CSOs has been noted. The government often fails to publish the list of laws subject to public consultations or the consultation reports, thereby making it difficult for CSOs to track whether their proposals were adopted. In general, cooperation depends mostly on the openness and will of the leadership in particular public institutions.

As a result of a re-organization of the work of the government, the register of CSOs and the Office for Cooperation with NGOs (now named the National Office for Cooperation with CSOs) are now part of the Ministry of Public Administration. The Council for the Development of NGOs, established in 2014, is responsible for monitoring the implementation of the Strategy for Development of CSOs for 2014–2016 and the Action Plan for Chapters 23 and 24 related to CSOs, and for providing recommendations on legislation and other documents related to CSO–government cooperation. The Council is composed of the president and twenty-two members (eleven from the government and eleven CSO representatives). The Council, which has been marked by deep polarization between the governmental and non-governmental members, has not convened since July 2016, and the government did not take any steps to address this issue in 2017.
During 2017, the Strategy for Improvement of the Enabling Environment for CSO Activities (2018-2020) was adopted. However, the Strategy was prepared by a working group with no CSO representatives. CSOs criticize the Strategy for not containing clear strategic directions and for lacking key measures to encourage the ongoing development of the CSO sector. The government also introduced amendments to the Law on State Administration without public debates or any public involvement. The text of the amendments were not even submitted for consideration to the Public Administration Reform Council—an advisory body to the government that includes CSO representatives that was formed to review draft regulations and strategic, planning, and analytical documents related to public administration reform.

Despite these obstacles, CSOs, especially well-developed organizations with national coverage, continue to pursue advocacy initiatives in such areas as anti-corruption, good governance, electoral legislation, human rights protection, and media freedoms. In 2017, CSOs continued to monitor the performance of state authorities. For example, the Center for Democratic Transition (CDT), Center for Monitoring and Research (CEMI), Network for the Affirmation of the NGO Sector (MANS), Center for Civic Education, Center for Development of Non-governmental Organizations (CRNVO), and Institute Alternative all monitored different aspects of the work of the Agency for Prevention of Corruption, including political party financing, conflict of interests, and whistleblower protection. CDT, CEMI, and MANS also continued their efforts related to electoral legislation and transparent funding of political parties. At the end of 2017, the Agency for the Prevention of Corruption initiated amendments to the bylaws regarding financing of political entities during the pre-election campaign. CSOs also closely monitored the work of the judiciary in 2017. Human rights, especially the rights of LGBT and RAE populations, continued to be the focus of CSO attention. The Women’s Rights Center advocated strongly through social media and protests for appropriate reactions by competent authorities to cases of domestic violence. Civic Alliance, the Forum of Youth and Non-Formal Education (MNE), and CDT worked to counter hate speech, violent extremism, and radicalization. However, as a result of the opposition’s boycott of parliament, the effectiveness of CSOs’ advocacy initiatives on such topics as political party financing or electoral legislation was limited in 2017.

In 2017, there was significant national and international attention on alleged political pressure on the national public broadcasting service Radio Television Montenegro (RTCG). After the parliamentary elections, RTCG’s management changed when the previous members all resigned. Subsequent changes in the governing and editorial structures shifted the previous editorial policy, which was often perceived as close to the ruling party. The Agency for Prevention of Corruption identified several members of RTCG’s Council as having conflicts of interest. Several CSOs launched a campaign to support the independence of RTCG.

The Law on Local Self-Government regulates cooperation between CSOs and authorities at the local level. However, implementation of the law is inconsistent, and CSO participation in the development of local strategies and policymaking is very limited. One exception is the municipality of Podgorica, where most of the well-developed CSOs are located. CSOs in Podgorica actively participate in public consultations regarding urban development and monitor spending from the municipal budget, as well as irregularities in the performance of local public services.

The CSO coalitions Together towards the Goal and Open Platform participated actively in the process of amending the Law on NGOs. Their efforts resulted in increases of the percentage of the budget allocations that were introduced.

**SERVICE PROVISION: 3.9**

Service provision did not change significantly in 2017. CSOs primarily provide services to victims of domestic violence, HIV/AIDS patients, drug addicts, and other vulnerable groups. Human Rights Action and Trade Union of Media of Montenegro provide free legal services and advice for journalists.

CSOs are the main social services providers in Montenegro. Local CSOs generally provide goods and services in accordance with local needs, however their work is project-based, which affects the stability of service delivery.
CSOs often acquire the resources needed to provide services—including space and utilities—from foreign donors and through projects that are not directly related to social services. The lack of stable resources creates economic uncertainty and leads to the attrition of staff trained to provide social services. CSO service providers are mostly focused on their users, and often neglect to build their own capacities in terms of internal procedures, policies, and appropriate management systems.

Social entrepreneurship is increasingly seen as an alternative and innovative way to promote social inclusion, integration, and employment of disadvantaged groups of the population. A growing number of CSOs is engaged in the production of goods and provision of services, many of which employ members of marginalized groups, including people with disabilities, members of the Roma population, and victims of domestic violence, in these economic activities. Enterprises that hire people with disabilities for these purposes benefit from government subsidies to cover the costs of salaries.

CSOs provide trainings and consultancies to local and state institutions on project cycle management, EU funds, project proposal writing, and reporting requirements for EU projects. Those services are generally provided free-of-charge.

**SECTORAL INFRASTRUCTURE: 3.6**

The infrastructure supporting the CSO sector improved in 2017. New resource centers increased their capacities and intersectoral partnerships continued to grow during the year.

The major intermediary support organizations (ISOs) and CSO resource centers include CRNVO and the Fund for Active Citizenship (FAKT). They provide CSOs with basic training, educational and networking resources, legal assistance, project writing assistance, and other technical assistance.

Within an EU-funded project, CRNVO established four local resource centers in 2016. Two of the centers are located in the south of the country (in Herceg Novi and Ulcinj) and two are in the north (Pljevlja and Bijelo Polje). During 2017, CRNVO continued to build the capacity of these centers while also organizing various activities aimed at greater inclusion of CSOs in decision-making processes at the local level.

FAKT is the only local donor that offers grants to informal groups. FAKT redistributes grants from a variety of donors including the European Commission (EC), Mott Foundation, Rockefeller Brothers Fund, and Balkan Trust for Democracy. In 2017, FAKT initiated a new grant program for medium-sized CSOs (defined as CSOs with annual budgets of at least €20,000). In the last year, FAKT has supported twenty-five CSO projects with a total of €85,879.

In 2017, the local branch office of the Regional Youth Cooperation Office (RYCO) was established. RYCO is an independently functioning institutional mechanism, founded by the countries in the Western Balkans (Albania, Bosnia and Herzegovina, Kosovo, Montenegro, Macedonia, and Serbia) to promote the spirit of reconciliation and cooperation between youth in the region through youth exchange programs. RYCO will have a small grants program focusing on youth.

Montenegrin CSOs frequently form and join networks and coalitions on the local, national, and regional levels around specific issues of interest. There are two major coalitions of CSOs in Montenegro that strive to improve the environment for CSO operations in Montenegro: Open Platform and Together towards the Goal. Some other examples of national CSO coalitions and networks include the Roma Coalition, Coalition for the Rights of LGBT, and a coalition of environmental CSOs that work jointly on Chapter 27 of the EU negotiation process, which focuses on the environment.
Developed CSOs provide community-based and newly-established CSOs with both basic and advanced training, consulting, and capacity building on strategic management, accounting, financial management, fundraising, and advocacy. This support is usually provided free of charge. Such training is provided by CRNVO, and its local partners Bonum Pljevlja, New Horizons, Nova Nada, and Bijelo Polje Democracy Center.

Intersectoral partnerships continue to grow, especially between media and CSOs. Many EU-funded projects require CSOs to form partnerships with media outlets in order to increase the visibility and capacity of both CSOs and the media sector. There are many positive examples of media outlets using CSO data in their investigative stories. MANS in cooperation with TV Vijesti produces a weekly talk show which tackles various aspects of the EU negotiation process. The joint work of CSOs and media has resulted in a number of investigative stories highlighting the misuse of public funds, poor governance, suspicious tender procedures, and misuse of office. For example, the Montenegrin Center for Investigative Journalism worked with local and regional CSOs on investigative articles on the misuse of public funds, current reforms, and policies.

Partnerships with the business sector remain limited and are mostly established for specific topics and purposes. However, environmental movement OZON has established long-term cooperation with Coca-Cola Hellenic, which supports its educational and awareness-raising activities.

**PUBLIC IMAGE: 4.1**

The CSO sector’s public image improved in 2017. The latest research shows that public trust in CSOs has increased. According to CEDEM research, as of December 2017, public trust in CSOs was 43 percent, a significant increase from 35.1 percent in June 2017.

The deeply divided and polarized media, as well as personal disputes, continue to affect media coverage of CSO activities. Some media connected with the government continue to report negatively on specific CSOs activities and persons involved in their work.

Businesses have started to perceive CSOs as valuable actors in community development. In 2017, the business sector supported a number of CSO initiatives, especially with in-kind donations, including food for the homeless and socially-endangered families and plants for environmental actions. On the other hand, cooperation between the government and CSOs has worsened and the government developed a number of laws and strategic documents during the year without consulting key CSOs.

Only a small number of CSOs have public relations (PR) strategies. CSOs with such strategies either engage journalists and PR experts or establish partnerships with media in order to conduct joint research and promote their results and outcomes.
CSO widely use social media, including Facebook, Twitter, and Instagram, to promote their activities and engage the public. Most CSOs are sophisticated in their use of social media, allocating funds for social network promotion and often having a dedicated person in charge of such initiatives. There is little self-regulation in the sector. The CSO coalition Together towards the Goal, which has ninety-nine CSO members, has a code of ethics, but it is unknown how widely it is implemented. All of its members are also asked to publish annual reports. Well-developed CSOs regularly publish annual reports, while only a small number of local CSOs do so.

In light of their limited access to local and national media coverage, CSOs increasingly use the Internet and social networks to promote their work, launch advocacy campaigns, and build constituencies. However, in October 2017, Facebook introduced a pilot system in a number of countries (including Serbia) that drastically decreased the reach of organizational and project pages, forcing CSOs to pay to promote their posts and get them viewed by more people. In 2017, the TACSO Resource Center provided training and published a Digital Media Toolkit to help associations improve their visibility.

There were no initiatives or changes in terms of self-regulation in 2017. Annual reports are still only published by leading organizations.
After taking over control of the Constitutional Tribunal and public media in 2016, the ruling party in Poland initiated reforms in 2017 to modify the judicial system to make courts more dependent on the Ministry of Justice. Additionally, new laws were adopted that placed the Supreme Court under the control of the executive and the National Judiciary Council under the control of the legislature.

At the same time, the ruling party has claimed that the government has the sole authority to determine the country’s course of action and has taken steps to divide CSOs into “bad” (liberal) and “good” (conservative) groups. This has negatively affected CSOs addressing matters not in line with the government’s conservative agenda, as well as those that benefit from foreign support. The situation has been the worst for CSOs working on minority rights (including those of women, LGBT individuals, and ethnic minorities), anti-discrimination, support to migrants and refugees, and environmental protection, as well as watchdog organizations.

Nationalism and xenophobia continue to rise in Poland. Opinion polls confirm that there is less sympathy to members of other nations. In addition, there has been a growing number of physical and verbal attacks on foreigners. Nationalist symbols have also become more prominent, including during the Independence March, a public rally organized by right-wing movements on National Day (November 11).

CSO sustainability deteriorated during the year. In September 2017, the parliament adopted a law creating a new agency reporting directly to the prime minister, the National Institute of Freedom – National Center for Civil Society Development (NCRSO). The NCRSO will govern the development of the CSO sector by distributing all public funds—governmental, European, and other international funding distributed by the state—dedicated to civil society development.

Some concerning trends apparent in previous years—including the government’s decreasing use of public consultations and procedural irregularities in granting public funds by central authorities—continued in 2017.
Several calls were suspended or cancelled without explanation. In a growing number of grant competitions organized by various ministries, including programs focused on combatting violence against women, post-penitentiary assistance, and environmental issues, CSOs with little or no relevant experience won over applicants with extensive experience. Such developments have heightened CSOs’ concerns regarding future access to public funds and emphasized the importance of diversifying their funding sources.

According to the latest data available from the Polish Central Statistical Office, at the end of 2017 there were almost 120,000 associations (including 16,600 volunteer fire brigades that operate mostly in rural areas) and over 22,000 foundations registered in Poland. According to surveys and official statistics, only about 70 percent of registered organizations are active.

**LEGAL ENVIRONMENT: 2.4**

The legal environment governing CSOs in Poland deteriorated in 2017, as the government increasingly harassed CSOs and increased control over parts of the sector.

Several important legal changes affected CSOs’ operations in 2017. First, the government adopted a law establishing a new central agency—the NCRSO—to administer civil society development efforts after a mere façade of a consultation process. Out of forty-nine opinions submitted, thirty-three challenged the very concept of this body. In addition, the law was criticized by international actors, including the OSCE’s Office for Democratic Institutions and Human Rights. However, the government did not acknowledge any of these objections. In addition, the government made some important changes to the draft just before sending it to parliament without consulting with CSOs. Notably, a preamble was introduced establishing a set of values (including Christian ones) to underline the work of this new agency, in violation of the terms of the constitution. Despite strong opposition from the vast majority of third sector representatives, the law was adopted by both chambers of parliament in late September 2017 and signed into law by the president in October. This law poses serious risks of centralizing government supervision over CSOs.

Second, amendments to the Law on Assemblies entered into force in April 2017. These amendments introduced the concept of periodic meetings or cyclical assemblies, referring to protests organized by the same organizer at the same place or on the same route, giving such rallies priority over other meetings and thereby creating a hierarchy among assemblies. The authority to grant the status of these periodic meetings was given to the provincial governors, who are representatives of the government at the regional level; previously, all powers regarding the legality of assemblies belonged to local administrations. In addition, the amendments require unrelated meetings to take place at least 100 meters away from any meeting designated “periodic.” The implementation of this law has hindered the operation of CSOs protesting against government policies. In addition, many CSO activists have been prosecuted for violation of the law.

A draft Law on Transparency of Public Life was prepared by the office of the Minister for Special Services during the year. Article 30 of this draft, which was proposed right after public discussions began on controlling financial support from abroad, infringes on the privacy protection of CSOs’ individual donors and also has a potential restrictive impact on public participation. The draft was still pending in the ministry at the end of the year.

Increased administrative impediments and state harassment hindered the operation of selected CSOs during the year. Most notably, the government orchestrated a media campaign aimed at delegitimizing the role of CSOs and social movements expressing opposition to government policies or having different worldviews.
Government authorities also harassed activists and organizations legally protesting against state policy by initiating investigations into particular individuals and individual CSOs. For example, on the anniversary of the Black Protest—the massive protest movement that mobilized tens of thousands of people around the country in October 2016 against a proposed law restricting the right to abortion—the Ministry of Justice ordered the police to secure documentation and computers related to ministry-financed projects from eight CSOs counteracting violence against women. Similarly, the Board of Education initiated disciplinary cases against teachers who took part in the Black Protest. Such incidents have had a chilling effect on CSOs promoting women’s rights.

The registration of CSOs is fairly easy and affordable. CSOs can register at the court of the National Court Register. However, the court sometimes delays the registration process by demanding changes to registration documents. For example, in a process that began in 2016 and extended into the first months of 2017, a new independent association of prosecutors was asked to revise its statute several times, for example to delete reference to conducting scientific and publishing activities and define the duties of honorary members. The only minor change to the registration process in 2017 was the implementation of new rules that require organizations dealing with defense issues to sign agreements with the Ministry of National Defense, which is a time-consuming process.

Legal regulations are often interpreted inconsistently. For example, the court in Krakow demands detailed evidence of public benefit activities over the previous two years from organizations applying for public benefit status, which the court in Warsaw does not require. Events in 2017 have shown that authorities may apply existing laws differently to CSOs opposing the government’s agenda or espousing liberal points of view. For example, the Ministry of Family, Labor, and Social Policy stopped public funding to the Autonomy Foundation for the project Zero Violence, which was focused on counteracting violence against women and anti-discrimination trainings. This decision was made in the middle of project implementation in violation of the procedures set out in the contract.

This selective approach to legal regulations was also apparent in the funding decisions of several central administration authorities during the year. Some, for example, awarded grants to CSOs for purposes not fully consistent with their statutes. For example, the National Fund for Environmental Protection awarded a grant to a foundation with close ties to the ruling party; the foundation had revised its statute just before the competition was launched to add a relevant objective. Furthermore, the limited transparency of some competitions (e.g., the Ministry of Justice’s Justice Fund) allows subsidies to be granted for projects with questionable impact and budgets, creating the impression that certain CSOs are judged on preferential criteria. In the competition to run the Regional Center for International Debates in Katowice, for example, the Ministry of Foreign Affairs selected a conservative foundation even though it did not meet one of the formal requirements of the competition.

In practice, the government hinders the work of organizations focused on such issues as advocacy, human rights, and LGBT issues. In some cases, the central government’s bias against these organizations has been mirrored by local authorities. For example, there were cases in cities such as Katowice and Łódź where the city rejected funding for LGBT CSOs, but funded very similar activities when the same CSOs were less visible partners in the project.

There were no changes in tax policy affecting CSOs in 2017. Individual donors can deduct eligible donations up to 6 percent of their incomes, and corporate donors can deduct up to 10 percent of their incomes. However, donors rarely use these exemptions. The 1 percent tax mechanism, which allows taxpayers to designate a portion of their income taxes to CSOs possessing public benefit status, is still in place, but can still be used to benefit particular individuals, for example, those requiring costly medical treatments, as opposed to its original aim—supporting CSOs working for the public interest.

The law allows CSOs to charge fees for their services, set up social enterprises, and engage in economic activities. CSOs can apply for public contracts. There are also clauses—known as social clauses—allowing public institutions to give social enterprises preference in public procurements, although these are not widely used.
CSOs can still accept funds from foreign donors, although in late July, the National Movement, a conservative-nationalist political party with several MPs, announced a draft law prohibiting foreign financing of CSOs, presenting its provisions in a press conference organized in the parliament.

The law creating the NCRSO also included potential institutional support for CSOs, including support for establishing endowments from the Fund for Supporting Civil Society Development (which had been established a few months earlier through amendments to the Act on Gambling in December 2016). However, these amendments were also introduced in the late stages of the legislative proceedings without any consultations with CSOs. The impact of this new law will not be seen until 2018 or later, since the relevant implementing regulations were not yet introduced by the end of 2017.

CSOs’ access to legal assistance did not change significantly during the year. Individual lawyers and organizations, including the Polish Society for Antidiscrimination Law, the Pro Bono Center, and the Supreme Bar Council, provide legal services to CSOs. While they were increasingly active during the year, the scope of such work is still limited. Apart from regional capitals, access to high-quality legal advice is limited at the local level, with the exception of dedicated support centers that provide such services to social enterprises. However, CSOs around the country, including rural areas, can access some legal assistance through the Internet.

**ORGANIZATIONAL CAPACITY: 2.6**

Organizational capacity did not change significantly in 2017. However, as a result of the unfavorable attitude by state authorities towards certain CSOs, CSOs expressed more interest in expanding their membership bases during the year; Social protests against government policies have also activated many individuals and involved them in various CSO activities. Successful initiatives include Action Democracy’s campaigns against judicial reforms, Greenpeace’s actions to defend the Białowieża Forest, and Watchdog Poland’s mobilization of donors.

Many CSOs still lack clearly defined missions and adjust their goals based on available funding. In response to the negative state attitudes towards CSOs during the year, some organizations—including some women’s rights and watchdog CSOs—redefined their goals. Only a few CSOs have resources that allow for the creation and implementation of strategic plans. Due to decreasing funding opportunities, CSOs found it more difficult to implement their missions and plans during the year. CSOs operating in rural areas, including volunteer fire brigades and countryside housewives circles, may have clear missions, but often lack strategic plans.

Many CSOs, especially smaller groups, do not precisely define their management structures. This gives them greater flexibility, but also means that the same people constitute their boards and staff. Only larger CSOs with substantive financial and human resources try to implement procedures and principles of equal treatment. For example, such CSOs increasingly take into account the needs of people with disabilities in their organizations and projects.

CSOs report that there has been an outflow of qualified personnel due to difficult employment conditions and financial instability in the sector. CSOs focused on human rights, anti-discrimination, and violence operated with reduced staffs during the year. Staff members are often employed under short-term contracts. This often results in CSO staff changing the scope of their tasks depending on the project and CSOs working with ever-changing personnel. In addition, many CSO employees hold multiple jobs. A huge amount of work is done on a voluntary basis. According to the 2017 World Giving Index, 13 percent of respondents reported that they participated in voluntary action in 2016, compared to 9 percent in 2015 and 13 percent in 2014.
CSOs’ efficiency in using modern technologies and communication tools, including social media, is growing. However, there is a growing gap between CSOs in terms of access to technology. Larger organizations are awarded bigger projects that allow them to purchase the latest equipment and software. In contrast, smaller CSOs and those without access to public funds do not have sufficient funds to replace or repair aging equipment. Many small CSOs rely on their members’ resources.

**FINANCIAL VIABILITY: 3.0**

The CSO sector’s financial viability deteriorated in 2017 as the government increased its control over the distribution of funds and limited part of the sector’s access to these funds. The lack of diversification in financial sources is one of the main problems facing CSOs in Poland. Most organizations struggle to survive, existing from project to project. CSOs' reliance on publicly-funded projects often deplete CSOs’ finances as they require CSOs to make their own contributions. At the same time, the increasingly limited access to public funds is forcing CSOs to pursue alternate sources of funding, including philanthropy and economic activity.

In 2017, the availability of public funds at the national level—to at least part of the CSO sector—decreased. A new law authorizes the NCRSO to distribute all public funds. This has raised serious doubts among CSOs about which organizations will have access to these funds and what the procedures will be. In particular, text in the preamble to the law referring to Christianity raised concerns about possible unequal access to resources by organizations representing other religions or non-believers. Subsequent parts of the law introduce the possibility of adopting new procedures for competitions by invalidating the current forms of proposals, contracts, and reports, which CSOs have helped develop over the years. The director of the Center is given sole responsibility for deciding on the rules it will use to distribute money through competitions. There will also be institutional funds for CSOs, but these will be distributed without any competition. The creation of the NCRSO also delayed the distribution of funds during the year by the Citizens’ Initiative Fund, a key government program that has supported citizens initiatives and the activities of small CSOs since 2005, after responsibility for the fund was moved from the Ministry of Family, Labor, and Social Affairs to NCRSO.

There were several examples of government agencies granting subsidies in a non-transparent way during the year. For example, the Fund for Victims of Crime Assistance (renamed the Justice Fund), which is operated by the Ministry of Justice, was announced discreetly, with the minimal requirements, a short period of implementation, and a very large budget. In both 2016 and 2017, experienced organizations failed to receive funds, while many grants were awarded to organizations with Catholic values. There was also confusion about how priorities were established for grant competitions run by the Ministry of Foreign Affairs.

Local funds for CSOs are still limited, although there was a slight increase in local support for organizations. CSOs working in social care benefit from significant levels of support from local authorities to implement tasks commissioned by these authorities. The culture of corporate philanthropy is still undeveloped, especially in smaller communities.

Foreign funding increased somewhat during the year, as some large US-based foundations resumed grant making in the country. The new round of EU funds began to be distributed during the year, but had little impact on the scale of CSO operations. Access to foreign funding in rural areas has always been limited.

The potential role of the NCRSO became an issue during negotiations over the European Economic Area (EEA)/Norway Grants, when the government proposed that it be the operator of the €40 million civil society development program. An agreement was eventually reached, according to which there will be two separate strands of support—one that awards funds on the national level and one that will distribute money locally.
Each strand will have a different operator; however, neither of them had been selected by the end of the year.

CSOs demonstrated increased awareness of the need to engage in active fundraising, in part because of the uncertainty of funding from the government. CSOs also had access to new electronic tools—including a new payment tool on NGO.pl, the fundraising tool on Facebook, and the naszademokracja.pl website—to help them in these endeavors. A small group of CSOs put more effort into raising funds from individual donors. In addition, the I Accurate Foundation was established to promote cash write-offs, through which individuals donate small amounts by rounding up the amounts of their purchases. Financial collections are organized mainly for charity purposes. Membership fees do not constitute a significant part of most CSOs’ budgets.

Individuals still have the right to designate 1 percent of their tax liabilities to organizations with public benefit status. According to information announced in September 2017 by the Ministry of Finance, in 2016, 13.6 million people—approximately half of the total number of taxpayers—designated PLN 660.2 million (approximately $193 million) of their tax liabilities to public benefit organizations. Out of the 8,238 public benefit organizations that obtained financial support through this mechanism, ten CSOs received almost 40 percent of the total amount collected. Pensioners, for whom tax reports are settled by the Social Insurance Institution (ZUS), received the right to write off 1 percent of their taxes to public benefit organizations during the year.

Most organizations do not engage in economic activity and do not have property that could generate income. Despite the work of the EU-funded Social Economy Support Centers, there has been no significant change in the scale of establishing social enterprises. State institutions expressed considerable interest in purchasing trainings from CSOs in the area of support for people with disabilities. Revenues from the sale of products and services constitute an important part of the budget of some of the smallest CSOs operating in rural areas.

Only a few organizations with significant budgets undergo independent financial audits. CSOs rarely publish annual reports including financial information. A large portion of the Polish CSO sector has annual budgets of several thousand Polish zlotys or less and therefore essentially have no financial management systems.

### ADVOCACY: 1.9

While CSOs engaged actively in advocacy during the year, the effectiveness of these efforts deteriorated.

There were no significant changes in 2017 to CSOs’ access to decision-making processes at the local level, while there was visible deterioration at the national level. Throughout the year, the government avoided public consultations, which were not organized even for important constitutional laws. Some of the most egregious violations of the rules of public access to decision making include work on the Act on the Transparency of Public Life (which allowed insufficient time for consultations) and the Act on the Center for Civil Society Development (where significant changes were added without any consultation just before the law was sent to parliament and ruling party MPs rejected CSOs' civic motion calling for a public hearing). Additionally, the engagement of many civic dialogue bodies has decreased. For example, no meetings of the Public Benefit Council were organized during the year and it was not consulted on relevant legal acts. At the same time, many CSOs disengaged from their relationships with the government as they do not accept the ruling party’s policies.

Nevertheless, CSOs undertook large-scale advocacy initiatives and some civic initiatives introduced important issues into public debate at the national and sometimes also the local level, although the effectiveness of these activities in influencing policy making and public opinion is debatable. Examples include the work of Action Democracy to safeguard independent courts, the Free Courts initiative, the Anti-Smog Alarm, and the Black Protest.

Due to the government’s unfavorable policies and attitudes, lobbying has deteriorated, and few CSOs engage in lobbying efforts anymore. In addition, there are still misunderstandings among CSOs about what lobbying is. Changes introduced in the legal and regulatory framework affecting the CSO sector during the year resulted from governmental decisions rather than CSO initiatives. Many organizations have quit trying to introduce changes.
A large number of organizations developed broad consensus on their opposition to the Act on National Center for Civil Society Development, but their efforts had no impact. No other visible efforts to implement priorities identified in the National Program of Civil Society Development, which was adopted in 2016, were made during the year.

A large group of CSOs and umbrella organizations voiced various opinions on the ratification of the Istanbul Convention against domestic violence and violence against women. Although the government had not yet made a decision regarding the Convention by the end of the year, the opinions expressed by CSOs led to a constructive dialogue and greater public understanding of the issues. Over forty CSOs signed a petition successfully urging the Seimas to take away the mandate of a parliamentarian accused of sexual harassment. Eighty-one CSOs and twenty-seven academic representatives requested that the president not sign the Law on Family Strengthening which, according to some CSOs, violates the principles of democracy. However, the Law, which was supported by a number of other CSOs, was ultimately signed in November.

Various umbrella organizations worked with Lithuania’s sixty municipalities and government agencies on Lithuania’s Advancement Strategy and Action Plan in preparation for CSOs taking over at least 15 percent of public services by 2020. Another important achievement was the incorporation of CSO-suggested actions into the government’s program, including measures in the areas of social business expansion, the inclusion of CSOs in decision-making processes, the creation of conditions and incentives for life-long learning, the renewal of civic education, and civic activism involving CSOs.

Transparency International sought to promote transparency in the sector’s dealings with the parliament. It analyzed official work calendars and the personal websites of Seimas members and informed the public about members’ meetings with CSOs and registered lobbyists.

Despite these many successes, CSOs’ advocacy potential is still limited by their lack of financial and human resources, as well as the government’s inadequate approach to engaging in consultations. The government, for example, asked CSOs to evaluate hundreds of UN Human Rights protocols, while failing to allocate funding for CSOs to do this work. Invitations to government deliberations are often sent to CSOs with too little notice or with invitations going out only to select CSOs.

**SERVICE PROVISION: 2.3**

CSO service provision deteriorated slightly in 2017. While social services are still largely decentralized, the national government aims to centralize and nationalize these services. In addition, the national government frequently discriminates in the award of funding for services against organizations with which it disagrees. While it has practically ceased funding for CSOs providing services to LGBT individuals or non-Christian refugees, some CSOs associated with liberal values, including groups with significant experience supporting victims of violence or children or providing post-penitentiary assistance, have been denied funding, which was then instead awarded to CSOs that espouse conservative or Christian values. While the government created the Committee for Public Benefit in 2017, the NCRSO, and the Fund for Supporting Civil Society Development in the past year, the manner of introducing these changes does not indicate true recognition of CSOs’ value. One positive development that indicates government recognition of CSOs’ value was a pilot program launched by the State Fund for Disabled People Rehabilitation (PFRON). Through this program, companies interested in employing people with disabilities can access free support in their recruitment process and assistance in preparing these people for work.
Such assistance is offered exclusively by CSOs with financing from PFRON. At the local level, authorities are slowly recognizing CSOs as service providers and developing a service contracting system.

CSOs continue to provide services in very diverse areas, with those in the areas of sport, culture, and social services being the most popular. Poland is a decentralized country, and basic social services are generally the domain of local governments. However, these authorities usually only delegate the services that are less profitable to CSOs.

CSOs generally finance their work through grants, so they focus on the objectives defined by their donors. Thus, the needs of members and local communities are not always taken into account. At the same time, projects financed through EU Structural Funds are now much more localized, with the majority of these funds being administered on the regional level. This shift has forced the beneficiaries (including CSOs) to take a much deeper look at local community needs.

CSOs often provide services to groups beyond their own members. Publications, workshops, and analyses are offered to other entities, although rarely with remuneration.

Few CSOs work on a market basis, instead relying on grants and subsidies to fund their work. The social enterprise model is still not very popular; although the availability of significant public support for social enterprises has increased awareness of the concept. CSOs often charge fees in a veiled manner, for example, treating them as small donations, in order to avoid the complicated legal requirements associated with earning income.

**SECTORAL INFRASTRUCTURE: 1.4**

Numerous organizations provide support, including training and technical support, to other CSOs, but the availability of their services varies. The Network of Support for Non-Governmental Organizations (SPLOT), the network of Social Economy Support Centers (OWES), and other support networks are present throughout the country. The OWES system, which primarily supports social enterprises, offers CSOs limited access to funds for the development of economic activities. For the most part, these networks do not charge for their services. This facilitates access to their services, but makes them dependent on grants. During the year, there was a noticeable decrease in the services provided at the local level. The number of Regional Centers of the European Social Fund, which provide support to potential project partners, including CSOs, in applying for European Funds, and CSO support centers were both reduced during the year, largely because funded projects came to an end.

Twenty-seven local funds/community foundations of various sizes operate around the country. They are flexible and respond to local needs, but usually have limited financial resources and often exist thanks to the support of the Polish American Freedom Foundation and the Citizens’ Initiative Fund. During the year, a few new regranting programs were offered under the EU structural funds for micro innovation. Also during the year, individuals associated with the CSO sector established the Citizens’ Fund—not to be confused with the governmental Citizens’ Initiative Fund—which will collect individual donations to support pro-democratic activities. The Citizens’ Fund launched its first call for project proposals at the beginning of 2018.

CSOs are willing to cooperate, share information and resources, learn from each other, and sign joint support letters and statements when a CSO takes the leading role. There are many CSO coalitions, but they struggle with limited capacities. For example, the Coalition of Equal Opportunities and Coalition of Anti-Discrimination Education struggled during the year to organize activities, including meetings, positions, and joint actions, as their member organizations, many of which are based outside Warsaw, no longer have human and organizational resources available to engage in these efforts.
Coalitions of CSOs working for people with disabilities saw their influence with the government deteriorate visibly in 2017. However, at the same time, an informal networking initiative of CSOs working in this area was formed. Additionally, division in the sector is growing, as reflected in the creation in February of the Confederation of Non-Governmental Initiatives of the Republic of Poland (KIPR), which brings together organizations sharing conservative values. In addition, there were increasing reports of CSOs denouncing other organizations to the local administration during the year.

There are considerable opportunities for CSO representatives to participate in trainings, but some training programs charge fees, which limits their accessibility. A sufficient number of competent trainers can organize trainings in smaller cities on request. There is still demand for training on specialized topics, as well as a need for practical workshops that transfer not only knowledge and skills, but also solve real problems.

There were some interesting examples in 2017 of intersectoral cooperation between CSOs and expert groups, for example, in connection with defending the independence of courts or protecting the Bialowieża Forest. CSOs also had good cooperation with the Ombudsman Office. Local Action Groups (LGD), which are established to distribute EU structural funds to implement locally-defined goals through tri-sector partnerships, are still active at the local level. In practice, however, LGDs have turned out to be a tool for local authorities and businesses to impose top-down policies, forcing actions regardless of local needs. CSOs’ cooperation with large companies decreased during the year, after CSOs were attacked by the government and public media.

**PUBLIC IMAGE: 2.6**

The sector’s public image deteriorated in 2017. Public media and other media outlets with close relationships with the government continued to engage in a smear campaign against CSOs focused on the environment, transparency, and gender equality, accusing them of being financed from abroad, mainly by George Soros. The private media publishes more reliable information concerning movements such as the Women’s Strike, the Forest Camp, and the defense of the courts. Media interest in CSOs, however, is primarily connected with the political context, with little interest in the concrete work done by individual organizations.

According to research conducted by Klon/Jawor Association in the beginning of 2017, after the first round of the smear campaign against CSOs in public media, public recognition of CSOs improved due to the intensive coverage of the role of CSOs in private media. The increased interest in CSOs’ activities is also apparent through the strong results of the annual public collection organized by the Great Orchestra of Christmas Charity, despite the criticism of this organization by ruling party politicians and public media. However, while awareness of CSOs and the positive role they play in society is growing, CSOs fear that the sector’s reputation is deteriorating.
Central authorities negatively perceive the role of certain CSOs. While the authorities officially refer to CSOs as a source of expertise and reliable information, in reality, they only consider the opinions of CSOs that support their positions. Large enterprises are gradually opening up to CSOs, as they need knowledge related to specific groups of employees, such as people with disabilities.

In response to the smear campaign by the government and public media, CSOs increasingly engaged in public relations during the year, particularly through contacts with the private media. However, Polish society remains deeply divided, and these efforts generally only reach those on their side of the divide. Social media are also divided according to political preferences.

CSOs did not engage in any significant new measures to increase their accountability and transparency during the year, although organizations already involved in creating codes of conduct or promoting transparency in their operations continued this work. Small organizations operating in rural areas do not develop codes of ethics due to a lack of resources and lack of understanding of their needs. On the other hand, small, rural CSOs usually operate in a fairly transparent manner, as they are subject to direct verification by local community representatives. The majority of CSOs do not publish annual reports.
Parliamentary elections were held in Romania in December 2016. At the beginning of 2017, the new parliament overwhelmingly endorsed a new Social Democrat-led government. The ruling coalition won on a platform that included right-wing economic measures and rhetoric about protecting the national identity. The campaigning also involved accusations of CSOs being foreign agents.

The new governmental coalition waged a war against the so-called “parallel state,” an ineffable system of power that allegedly results in the abuse of former or current state officials by the special anti-corruption prosecutors. In late January, the government passed Emergency Ordinance 13/2017, which decriminalized some corruption-related crimes. This provoked the largest protests in Romania’s recent history, with up to 600,000 people marching in cities around the country to protest the ordinance. Although the contested ordinance was repealed less than a month later, anti-government and anti-corruption protests continued at a smaller scale throughout the year.

CSO sustainability deteriorated in 2017, with downgrades in nearly all dimensions of sustainability. The government’s attitude towards CSOs, as well as much of the media coverage during the year, perpetuated a negative perception of CSOs as foreign agents working against national interests. This led to a decrease in public trust in civil society, as well as poorer relations between CSOs and government bodies at all levels. Advocacy effectiveness was reduced by the increasingly hollow use of public consultations by public officials, while state officials harassed peaceful protesters. Changes to the legislation governing CSOs that would seriously diminish CSO operations and discourage registration were pending at the end of the year. In addition, new tax policies limited CSOs’ ability to access funds, compounding the problems caused by the already sparse landscape of institutional civil society funders.

The National Non-Governmental Organization Register included 101,681 registered CSOs at the start of 2018, an increase of 4,473 since December 2016. However, organizations registered in 2017 might not be represented on the Register until later in 2018, as courts are not subject to a deadline for updating the registry. Most registered CSOs are associations (81,786) and foundations (17,822). It is estimated that only half of registered CSOs are active.
LEGAL ENVIRONMENT: 3.7

The legal environment governing civil society deteriorated in 2017. New tax policies limiting CSOs’ abilities to access funds were adopted and major legislative changes discouraging registration and operation were pending at the end of the year. In addition, there were incidents of state harassment against peaceful protesters during the year.

In late March, two members of parliament (MPs) from the main governing party introduced a drastic proposal to revise Governmental Ordinance (GO) 26/2000, which regulates the establishment and functioning of CSOs. The proposal imposes an obligation on all organizations to report (and publish in the Official Legislative Journal, at their own expense) all sources of income and expenses twice a year; under the threat of dissolution. The proposal also prohibits public utility organizations from engaging in “campaigns of support or opposition to a political party or candidate for a public office, in which he/she can be nominated or chosen,” without clearly defining what a campaign of opposition entails, thereby putting CSOs at risk for expressing criticism of incumbents. Despite public criticism from CSOs, in November, on the last day it could be debated and voted on, the senate passed the proposal in a manner that prevented the opposition from voicing any criticism. By year’s end, the proposal—pending debate in the chamber of deputies—had stirred even harsher criticism from the Expert Council of NGO Law within the Council of Europe and the Civil Society Europe platform. Although controlled by the same political party, the Ministry for Public Consultation and Social Dialogue announced its intention to promote its own changes to GO 26/2000. During the year, the ministry organized meetings with CSOs on this topic, but failed to provide a written proposal or to clarify what exactly it intends to change.

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new tax policies introduced as part of a larger tax reform also negatively affected CSOs in 2017. A corporate donor is eligible for a deduction for its sponsorships up to 20 percent of its owed income tax, or up to 0.5 percent of its annual turnover; whichever is lower. However, an emergency ordinance passed in January dramatically increased the number of companies that no longer owe income tax, but only a turnover tax, and thus can no longer take advantage of this deduction. The Association for Community Relations (ARC) estimated that 40 percent of Romanian companies registering profit are no longer eligible for this incentive, accounting for 8 percent of the sponsorships that were previously eligible for deductions.

Another emergency ordinance issued in August eliminated all incentives for companies to acquire products manufactured by protected units, enterprises employing a staff of at least 30 percent disabled individuals. To no effect, the Social Service NGOs Federation (FONSS) publicly warned the government that this will induce a high number of bankruptcies amongst these protected units, many of which are established by CSOs, and would cause up to 2,000 disabled individuals to lose their jobs.

Individual donors can choose to direct up to 2 percent of their income tax obligations towards a CSO or church, or to individual scholarships. In the first half of the year, the government announced a radical fiscal reform package that would hamper such redirection of funds by replacing it with a system of deductions that could be used to cover donations to CSOs or personal expenses such as books, gym memberships, and home improvement. As a result, individuals would have to decide whether to use their 2 percent deduction for personal expenses or charitable donations, which would likely reduce donations to CSOs significantly. However, in July, the newly instated prime minister postponed this proposal.

CSOs are legally able to fundraise and earn income, as well as to compete for public funds. CSOs, trade unions, and business associations remain exempt from income tax up to $20,000 on earned income per fiscal year or up to 10 percent of total tax-exempt income, whichever is lower. Revenue from grants and sponsorships is not subject to income tax.
In general, CSOs can operate freely within the law and address matters of public debate and express criticism. However, state officials threatened protesters several times during the year. In March, a governmental Social Democratic MP, referring to the ongoing peaceful protests in front of the main governmental building, suggested he might go out in the square and use his automatic rifle. In a similar context, using an incorrect citation of the law, the Minister of Labor stated that the police should identify the protesters that brought their children to protests and administer fines.

CSO registration did not undergo any changes during the year. The registration process is still lengthy and subject to complex official procedures.

Legal advice for CSOs remains limited compared to the needs of the sector, with the CSOs in rural communities most affected by this situation.

**ORGANIZATIONAL CAPACITY: 3.6**

CSOs' organizational capacity declined in 2017, primarily as a result of insufficient efforts by CSOs to build constituencies, legislative changes discouraging part-time employment, and a high turnover of professional staff.

Research conducted by the Civil Society Development Foundation (CSDF) in 2017 called Romania 2017. The Non-Governmental Sector - Profile, Tendencies and Challenges found that there is a considerable difference between the percentage of respondents who claim to have volunteered for church or community work (28 percent) and those who have volunteered with NGOs (7 percent). According to the same source, civic, democracy, human rights, and minority protection organizations have the lowest membership levels, with just 1.1 percent of the population declaring in 2016 that they are or have been members of such CSOs, significantly lower than the reported membership in mutual benefit associations (15.5 percent), apartment owners’ associations (9.4 percent), and school parents’ committees (6.7 percent).

The majority of CSOs have missions and visions, which they publicize on their websites or social media pages. In addition, more CSOs are recognizing the need to engage in strategic planning in order to ensure their sustainability and, in some cases, to comply with donors’ rules. As a result, many CSOs developed strategic plans in 2017. For instance, about forty CSOs within the Romanian-American Foundation portfolio went through strategic planning. Moreover, CSOs financed through the Swiss-Romanian Cooperation Program had the opportunity to include strategic planning activities within their funded projects. However, smaller CSOs still have less ability than larger CSOs to develop such strategic plans. In addition, most CSOs have difficulties implementing their strategic plans due to a lack of continuity and predictability in their funding sources.

The internal management structure of CSOs did not change notably in 2017. Even though a large number of organizations have functional boards, in most organizations, CSO executives are responsible for organizational management, without significant involvement by the boards of directors.

Maintaining permanent paid staff has become a critical issue for CSOs. In many cases, technical staff from CSOs, especially those in the social and health areas, migrated to better paid jobs in various public institutions. According to the National Institute of Statistics, during 2017, net salaries in the public sector increased by an average rate of 24.15 percent, making these jobs much more desirable.
CSOs’ staffing woes were further increased in the middle of the year, when the government approved Ordinance 4/2017, which obligates employers to pay social security and health insurance contributions based on the full-time minimum wage, even for part-time employees. As many CSOs employ staff on a part-time basis, this has raised costs significantly and made it more difficult for CSOs to maintain staff.

According to the 2017 World Giving Index, only 9 percent of respondents reported that they participated in voluntary actions in 2016. While this represents a slight increase compared to the 7 percent recorded in the past two years, volunteering behavior did not change significantly during the year.

In recent years, CSOs have been able to purchase equipment within the 390 projects financed by the NGO Fund in Romania and the 94 projects supported under the Civil Society Participation Thematic Fund of the Swiss-Romanian Cooperation Program. The CSOs benefiting from these grant programs are therefore endowed with the necessary office equipment, including computers, printers, and telephones. In 2017, some small CSOs were able to purchase new equipment through projects financed by the Civic Innovation Fund. Most small CSOs, however, rely on equipment donated by institutions and private companies. For instance, in 2017, Renault donated 400 desktops and laptops to the Romanian Workshops without Borders (Ateliere fara Frontiere), which refurbished them and then donated them to CSOs working in the educational, social, and culture domains.

FINANCIAL VIABILITY: 4.4

CSOs’ financial viability seriously deteriorated in 2017, due to their reduced access to larger funding programs, combined with limited funds from the national and local governments and foreign sources. In addition, legal changes affecting part-time labor taxation, corporate sponsorships, and incentives for purchases from protected units have reduced CSOs’ options for ensuring their financial sustainability.

According to data from the 2017 World Giving Index, 24 percent of Romanians stated that they donated to charities in the previous month in 2016, compared to 21 percent in 2015. Nevertheless, overall donations were lower. In 2017, the annual philanthropic gala organized by ARC featured 307 philanthropic initiatives that raised only $14 million from corporate and individual donors, compared to $23 million in 2016. The National Agency for Fiscal Administration reported a 20 percent decrease in the number of taxpayers who used the 2 percent mechanism in 2017, which led to a severe 45 percent reduction in the amount donated (from $53.02 million for fiscal year 2015 to $28.63 million for 2016); 27,611 not-for-profit entities benefitted from the mechanism.1 Smaller and local CSOs, as well as social service providers, are amongst those most affected by these reductions. The forecast is also gloomy, since the income tax rate for individuals was cut from 16 percent to 10 percent starting in 2018, which will further contract the fundraising potential of this mechanism.

Corporate philanthropy and CSR programs continued in 2017, with major contributors such as Kaufland, OMV Petrom, Lidl, ING, Raiffeisen, and Vodafone supporting CSOs through national programs. Nevertheless, the tax incentive that contributed to this upward trend was modified and is expected to affect the levels of support in the coming years.

Different ministries and central government agencies continued to provide grants from the national budget, but the allocations were lower or similar to 2016. These grants primarily benefit certain types of organizations—including national minority organizations and sports federations—or specific fields of activity—including culture, youth, and sport. The funding level of the central government’s subsidies for social services providers did not change, while CSO

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1. Data provided by the National Agency for Fiscal Administration on February 2, 2018.
funding from local government budgets varied significantly among communities. However, the government did not initiate National Interest Programs, a funding mechanism that has benefited CSOs in the past, primarily in the social area, in 2017. Contracting for social services was challenged in the first part of the year since many local governments had failed to develop the necessary procedures envisioned by the 2016 law on public procurement. Moreover, local budgets were restricted because of the pressure to use resources to cover wages, which increased significantly for local administrations in 2017. As a result, CSOs limited their activities by ending some services or serving fewer beneficiaries. Some of the larger social service providers were able to partner successfully with businesses to compensate for the lack of public funding, while others had to turn again for support to their traditional foreign partners.

According to the Romania 2017 research report, funding from foreign governments and other public international institutions represented the main source of income for 34 percent of NGOs in 2015. Such funding, however, was severely limited in 2017. Very few CSOs received funding from the European Structural Funds 2014-2020 during the year. Calls for proposals relevant to CSOs’ work (including in education, employment and entrepreneurship, capacity building in advocacy, and public policy formulation) were launched, but the selection and contracting processes were substantially delayed, so in many cases, contracts had still not been signed by the end of the year. Under the Active Citizens Fund of the EEA Financial Mechanism 2014-2021, €46 million will be available for democracy and human rights, social justice, environment and climate change, gender equality, and gender-based violence. However, these funds were not accessible in 2017. The selection of the Operator for this mechanism was postponed to 2018 and calls for proposals may not become available until 2019. The Swiss-Romanian Cooperation Program awarded no new funding in 2017, while the forty-nine projects selected for financing in 2016 as part of the Civil Society Participation Thematic Fund completed their implementation during the year.

The Civic Innovation Fund, a private financing mechanism supported by the Romanian-American Foundation and other businesses, continued its annual calls for proposals, awarding $313,000 for projects encouraging civic innovation and involvement in community life in 2017. In March 2017, several civic groups initiated a new funding mechanism, the Fund for Democracy, to collect recurrent monthly contributions from citizens to finance innovative projects in education and civic and political participation, independent journalism, and the fight against media manipulation and “fake news.” In 2017, the Fund reported that it had collected $29,600 from over 850 recurrent donors, and financed eight initiatives.

CSOs became more active and efficient at pursuing different methods to raise funds from individual donors and constituencies, including SMS campaigns, crowdfunding, and fundraising events like galas or donors’ circles. For instance, in just twenty-three days, the Together for Magic Home campaign, which supports services for children with cancer, mobilized more than 115,000 SMS recurrent donations of €2 each, plus more than €200,000 in additional individual donations. In less than three weeks in December 2017, the Daruieste Viata Association collected a record €4 million from individuals and companies to build the first hospital for pediatric oncology and radiotherapy in the country.

According to the Romania 2017 research report, in 2015, 31 percent of CSOs declared that they earned income from economic activities. CSOs expected the Law on Social Economy, adopted in 2015, to lead to additional support for these structures. However, this has not happened. Social enterprises’ access to EU Funds was restricted in 2017 as well. Moreover, in August 2017, the government cancelled the facilities granted to sheltered units, thus affecting both social businesses and the lives of persons with disabilities employed within these units.

CSOs’ financial management systems have been challenged by regular changes in the fiscal and labor legislation, as well as accounting and money laundering laws. CSOs submit annual financial statements to national authorities, which are published on the Ministry of Finance’s website. Most CSOs publish annual reports with minimum financial information online or make them available only upon request. Independent financial audits are not a common practice given the high cost, but they are provided when requested by donors, mainly by larger CSOs.
ADVOCACY: 3.6

CSO advocacy weakened throughout the year, as a result of the sector’s deteriorating relations with the government and the ensuing lack of efficiency in campaigning. In addition, the government increasingly used emergency ordinances to adopt policies without engaging in public consultations.

In early February, an estimated 600,000 people marched on the streets of Bucharest and other cities to protest the government’s intent to pardon a wide range of criminals, and the adoption of governmental Emergency Ordinance 13/2017, which decriminalized some corruption-related crimes. While the government seemed to give way to the protesters’ demands and repealed the ordinance in February, concerns about its commitment to fighting corruption were again raised in the second half of the year when it proposed drastic changes that increased the Ministry of Justice’s control over the justice system. Proposals included eliminating the role of the Romanian president in appointing the head prosecutors and transferring the Judicial Inspection from the authority of the Supreme Council of Magistracy to the Ministry of Justice. While some of these changes were adopted by parliament, others were still under debate or under revision by the Constitutional Court at the end of the year.

Transparency and consultation lagged at the local level during the year. The Bucharest mayor’s office, led by a prominent governing party figure, was especially creative in denying public access to the general council’s meetings. On several occasions, the office invited public sector employees and friendly public figures to fill the room, denying space to more critical CSO representatives. In June, the mayor’s security engaged in a physical altercation to prevent CSOs’ participation. Although no one was hurt, the mayor subsequently stated she was about to be lynched by three Soros-funded CSOs. While some CSO representatives managed to get in the meeting room, they were then seriously offended by the deputy mayor, who said they were crazy and their work for cancer-stricken children was meaningless. In order to dissuade people from protesting, the same office used a loophole in the law concerning public gatherings. The office approved a request to hold a permanent protest, from dusk until dawn, every day during the second half of the year, in key public places in Bucharest. Although this protest never appeared to take place, its approval made any other rallies at the same locations illegal, thus subjecting any anti-government protesters to serious fines.

CSOs engaged in policy advocacy initiatives during the year, albeit with limited impact due to the tense relations with the government. The VIF Network saw its agenda of seeking immediate protection orders for domestic violence victims stall. Human Catalyst failed to obtain public funding for afterschool programs in vulnerable communities, despite its long-standing advocacy campaign on this topic. Many CSO advocacy efforts were of a reactive nature, with a focus on countering problematic governmental decisions, rather than advocating for positive change. For example, dozens of CSOs sent public letters trying to stop the changes to the judicial system, while many others provided fact-checking on political statements, or drafted legal analyses or simple explanations of the legislative changes, in order to educate citizens about the gravity of the governmental proposals.

In 2017, CSOs played an active role in advocating and defending the public’s rights and freedoms and promoting the interests of various groups. For instance, FONSS organized a protest in August 2017 in front of the Ministry of Labor to bring public attention to the impact of a governmental ordinance affecting protected units (structures for the protection and employment of people with disabilities). The protest received extensive media coverage and triggered national public debates on this issue.

Some lobbying efforts were successful. Following Save the Children’s advocacy since 2001, in late November, the Romanian Parliament established a Children’s Ombudsman as a special section of the Romanian Ombudsman.
After campaigning by Carusel Association and partner CSOs, a law project establishing supervised drug consumption facilities was tabled in parliament by a governmental MP, and was pending debate at the end of the year. CSOs actively advocated to maintain a strong enabling environment during the year. Dozens of organizations sent out public letters condemning the changes proposed to GO 26/2000, while dozens more protested the legislative changes discouraging companies from acquiring the products of protected units. The Association for the Defense of Human Rights in Romania – the Helsinki Committee, APADOR-CH, and the Center for Legal Resources pointed to the illegality of the procedures for appointing the civil society representatives in the Supreme Council of Magistracy. These efforts were ineffective.

**SERVICE PROVISION: 3.3**

CSOs continue to provide services in a variety of fields, including many basic social services, as well as services to protect the fundamental human rights of various vulnerable groups and to ensure special protective measures to facilitate their social integration. Service provision decreased in 2017 due to reductions in staffing and financial resources, changes in legislation, and difficulties reaching rural or marginalized areas and vulnerable groups, including people with HIV/AIDS and drug addicts. For instance, the Carusel Association failed to raise all the funds it needed to operate its winter homeless shelter for people in Bucharest; thus, the shelter did not open during the 2017-2018 winter season. Moreover, GO 60/2017 changed the status of protected units (structures for the protection and employment of people with disabilities) and suspended a tax incentive for employers with more than fifty employees to purchase products and services from protected units. As a result of these legislative changes, CSOs had less capacity to provide services for the professional integration of disabled people in the labor market and up to 2,000 jobs are in danger of disappearing.

Due to the lack of financial resources and loss of staff, CSOs have less capacity to assess the needs of their constituents and communities and to evaluate the impact of their projects on beneficiaries. CSOs focused on various fields of activity, including human rights, social services, and environment, offer their support and know-how to a broad array of stakeholders, including national and local government institutions, private companies, hospitals, and international institutions.

CSOs’ capacity to generate revenue through the provision of services is limited. The majority of services provided by CSOs to direct beneficiaries are free of charge. However, CSOs do charge fees for some products and services, including home care services, treatment and therapy for addictions, informal or alternative education for children, and social enterprises. For example, during 2017, Crucea Albastra Association continued to deliver a fee-based specialized counselling program for addicts and alcoholics. Nevertheless, the fees charged by CSOs for their services do not fully cover their actual costs, so additional funds are still needed.

During 2017, cooperation between the government and CSOs deteriorated. The government does not recognize the value of CSO services and fails to take CSOs’ calls regarding societal issues or policies into account. Nevertheless, there are still examples of CSOs having good working relationships with local and central institutions. For instance, the Stintescu Fund—a project developed by the Romanian-American Foundation in partnership with BRD-Groupe Société Générale and the Bucharest Community Foundation—provides teachers with resources to make science more exciting for students. The project has been embraced by the School Inspectorate of Bucharest and has the support of the Ministry of Education. Although some local authorities choose to subcontract CSOs for the provision of social services at the local level, examples are still limited.
SECTORAL INFRASTRUCTURE: 3.1

The infrastructure supporting the CSO sector remained the same in 2017. While traditional CSO coalitions are not as active, informal ones are picking up the pace. CSO training and local grant-making organizations exist, but still cannot meet all the needs of civil society.

Dozens of CSOs act as resource centers and provide support on a wide range of topics. Most are located in the capital and other large cities; as a result, organizations in the rest of the country have limited options to access their services. However, organizations such as CeRe or PACT continued to extend their reach into remote areas, for instance by supporting the formation of new citizen initiative groups in geographically and socially marginalized areas such as the Jiu Valley.

The network of sixteen community foundations continued to garner resources to fund local projects in 2017 and CSO grant-making capacity is likely to grow. The Human Capital European Structural Program - Romania Start Up Plus selected dozens of CSOs, amongst other types of institutions, to manage and redirect European funds dedicated to burgeoning entrepreneurs who want to develop new small businesses.

While some well-established CSO coalitions reduced their activities in 2017 due to a lack of funding, informal coalitions intensified their alliance-building efforts to react to governmental policies related to actual or impending legislative changes widely affecting the sector’s operation, including the Fiscal Code and justice and anti-corruption legislation, through public positions, open letters, etc. For example, an informal alliance monitoring the changes to GO 26/2000 communicated and met regularly to monitor the legislative trail, establish courses of action, and discuss similar changes in neighboring countries. Among the notable new coalitions established in 2017 were the Solidarity for Health Coalition, the Coalition for Migrant and Refugee Rights, and the Respect Platform, which opposed the organization of a referendum that would restrict the constitutional definition of family to heterosexual couples.

CSOs had access to training opportunities in 2017, but on a more limited range of subjects than in 2016. For example, due to a lack of funding, hardly any trainings covered topics related to CSO financial management or public budgeting. In 2017, TechSoup continued its training program in digital skills at the NGO Digital School and Serendinno Foundation initiated a development program for CSO managers and board members. Other training programs during the year focused on social entrepreneurship, proposal writing, and community facilitation. Smaller organizations in rural areas have the least access to training opportunities.

Intersectoral partnerships improved slightly, notably through the burgeoning collaboration between civic organizations and the business sector. This is largely due to the increasing criticism by the business sector of the corruption-related legislation and judicial reforms proposed by the government. The Romanian Business Leaders Foundation, representing the producers of 10 percent of the Romanian GDP, issued two public statements in support of an independent judiciary and the rule of law. Also, CSR programs have started to develop long-term partnerships with different CSOs. For instance, Lidl collected $142,557 through its cash register campaign in 2017, which the company then doubled to benefit four CSOs.
The CSO sector’s public image declined in 2017. Accusations by political parties that CSOs act as foreign agents undermined the public perception of CSOs and decreased public trust in the sector.

While CSO projects and initiatives are often mentioned in the media, the frequency and virulence of negative mainstream TV coverage skyrocketed in 2017. Prime-time news shows often included accusations that certain organizations, as well as individual CSO leaders, benefited from Soros funding in order to convince people to protest, encourage refugees to arrive in Romania, and dismantle Romania’s reputation at the international level. A notable example of this occurred when a live reporter at one of the civic protests claimed that participants had been paid to be there, and were given extra bonuses for bringing their dogs.

Such coverage was largely encouraged by the deteriorating governmental perception of CSOs. Major governmental leaders regularly referred to the civic protests as being carefully planned outside of Romania and dismissed vocal organizations as being Soros funded. Meanwhile, the head of the Social Democratic governing party suggested Soros himself was behind a corruption case in which he was implicated, which is under investigation by special prosecutors. The prime minister suggested that Soros is destabilizing the country. In addition, public officials—including the president of the Romanian Senate—increasingly state that CSOs do not bear legitimacy in the decision-making process, since they were not voted into office like politicians.

The business perception of CSOs improved slightly in 2017. According to its annual survey of top executives and CSR specialists in sixteen industries, CSR Media reported an 8 percent increase in the number of companies stating that their CSR budgets increased by at least 10 percent over the previous year. Also, some CSOs subjected to vilification by mainstream media, such as Funky Citizens Association, reported increasing financial support from the business sector. However, negative campaigns by media and the government took a toll on the public perception of CSOs. By year’s end, just 27.7 percent of citizens expressed “much” or “very much” trust in non-governmental organizations, compared to 32.6 in March 2016.²

CSOs continue to promote their work online, both on their websites and through social media, as well as through various public events. The Public Participation Gala, the NGO Fest, the National Gala of Excellence in Social Assistance, the National Volunteering Gala, the Structural Funds Gala, the COPAC (patient organizations) Awards, and the International Solidarity Gala are just some of the annual events that took place again during 2017. CSOs also promote their achievements through local events. For example, an increasing number of NGO fairs were organized across the country in 2017, including in Arad, Bistrita-Nasaud, Brasov, Constanta, Iasi, Cluj, and Mureș counties.

Even in the face of the government’s obvious attempts to regulate the sector, no progress was made in terms of self-regulation in 2017. Many, but not all, CSOs draft annual activity reports, mainly to satisfy donor requirements, as they are not legally required to do so. Though various attempts have been made to draft a code of ethics or conduct for the CSO sector over the years, these efforts have not benefitted from significant support or acceptance among CSOs.

In light of their limited access to local and national media coverage, CSOs increasingly use the Internet and social networks to promote their work, launch advocacy campaigns, and build constituencies. However, in October 2017, Facebook introduced a pilot system in a number of countries (including Serbia) that drastically decreased the reach of organizational and project pages, forcing CSOs to pay to promote their posts and get them viewed by more people. In 2017, the TACSO Resource Center provided training and published a Digital Media Toolkit to help associations improve their visibility. There were no initiatives or changes in terms of self-regulation in 2017. Annual reports are still only published by leading organizations.

² The value is based on an IRES survey from December 2017. The levels of trust in CSOs were recalculated by this report’s authors to exclude “don’t know” answers. This brings the data more in line with the data used in the previous editions of the Romanian CSOSI report, the INSCOP annual reports, which are unfortunately no longer conducted in Romania.
The recession in Russia ended in 2017. The social situation remains complex, however, and real income fell for the fourth straight year. In response, civil activity has increased. According to research conducted by the Economic and Political Reforms Center, discontent with the social and economic situation increased by 60 percent in the course of 2017. For the first time in several years, citizens also mobilized en masse around political issues. Most notably, Alexei Navalny, founder of the Anti-Corruption Foundation, organized anti-corruption demonstrations in dozens of cities. In some cities, including Moscow and St. Petersburg, demonstrations were not sanctioned by authorities and resulted in thousands of people, mostly young people, being detained. Municipal elections took place in September, but turnout was very low. For example, less than 15 percent of voters participated in the elections in Moscow.

Against this background, the authorities introduced a range of measures to reduce discontent in the country. Notably, the president appointed a new first deputy head of the presidential administration, who has positively interacted with CSOs in the past. In addition, the system for awarding presidential grants, which has long been subject to criticism and a source of discontent among CSOs, was reformed to make it more transparent. The Kremlin also sent signals to the provinces that they should cooperate with CSOs. President Putin spoke at the Soobshchestvo (Community) Forum, organized by the Public Chamber, where he promised to “continue creating a favorable environment for development of the non-commercial sector” and called on governors to rely on CSOs and the “soft force” of civil control.

The extent to which these developments and rhetoric are genuine and will impact the sector will become clear only after the presidential elections. In the meantime, many independent CSOs continued to operate in difficult conditions. While the government and public generally react positively to service providing and charitable CSOs, advocacy, environmental, and human rights organizations are suspected of undermining state interests. They are therefore subject to discriminatory laws, selective law enforcement, and constant supervision, and have very limited access to foreign funding. However, CSOs have also shown resiliency to continue operating and mobilize local resources despite the very difficult circumstances.

Human rights violations continued to be an issue in Russia. Of particular note, hundreds of LGBT people were detained and tortured in the Chechen Republic; some of them disappeared or were allegedly killed by
local police. Others managed to leave the country with assistance from human right activists and international organizations. The federal government took no steps to intervene in the situation.

There were also violations of freedom of expression during the year. In its report on Internet freedom, the unregistered international human rights group Agora documented 115,706 cases in 2017 of Internet freedom limitations, mostly involving blocking sites or pages and filtering ad content, but also including threats to bloggers, journalists, and owners of Internet resources. In 2017, forty-six people—mostly followers of forbidden religious organizations, as well as some nationalists—were sentenced for extremism, generally for presenting extreme ideas on social networks, twice as many as in 2016. At the same time, in 2017, the law requiring bloggers to register as mass media, which limited their rights of expression, was repealed by the Duma as ineffective.

CSO sustainability improved slightly in 2017, with positive developments noted in organizational capacity, financial viability, sectoral infrastructure, and public image. At the same time, the legal environment deteriorated slightly. Advocacy and service provision did not change significantly.

At the beginning of 2018, the register maintained by the Ministry of Justice included 221,000 non-commercial organizations (NCOs). Under the law, state corporations, state funds, and more than 4,000 political parties (including their regional organizations), in addition to traditional CSOs, are considered NCOs under the law. The number of active NCOs is much lower; the 2017 Public Chamber report on Civil Society, for example, estimates that only 15 to 20 percent of NCOs are active.

**LEGAL ENVIRONMENT: 5.8**

The legal environment for CSOs, which was already unfavorable, deteriorated slightly in 2017. Although pressure on independent CSOs abated slightly, a law was passed regulating foreign media acting as foreign agents, additional organizations were added to the list of undesirable foreign organizations (UFOs), and penalties were imposed on those who allegedly had contacts with such organizations.

The wave of pressure on independent CSOs continued, but to a lesser degree than in previous years. In March, a law was passed regulating the work of the prosecutor’s office that limited the arbitrariness of checks on CSOs. The law states that inspections cannot last more than thirty days; that the prosecutor must submit a list of required documents and the reason for the inspection to the CSO ten days in advance; and that the prosecutor cannot demand documents that are already available in other state institutions. The criminal case against the head of the Don Women’s organization, who was accused of malicious non-observance of the 2012 Law on Foreign Agents, was closed when no evidence of criminality was found.

According to the 2012 Law on Foreign Agents, any CSO that intends to receive foreign funding and conduct expansively-defined “political activities” must register as a foreign agent. CSOs with foreign agent status continue to be subject to state pressure and oversight. These organizations must submit quarterly activity reports to the government and mark all publications as produced by foreign agents. The total number of CSOs with foreign agent status decreased in 2017. During the year, sixteen CSOs were added to the foreign agents registry (compared to forty-three in 2016), and thirty-four organizations were removed, either because they ceased performing the functions of a foreign agent (fifteen) or were liquidated (nineteen). At the end of the year, eighty-five organizations remained in the register, twelve fewer than at the start. Many organizations with this status continue to receive foreign funding.

In response to the United States requiring the Russian government-financed information network Russia Today to register as a “foreign agent,” the State Duma passed a law regulating foreign media acting as foreign agents. This law allows the Ministry of Justice to declare as a foreign agent any foreign legal entity disseminating “printed, audio, audio-visual and other communications and materials designated for an unlimited number of individuals.” In December, the Ministry of Justice included nine media sources, including Radio Liberty and Voice of America, in the register of foreign media acting as foreign agents. The requirements of media sources included in the register are the same as for CSOs classified as foreign agents.
In 2017, four new organizations were added to the list of undesirable foreign organizations (UFOs), including three connected with the Open Russia organization (organized by Mikhail Khodorkovsky), as well as the Black Sea Trust for Regional Cooperation, bringing the total to eleven. These organizations are no longer legally permitted to work in Russia and all contacts with them by Russian people and organizations are banned. Those that violate this provision are subject to administrative penalties. There were a number of cases in 2017 in which people or organizations were punished for their affiliations with UFOs. For example, the Independent Sociological Research Center in St. Petersburg was fined for publishing a hyperlink to the Open Society Institute, although it was taken down before the law was adopted; the court repealed this decision in 2018.

A few Open Russia activists in Krasnodar, Chuvash Republic, and Kaliningrad were fined for their affiliation with the Open Russia movement, despite the fact that they had no connection with the banned organizations.¹

The government also took other steps to limit civic space. The Supreme Court declared the Jehovah’s Witnesses to be an extremist organization and dissolved it. Alexei Navalny, founder of the Anti-Corruption Foundation, who declared his intentions to run for president, organized demonstrations in many cities, some of which were unsanctioned. The authorities detained many people, including Navalny, for their participation in these gatherings; in March 2017 alone, more than 1,000 people were detained.

Legislation supporting organizations that provide social services continued to improve. In 2016, a law was adopted that established the status of providers of public benefit services (PBBS); CSOs with this status receive financial and other support from the government to provide these services. To be included in the PBBS registry, the federal government had to send a request to the relevant region to confirm the activity of NCOs applying for this status. The organization was only included in the PBBS registry after an answer was received from the region. In 2017, a law was passed that simplified the procedure, by permitting regional government bodies to include NCOs in the PBBS registry on their own beginning in February 2018.

In 2017, the Federal Anti-Monopoly Service changed its policy to allow the names of charitable organizations and socially-oriented NCOs (SO NCOs) to be mentioned in the media (for example, in subtitles or during interviews or news stories broadcast on TV channels); previously, this was forbidden as it was considered free advertising.

According to Lawyers for Civil Society, the registration process has become simpler for the majority of CSOs, as the Ministry of Justice developed instructions and recommendations for its regional departments, reducing the arbitrariness of regional officials’ decisions. However, in a number of regions, including St. Petersburg, the registration process actually became more complicated during the year; due to the turnover of personnel and the low level of professionalism of officials. The Public Chamber report for 2017 notes that “today, registration and the support of NCO status is more complicated than registration and support of entrepreneurial status.”

CSOs continue to be exempt from taxes on grants, donations, and other money received for charitable purposes. All other income is subject to taxation. An individual has the right to an income tax deduction up to 25 percent of taxable income for total donations to various CSOs as well as for contributions to CSOs’ endowments. Corporate donors are not eligible for deductions. The law allows a CSO to engage in economic activity as long as it is included in the organization’s statutes. However, any economic activity must be separately accounted for in the CSO’s financial records.

Legal support for CSOs is accessible in many regions of the country, thanks to the availability of online legal consultations via a legal portal and federal hotline operated by an anonymous group. The regional network

¹. Open Russia movement is an unregistered structure in Russia supported by Khodorkovsky. At the same time, Khodorkovsky has established three organizations abroad with similar names. While all of these organizations and movements have the same source of support, they are not formally connected with each other.
Lawyers for Civil Society offers CSOs legal consultations, seminars, and expertise. This network, which was extended to a further two cities in 2017, now includes more than fifty lawyers from more than forty cities. In addition, in 2017, the Presidential Grants Fund financed ten projects focused on legal support of CSOs.

**ORGANIZATIONAL CAPACITY: 4.5**

The organizational capacity of CSOs increased somewhat in 2017 due to the development of informational and technological resources supporting the non-commercial sector, as well as the increased financial viability of CSOs and the spread of the Internet. However, given the number of CSOs in Russia, the organizational capacity of CSOs continues to vary widely.

According to data from the Public Opinion Fund, by summer 2017, there were 70.4 million daily Internet users over the age of eighteen in Russia, an increase of 4.4 million in the past year. Practically all CSOs now have access to the Internet and email. The requirements of the newly created Presidential Grants Fund and a grant competition run by the Moscow city government, both of which rely entirely on electronic grantmaking systems, has stimulated CSOs’ progress in utilizing the Internet, including for online fundraising.

In 2017, a number of new projects were launched focusing on developing the sector’s organizational capacities. The Philanthropy Infrastructure project, supported by philanthropist and businessman Ruben Vardanyan, offers CSOs a tool to identify and assess organizational risks in their administration and accounting; additional tools are provided to help CSOs mitigate these risks. CSOs are also using new informational technologies developed by the Social Technology Greenhouse, including the updated Online Leyka program, which allows organizations to track online donations. CSOs also increasingly use other new technologies. For example, some CSOs use augmented reality technology to motivate people to take charitable actions, some CSOs use chat bots to communicate with their target audiences, and environmental organizations use drones to monitor developments and take aerial photography.

Local communities increasingly participate in CSO activity. In a growing number of cities, CSOs are initiating neighborhood and community centers that unite active citizens. According to the 2017 annual report of the Public Chamber, more than 100,000 people in 1,600 settlements participated in more than 55,000 ecological activities in the framework of the Good Deed Marathon during the year; a significant increase from the 7,000 people in 280 settlements who participated in more than 10,000 activities in the first Marathon in 2016. The Dobrye Goroda (Kind Cities) movement, in which settlements around the country organize annual festivals focused on charity activity, is rapidly developing and already covers around 100 towns. Socially responsible business projects, including those of Nornickel, RUSAL, Gazprom Neft, and Severstal, also support CSO projects stimulating community development and civic activity, thereby further developing the social base for CSOs.

CSOs continue to work in an uncertain, constantly changing environment, which discourages them from developing long-term plans. Accordingly, only mature and strong organizations engage in strategic planning. Although stipulated by law for many types of CSOs, collective management authorities and supervisory boards generally only function in large organizations. The majority of organizations have insufficient resources to establish effective management systems, develop internal policies and procedures, or create long-term strategies. Most CSOs are also unable to hire professionals in fields such as IT and public relations, as well as fundraisers and lawyers, but there are increasing opportunities to obtain pro bono support or attract volunteers in these spheres. For example, the ProCharity project, created by the Friends Foundation in 2017 with the support of MasterCard, helps CSOs find
specialists from the commercial sector who are willing to provide professional skills free of charge.

According to monitoring conducted by the Higher School of Economics over the last five years, the percentage of NCOs with employees performing duties for a salary increased from 64 percent in 2012 to 73 percent in 2017. In 2017, CSOs actively engaged volunteers. According to data from the Center for Civil Society and Non-Commercial Sector Research, in 2017, 66 percent of organizations utilized volunteers. According to a study by the Charities Aid Foundation-Russia (CAF-Russia), 22 percent of surveyed residents volunteered in the previous twelve months: 21 percent of these volunteers assisted NCOs, 14 percent volunteered with religious organizations, and the remainder performed volunteer work either informally or through other types of organizations.

**FINANCIAL VIABILITY: 4.9**

The financial viability of CSOs improved in 2017. The volume and quality of state financing increased, the use of crowdfunding platforms grew, and private donations increased. These positive developments have benefited not only CSOs that provide social services, but also other organizations, including those focused on legal aid and the environment. Organizations with foreign agent status have learned to work under the new conditions and continue to receive foreign funding. Other organizations\(^2\) are taking advantage of the fairer and more open procedures for the distribution of presidential grants, and have started receiving state funds. The development of social entrepreneurship and social marketing and slight growth in state financing for social services has further contributed to the financial viability of some CSOs.

In 2017, a new system for distributing presidential grants for CSOs was introduced that was more transparent and open.\(^1\) A Presidential Grants Fund was created to be the sole administrator of these funds. In the course of the year, it organized two large-scale competitions, distributing almost 6.7 billion rubles ($116 million), a significant increase compared to the 4.6 billion rubles distributed in 2016. Over 3,000 CSOs received grants, more than twice as many as in 2016. Furthermore, of the total funds distributed, more than 1 billion rubles ($17.5 million) went to CSOs from small towns and villages, many of which received presidential grants for the first time.

As before, certain ministries finance specific high-profile CSOs. However, these funds, which are quite significant, are still distributed without the use of competitions, generally to organizations with long-term relationships with the authorities. For example, the Ministry of Labor announced that in 2018 four national disabled organizations will be awarded around 1.5 billion rubles ($26 million).

State funding of CSOs’ social services is growing slowly, although progress varies significantly by region. In Moscow oblast, for example, four NCOs received 816 million rubles from the regional government to provide social services in 2017. In Volgograd region, the number of NCOs providing social services increased by 60 percent in 2017; these NCOs received almost 88 million rubles from the regional government.

Charity projects collected more funds via crowdfunding platforms in 2017. According to data from Planeta.ru, which operates one of the crowdfunding platforms, the total amount of contributions made in Russia through crowdfunding is growing at more than 200 percent annually. In addition, the number of such platforms grew;

\(^2\) Organizations with foreign agent status are eligible to apply for presidential grants, but these organizations are generally reluctant to apply for such funds, which subject them to more control by state institutions.

\(^3\) A new team consisting of experts on management and grantmaking was created to organize the competition for presidential grants. The selection procedure was improved and published. Application forms are available and can only be submitted online. Hundreds of largely independent experts were recruited to review applications; applications are distributed to the experts randomly for review. Results of the competition with rankings are published on the website. Applicants whose proposals were rejected can apply for a written explanation and get recommendations on how to improve their proposal.
there are now more than thirty crowdfunding platforms in the country. In 2017 the TASS information agency and Yandex.Kassa service launched Do Good Together to assist Russian charitable foundations to raise funds. TASS promotes the charities by publishing stories about their work, while Yandex.Kassa offers a platform through which donations can be made easily.

According to annual research conducted by CAF-Russia, more than half of Russians made cash donations in the course of the last year. As part of the international Giving Tuesday campaign aimed at popularizing charitable giving, CAF-Russia supported the efforts of more than 1,800 partners from 227 settlements, which collectively organized more than 2,000 charity events. The volume of online donations on that day was 1.8 times larger compared to the last Tuesday of the previous month. According to the 2017 World Giving Index, Russia was 124th in the overall ranking of giving, with 17 percent of Russians reporting that they donated money to charity in 2016, compared to 18 percent in 2015.

According to an evaluation of 143 foundations conducted by the charitable foundation Need Help in May 2017, the use of fundraising events, including charity marathons, races, swims, auctions, and performances, has increased. Joint fundraising activities—in which several organizations work together to raise funds—have also become more common. For example, in 2017, the charity association Kind Piter, which includes ten charitable foundations, engaged 5,000 residents of St. Petersburg in thirteen joint fundraising campaigns, collecting more than 1 million rubles. Research conducted in 2017 by Philanthropy for Social Justice and Peace notes that “the most popular methods of giving in 2017 were by SMS (40 percent), followed by giving online with a bank/credit card (34 percent), and putting money into a donation box in a public place (31 percent).”

As the country’s economy has started to emerge gradually from the recession, corporate philanthropy has also grown. According to data from the annual Corporate Philanthropy Leaders research conducted by the Donors’ Forum, forty-six companies with annual turnovers of more than 100 million rubles ($1.5 million) reported expenditures on charity and social projects of 43.8 billion rubles ($768 million) in 2017. In 2016, the fifty-six companies that shared their charitable budgets with the researchers had total expenditures on social projects equal to 20 billion rubles.

The SKOLKOVO business school, with the support of UBS, surveyed Russian businessmen with more than $1 million in capital, as well as top managers of federal level companies. According to this research, 93.9 percent of those interviewed took part in charity activities during the course of the year. The average amount donated by the businessmen was more than 3 million rubles (more than $55,000).

Despite all of these improvements, financial viability remains weak. According to a survey of local CSOs conducted in October 2016 by Russian Classics, which was quoted in the Public Chamber’s 2017 annual report, almost 37 percent of organizations operate with budgets of less than 100,000 rubles ($1,700) a year. In addition, many initiative groups and small CSOs work without grant support of any kind, relying on their own enthusiasm and limited resources.

Foreign support over the last few years had been very limited. Given the legal restrictions, foreign support focuses mostly on CSOs with foreign agent status. The competition for foreign funds has fallen dramatically as few organizations are left that can accept such funds.

CSOs still rarely provide paid services to other CSOs, businesses, or government, with the exception of some specific projects supported by grants or subsidies. Social entrepreneurship is an increasingly popular concept, but remains largely undeveloped as the state does not provide significant support for social enterprises. The Our Future Foundation provides some support on an annual basis for social entrepreneurship development. In 2017, the federal government promised to set up a federal fund for this purpose, but it was not operational by the end of the year. Moreover, the notion of “social entrepreneurship” still does not exist in the current legislation.

Financial reporting requirements have not changed in several years. CSOs continue to provide financial reports to the Tax Inspection Authority and the Ministry of Justice, but rarely make them available to the public. Most organizations still cannot afford to hire experts on financial management or to conduct financial audits, unless required by law. According to a survey of financial literacy conducted by the CSO Development Center among 1,000 organizations in St. Petersburg, only 54 percent of organizations use accounting programs.
CSO advocacy did not change significantly in 2017. While there were numerous efforts by CSOs that successfully influenced legislation or opposed official actions, advocacy and lobbying is still often unsuccessful when the subject is sensitive or important for the authorities. Furthermore, personal contacts with officials frequently play an important part in the success of such initiatives.

All ministries must have public councils, which provide some public oversight of their work. The composition of these councils depends on the ministry. While many of the public representatives on the councils are from organizations close to the government, independent experts are represented on some councils, including that of the Ministry of Internal Affairs. According to the law, ministries cannot issue regulations defined as socially significant without discussing them in the councils first, although this does not always happen in practice.

The Public Chamber was created in 2005 to ensure interaction between CSOs and government institutions. In 2017, new members were selected to participate in the Public Chamber, some of which are representatives of independent CSOs. The Public Chamber’s members regularly consider draft legislation and provide their comments and recommendations. The Public Chamber is responsible for the composition of regional Public Monitoring Commissions (PMCs), which monitor places of detention in Russia. In 2017, the Public Chamber tried to include more loyal people on PMCs, but a public and media campaign supported by the Presidential Council for the Development of Civil Society Institutions and Human Rights was launched to counter these efforts. The campaign was partly successful, and in some regions independent people continued to work on PMCs.

A new law came into force in January 2017 that established a new procedure for the formation of regional public chambers. It also provided them with additional financial and organizational resources to implement public initiatives. Regional public chambers are designed to be used by authorities to solicit feedback from civil society. These chambers play a genuinely active role in a number of regions, but, in others, remain passive. For example, the Public Chamber in St. Petersburg is practically inoperative, as its members are inactive and no longer organize meetings and hearings. Similarly, the Governor’s Council for Interaction with CSOs has not been called once. In addition, the decisions of the civic councils, chambers, and commissions have an exclusively advisory nature; there are no mechanisms to ensure real reaction by the authorities to inquiries from public organizations and initiative groups.

There were some examples of successful interaction between CSOs and the government in 2017, at similar levels as in 2016. For example, the Council of the Government of the Russian Federation worked on guardianship in the social sphere, leading the government to pay attention to certain CSO initiatives and find solutions to a number of important problems. Notably, a network of hospices, of which there are practically none in the country, is now being formed, thanks to the efforts of the Vera Fund. In addition, over the past few years, the organization Volunteers to Help Orphans transformed the system of children’s homes into organizations working according to a family model.

The government’s Center for Strategic Development also cooperated effectively with CSOs in 2017. Chaired by the former government vice premier, in 2017 this center developed a national development strategy with the participation of a large number of representatives of independent CSOs and sector experts, which Putin adopted as the basis for his new term.

NCOs and initiative groups in various regions of the country work to protect the rights of citizens and promote their agendas and interests. Greenpeace activists gathered 21,000 signatures opposing proposed amendments to the law on specially protected natural territories (SPNT), which would have allowed nature reserves and national parks to be converted into private property. As a result, the Ministry of Natural Resources rejected this idea. In
December 2017, amendments were made to the Criminal Code making the penalties for cruelty to animals more severe, a change supported by many animal rights activists and high-profile CSOs.

Despite continued legal restrictions, there was increased local civic activism on political issues, as compared to previous years when protests focused mostly on specific non-political issues. For example, large-scale protests broke out in opposition to a draft law on renovation of accommodations in Moscow, which would have required the demolition of old buildings and the resettlement of several million Muscovites. The law was drafted without the participation of the affected residents. More than 29,000 people participated in a protest against the law in May. The Headquarter for Protection of Muscovites was created to provide legal aid to city residents speaking out against the renovation law. As a result of the protests, the law was partially amended. Other informal protest groups focused on issues such as corruption, consumer rights, environment, transportation, labor rights, and other social issues. While some of these, such as the anti-corruption protests organized by Alexei Navalny, were less successful in achieving their objectives, the fact that such demonstrations are happening at all demonstrates civil society resiliency.

In 2017, CSOs organized a series of campaigns and coalitions to promote important issues. Greenpeace Russia, the Separate Collection movement, and the EKA Green Movement of Russia joined forces in the Alliance against Incineration and Recycling of Waste. More than 204,000 people joined Greenpeace’s campaign to push for separate collection of rubbish. At the end of January, three human rights organizations initiated a national campaign to monitor the openness and accessibility of courts called Court in the Eyes of Citizens. These groups surveyed more than 350 people in more than twenty-five cities in 2017 and will continue to monitor the courts for openness and accessibility.

Not all CSO advocacy initiatives and campaigns, of course, are successful. In the environmental sphere, for instance, the authorities often simply force their decisions through without dialogue or taking other opinions into account. For example, affected residents actively protested plans to construct four incinerators in Moscow region, but the authorities refused to change their plans.

There is no specific legislation in Russia governing lobbying. CSOs try to influence the legislative process, but have little leverage. CSO lobbying initiatives sometimes backfire, due to the poor quality of the legal process and legislators’ lack of understanding about the essence of CSOs’ work.

**SERVICE PROVISION: 4.2**

CSOs continue to provide a variety of services, including legal assistance, social services for vulnerable groups and children, educational services, and charitable assistance for the poor. In 2017, the state continued to transfer responsibility for some social services to the non-commercial sector, but this process has proved to be very complicated; as a result, the overall situation regarding social services did not change significantly in 2017.

CSOs generally provide services that the state either cannot provide or that the state provides at a low quality. CSOs maintain regular contact with their beneficiaries in order to improve their work and identify additional needs in the community.

Since January 2017, CSOs providing services have been able to register as Providers of Public Benefit Services (PPBS) according to amendments to Law No. 7-FZ on Non-Commercial Organizations. This status is available to CSOs that provide home-based services, in-patient care for the sick, help for the homeless, social integration of former prisoners, and services for the disabled and orphans. PPBS status allows NCOs to receive state subsidies for a period of not less than two
years, as opposed to just one year, as is the case for socially oriented non-commercial organizations (SO NCOs). However, tax privileges for PPBS have not yet been stipulated and the procedure for inclusion in the register is still not fully developed. By the end of the year, seventy-four CSOs, mainly based in Moscow, had obtained this status. In 2017, a law was passed granting regional authorities the power to include CSOs in regional PBBS registers beginning in February 2018.

There are still many problems connected with state control of social services. For example, the state only supports specific services defined in the legislation and the rates the state pays social service providers are low. In addition, few NCOs have funds available to invest in the creation of new services, as they have no access to credit. CSOs providing social services are in an unequal position compared to organizations that are completely financed by the state or regional budget, as they do not have funds to develop their infrastructure.

CSOs also provide services that are not commissioned by the state. These services, for example, in the sphere of education, health, culture, and amateur sport, are either paid for by customers or provided free of charge based on charity donations received from businesses, private funds, or subsidies from local authorities. Often, the authorities turn to powerful CSO resource centers for assistance in preparing reports, organizing public events, recruiting volunteers, or training officials, but they rarely pay for these services.

**SECTORAL INFRASTRUCTURE: 4.0**

The infrastructure supporting the CSO sector improved in the last year; due to the renewed financing of infrastructure organizations on the part of the government, the increased professionalization of the sector, and the increasing interest in the development of infrastructure on the part of businesses and private funds.

According to data from the 2017 Public Chamber report, a total of 234 resource centers received support from regional and municipal budgets in thirty-one regions in 2016. Although the extent to which these centers function varies, in general these resource centers continue to provide CSOs with technical assistance, office space for events, and various training courses. Strong regional resource centers distribute grants in their regions with funding from private funds and large companies. Several professional associations in the country—including associations of fundraisers, the Donor’s Forum, Lawyers for Civil Society, the association of specialists for evaluating programs and policies, and the association of charitable and volunteer organizations Vse Vmeste—also provide important support to the sector.

The Ministry of Economic Development’s programs that supported the sector’s infrastructure in the past ended in 2016. However, the majority of large infrastructure organizations, as well as many local resource centers, were able to obtain support in 2017 from the new Presidential Grants Fund, including for network interaction. Many independent infrastructure organizations received funding through this competition.

Private, corporate, and community foundations all award grants to CSOs. Fifty-one of the seventy-one existing community foundations in Russia work in small towns in rural locations, where there is practically no money, few CSOs, and no large businesses. Nevertheless, these community foundations gather local resources, including from private individuals, companies, and local and regional authorities, and use the funds to support small, local initiatives.

In 2017, CSOs had access to a number of training opportunities—both traditional and new. For example, in 2017, the Public Chamber University RF provided three educational courses focused on strategic and sustainable social project development for more than 800 people from fifty-four regions of the country, as well as fifty experts.
from various regions. The Sakharov Center offered regular classes through the Open School for Human Rights. In Moscow, the NCO Lab program offered master classes and training to Moscow-based CSOs throughout the year to increase their professionalization.

Online education is also developing. In 2017, distance learning programs were offered by the Center for CSO Development in St. Petersburg, the educational platform PRONKO online, the Social Technology Greenhouse, the Public Relations Committee of Moscow, and others. In the regions, CSOs are increasingly able to access online broadcasts and recordings of interesting events, meetings, and conferences.

Numerous platforms continue to support the development of the sector, and new ones appeared during the year. The Accelerator of the Blagosphere Center helps CSO representatives to develop project ideas, as well as their management and communication skills. Every project is assigned two mentors: one from an NCO and another from the business sector. The Rybakov Fund and the Business Incubator of the Higher School of Economics founded Phil.Tech to create products and technology for NCOs. Phil.Tech has created the charity platform One+One, an online charity shop where all raised money goes to charity projects. Media-center, a joint project of the Agency of Social Information (ASI) and Blagosphere Center, offers CSOs the opportunity to meet with media experts and get assistance with organizing media events. The GRANI Center developed the Navigator of State Services for CSOs to help CSOs interact properly with authorities in various situations, including registration, tax payments, getting official information, interacting with inspections, and providing services.

Businesses have become more interested in supporting CSO infrastructure. For example, ProCharity and the Philanthropy Infrastructure project, described above, were both created with private sector support.

CSOs have many opportunities to share information with each other; including social networks, mailing lists, and message services. CSOs create coalitions and groups when necessary. These groups are often created online in social networks. A growing number of forums were organized in 2017 to facilitate the exchange of experience and technology among CSOs. In 2017, over 10,000 people participated in the federal and seven regional Soobshchestvo forums organized by the Public Chamber; with President Putin making an appearance at the final forum in Moscow. More than 1,100 people participated in the 5th National Civil Forum (NCF), which took place in Moscow in November 2017. Many experts view the NCF as the main independent platform for civil society in Russia. Many regions organize their own regional civic forums, where participants discuss the problems facing CSOs.

A number of CSOs work in informal partnership with the private sector, government, and media to achieve common objectives. For example, in previous years, the Enjoyable Aging Foundation developed standards for long-term care for elderly people in hospitals or old peoples’ homes, which were accepted by the official social services. Now, the foundation has obtained support for pilot application of these standards in a number of regions. However, true partnerships between sectors are still rare. Instead, cooperation usually revolves around sectors’ standard roles: businesses and the government support CSO initiatives, media publish news about CSO projects, and the government occasionally accepts some CSO recommendations.

PUBLIC IMAGE: 5.1

The sector’s public image improved in 2017. Negative propaganda towards “foreign agents” has decreased; media coverage of CSO activities, especially in the sphere of charity, has increased; and authorities’ rhetoric regarding the non-commercial sector has become more positive.

There continues to be a gap in public image between charitable and service providing organizations on one side and CSOs focused on human rights and social justice issues on the other. Service providing CSOs continue to benefit from more media coverage and a more favorable attitude from the authorities. They are also generally better known by the public. In contrast, organizations focused on the environment, social justice, and human rights issues continue to be treated with suspicion and are occasionally criticized on official TV channels.

Since 2016, the Russian President has conferred state awards for achievements in the area of human rights protection and charitable activity. In 2017, the award for outstanding achievement in the area of human rights protection went to Lyudmila Alexeyeva, the head of the Moscow Helsinki Group, the most prominent human rights
activist in the country. Vladimir Vavilov, the chairman of the board of the Fund for Assistance to Children Suffering from Leukaemia from the Republic of Tatarstan, received the award for charitable work.

Media coverage of CSOs continues to increase at the federal and regional levels. Civic Television broadcasts the program Big Country, which covers NCOs and people who are active in civil society, five times a week, and invites CSO representatives to participate in a number of other programs. Popular radio stations often broadcast news about charity events. Some regional media outlets also cover the work of the sector. For example, in Archangelsk, the information program Dobroye TV is completely focused on CSO activity. A new media project, Sol’ (Salt), is more critical of official polices and covers independent CSOs and civic activity in the regions.

Large CSO events receive significant media coverage. NCF events were covered in more than 3,000 publications in 2017. Federal and regional media also paid a lot of attention to Soobshchestvo and the National Volunteers Forum, at which President Putin promised comprehensive support for CSOs and volunteers. Fundraising campaigns to provide direct help for children in difficult circumstances are aired on practically all federal channels, and receive broad, sustained support from viewers.

Nevertheless, there is practically no analysis in the media of the role of NCOs. The media generally focuses on government decisions affecting CSOs, as well as scandals and emergencies. Specialized media such as the online magazine Philanthropy.ru, the information portal Takie Dela, and the Agency for Social Information, are more aimed at the non-commercial sector itself, and have little impact on public opinion. While most CSOs are active on popular social media sites, including V Kontakte, Facebook, and Odnoklassniki, few have the resources or expertise required to work systematically with the media or to develop communications strategies.

CSOs, particularly those engaged in political activities continued to be subject to negative propaganda in state media. In 2017, propaganda campaigns against Khodorkovsky and Open Russia were organized in the official media and the NTV channel, which is well known for its disinformation. A similar campaign followed Navalny's investigations on corruption and anti-corruption demonstrations. While such propaganda was less visible than in 2016, the consequences of this negative propaganda are still evident, particularly in terms of attitudes towards foreign funding of CSOs. According to research carried out by the Levada Center, 40 percent of those surveyed declared that grants from European charitable funds are a “most likely unacceptable” source of funding for Russian CSOs. The opposite point of view is held by 29 percent of those surveyed. There were similar responses to questions concerning grants from American charitable funds.

The perception of CSOs by businesses and local and federal government officials did not change significantly in 2017. Although rhetoric by the president and other officials and media publications became more positive, especially towards service providers and charitable organizations, officials continue to have negative views towards advocacy and environmental organizations. Authorities sometimes consider CSOs as source of expertise and information, turning to developed CSOs for assistance, for example, in preparing reports, organizing public events, recruiting volunteers, or training officials.

As a whole, society is becoming more aware of NCOs. According to social research conducted by the Russian Public Opinion Research Center (WCIOM), around 85 percent of citizens are able to name at least one CSO. If before, people regarded CSOs skeptically, now more than 60 percent of citizens are sympathetic to them, an increase of 15 percent in the last five years. According to data from the Higher School of Economics, in 2017, 86 percent of those surveyed knew at least one CSO and 28 percent are involved in CSO activity. The survey also found that 66 percent of respondents trust CSOs, an increase from previous years in which the comparable
percentage was between 35 and 58 percent; this increase could be attributed to the fact that the survey coincided with a wave of publications in the media about voluntarism.

This growth in trust is partially in response to CSOs’ growing efforts to make the sector more open and transparent, although this work is still at an incipient stage. In 2017, the Rybakov Fund launched an online service called NCO Focus, which allows people to easily find basic information on NCOs around the country. The Committee of Civil Initiatives initiated Open NCOs, a portal in which information about the activity, structure, and financing of Russian NCOs can be found. Furthermore, after extensive discussion, a group of experts in the sector began working to develop informational openness standards for CSOs.

CSOs must provide annual reports to the Ministry of Justice, but these reports are very formal and not very informative. The majority of CSOs still do not publish annual reports. After a three-year break, Reference Point, a competition of CSOs’ annual reports organized by the Donors Forum in partnership with the Ministry of Economic Development and with financial support from the Moscow government, was renewed; 244 CSOs from 100 cities participated in the contest, the majority of which competed for the first time.
Presidential elections in April dominated the political scene in Serbia in 2017. With 55 percent of the vote, former prime minister and leader of the Serbian Progressive Party Aleksandar Vučić was elected the country’s new president. While the final results were not surprising, it was noteworthy that the candidates receiving the second, third, and fourth most votes were independent candidates not nominated by political parties.

The migrant crisis in Serbia subsided significantly in 2017, with around 5,000 migrants registered in the country during the year. Due to the closure of the migration routes, these migrants are expected to stay in the country on a more permanent basis than the hundreds of thousands who passed through in 2015 and 2016. Therefore, the focus of services provided to them has changed from humanitarian assistance to their integration in society. CSOs participate actively in these efforts, including by pressuring the state to increase the efficiency of integration activities such as access to education and work.

Although the overall sustainability of CSOs did not change in 2017, the legal environment and ability of CSOs to partake in advocacy deteriorated as a result of impediments imposed by the state. The space for CSO participation in public decision making continued to close, with some long-term partnerships between state institutions and CSOs coming to an end. In 2017, CSOs—particularly those engaged in work related to anti-corruption, election monitoring, democratization, and human rights—were the targets of negative media coverage.

According to the Serbian Business Register Agency, 2,100 new associations, seventy-three new foundations and endowments, and three new foreign associations were registered in 2017. This brought the total number of CSOs in Serbia to 30,000 registered associations, 789 foundations and endowments, and sixty-nine foreign associations.
LEGAL ENVIRONMENT: 4.2

For the third year in a row, the legal environment for CSOs in Serbia deteriorated due to increased impediments to the work of CSOs. Public space for CSOs and media operations continued to shrink, and limited access to public information impeded CSOs’ work. The Law on Associations and Law on Foundations and Endowments continue to serve as the basic CSO legal framework, while a new Civil Code is still pending. However, the lack of bylaws and varying interpretations of the laws pose increasing problems to local CSOs. In addition, administrative burdens make it increasingly difficult for CSOs to access tax exemptions.

The CSO registration process remains quick and simple for associations, but is still complex for endowments, foundations, and unions (networks). Networks, for example, are frequently required to submit the personal identification documents of their CSO members’ founders, which is difficult for organizations whose founders are no longer involved.

CSO financial reporting forms remain very simple. Despite this, an increasing number of CSOs are being charged with fines for failing to submit financial reports. Most of these CSOs are newly-registered and did not have operations during the year, and unaware they were breaking the law, did not think it was necessary to submit reports.

CSOs are generally able to operate freely under the law, although there were some threats to their independence during the year. The Council of Europe’s Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) completed an assessment of Serbia’s measures to combat money laundering and terrorist financing in 2016. This assessment identified the potential for CSOs to be utilized in financing terrorist activities as a risk. The report, which assesses the country’s compliance with the Financial Action Task Force (FATF) recommendations, suggested a list of measures to be undertaken in order to help protect against terrorism financing via CSOs, including increased control over transfers of money across state borders. Although these measures may improve security, if implemented improperly, they could have a negative impact on freedom of association. In December 2017, the National Convent on EU and the Government Administration for prevention of money laundering and terrorist financing held a meeting with civil society representatives in order to initiate dialogue around these recommendations. Further dialogue, analysis and action in this area is expected in 2018.

In 2017, the Ministry of Defense issued a draft decree envisaging that all researchers, including CSOs, would need to acquire mandatory permits from the ministry before conducting any research in the “field of social sciences, including public opinion polls on socio-political and economy topics.” Members of academia, the scientific community, and CSOs strongly advocated that this decree would disable or drastically complicate the research process and its independence. No further action was taken on this decree by the end of the year.

There were also several cases of state harassment of CSOs in 2017. For example, after the Belgrade Center for Security Policy (BCSP) published anti-corruption recommendations to improve laws and police practices, the Ministry of Interior accused it in the public media of “leading a constant negative campaign against the Ministry of Internal Affairs” and publishing “comments which created public disorder.” This resulted in the termination of BCSP’s long-term collaboration with the Ministry of Interior, which forced BCSP to change its strategy. The National Parliament introduced a new practice of organizing Parliamentary Week that excluded CSOs, which had collaborated with them in previous years on this event.
According to CRTA's statistics on FOIA in 2017, only one-third of requests were addressed by the deadline set in the law. Such a low response rate by state institutions limits the free access to information of public importance, which consequently hinders CSOs' work.

CSOs do not receive tax exemptions on income from donations, although foreign grants are generally exempt from taxation per donor protocols with the host country. The procedure for obtaining tax exemptions has become more difficult for local CSOs, as it now requires them to spend two days in the capital to complete it, instead of one, as was previously the case. Corporate donors can access some exemptions for donations to CSOs, but few take advantage of these incentives. In July, the Ministry of Finance issued an opinion that legal entities can also deduct the value of in-kind donations in the form of goods and services from their taxable income. Individuals do not receive any tax benefits for donating.

CSOs can earn income through the provision of goods and services and can legally compete for government contracts and procurements. While the Law on Social Entrepreneurship is still being drafted, CSOs fear that it will enable unnecessary state interference and create obstacles for CSOs.

Local legal capacities are still weak, and local organizations continue to rely on larger organizations for legal advice and assistance. The TACSO Resource Center and the Office for Cooperation with Civil Society (hereinafter referred to as The Office) also provide legal support.

**ORGANIZATIONAL CAPACITY: 4.0**

The organizational capacity of CSOs remained unchanged in 2017.

CSOs increasingly develop strategic plans, but are rarely committed to their implementation. Because of their reliance on project-based funding, CSO activities are often donor-driven, with little regard for their own strategic choices or even mission statements. As a consequence, a number of CSOs are broadening their mission statements in order to have more flexibility to seek funding from donors. Although there are individual organizations that build constituencies around certain issues and a growing awareness of the need to do so, CSOs generally have no systematic approach to constituency building.

CSOs' internal management structures did not change noticeably in 2017. According to the Law on Associations, membership assemblies are the main governing bodies of associations, although in practice, these bodies usually have little to no authority. CSOs are increasingly aware of the need to have internal procedures and policies. Decision making is still done predominantly by the leaders and managers of CSOs, without a clear division of responsibilities between governance and management bodies. In 2017, the TACSO Resource Center issued a manual on administrative and financial management that proved useful to CSOs.

In 2017, the number of donors providing institutional support to CSOs decreased drastically and the majority of open calls were for project funding. As a result, a number of staff members—particularly from larger organizations—left or had to settle for part-time positions. Volunteerism and volunteer management are undeveloped in Serbia. According to the World Giving Index in 2017, only 7 percent of Serbian respondents reported that they engaged in volunteerism in 2016, leaving Serbia ranked 129th out of 139 countries.

CSOs continue to have access to the Internet and use social networks widely to promote their work and communicate with their constituencies.
CSO financial viability did not change significantly in 2017. While there is no precise data on foreign support to the sector, overall levels of support seemed to stay largely the same during the year. On one hand, large international donors like USAID and the EU did not issue solicitations in 2017, and the number of institutional grants available to CSOs decreased significantly. This particularly affected CSOs that deal with democracy and rule of law, human rights, and civic engagement. On the other hand, new funds for youth programs were specifically created for the Western Balkan countries. In 2016, the Ministry of Foreign Affairs signed an Agreement on the Establishment of the Regional Youth Cooperation Office (RYCO). RYCO is an independent institution founded by the six Western Balkan countries and financed by the governments of the region, the EU, and other donors to promote the spirit of reconciliation and cooperation between youth in the region through youth exchange programs. The program became operational during the year, with the first calls for proposals published in October 2017. The Western Balkan Youth Window was created to reinforce participation of countries in the Western Balkans in the ERASMUS+ Youth in Action Program, in particular for capacity building in the youth field; it issued its first call for proposals in 2017, with the first grants to be awarded in 2018.

According to the annual analysis by Catalyst Balkans, giving through philanthropic actions in 2017 is estimated to be €26.6 million, an increase of approximately 25 percent from 2016, even though there were 8 percent fewer philanthropic actions during the year. Out of the total amount of donations recorded by Catalyst, 21.2 percent was directed to associations, while almost 29.2 percent was directed to private foundations. Philanthropic donations came from mass donations by citizens (40.8 percent), companies (33.1 percent), larger donations made by individual donors (12.7 percent), mixed donors (7.5 percent), and private foundations (2.9 percent). The largest number of donations were for health (35.2 percent), support for marginalized groups (26.2 percent), education (12.7 percent), and poverty reduction (10.9 percent).

According to Catalyst Balkans, the number of philanthropic actions by corporations and SMEs was approximately the same in 2017 as in 2016, while the total amount given increased by 2.9 percent. Nearly half—44.7 percent—of the total number of donations by private and corporative foundations were made through competitive processes and grant-making. The Serbian Philanthropy Forum was registered as an association in 2017, after years of informal operations. This step encouraged companies such as Delta Foundation and UniCredit Bank to become members.

CSO fundraising efforts remain limited, due to the sector’s lack of a systematic approach to constituency building. Crowdfunding, however, became increasingly popular during the year, with a few CSOs trying out the Indiegogo and Global Giving platforms. These efforts had mixed results, in part because the culture of Internet payments is still underdeveloped in Serbia. According to the 2017 World Giving Index, 25 percent of respondents in Serbia reported donating to charities in 2016, the same percentage as in 2015.

CSOs receive funding from local and central authorities through budget line 481, the public budget classification officially dedicated to non-governmental organizations. These funds are mostly used to finance sports associations, churches, and political parties; there is still no official data on how much of this funding goes to CSOs specifically. Funding from the lottery remains non-transparent. In 2017, Civic Initiatives (CI) requested information on lottery funds going to CSOs. In response, the Treasury Administration demanded that CI send the list of CSOs receiving funds and their VAT numbers in order to receive the requested information. However, the lottery does not publish such a list.

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1. Catalyst Balkans defines philanthropic actions as “Unique verified events/examples of collecting donations. May contain several donations (for example, an instance could be a campaign in which individuals collect cash for someone’s medical treatment).”

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The 2017 CSO Sustainability Index for Serbia
Co-financing of EU projects continues to be problematic. The Office for Cooperation with Civil Society allocated $46,600 to help organizations co-finance their EU-funded projects in 2017, about $4,000 more than in 2016. The Office also issued a new set of guidelines for CSO funding from local self-governments, which is available in electronic form.

CI conducted research in 2017 on economic activities by CSOs. According to the research, economic activity is not perceived or used extensively by CSOs as a development opportunity and CSOs do not use a strategic or market-oriented approach to their economic activities. Some CSOs conduct economic activities in their areas of expertise or that require minimal investments, such as training, event management, and basic food processing. Revenue is used mostly for organizational development, rather than for further investment in the economic activities. According to the research, revenue from economic activities remained around 5 percent, while the overall annual budgets of CSOs continued to grow. The biggest challenges CSOs face in furthering their economic activities are a lack of business skills and limited administrative and financial support.

Only larger CSOs have financial management systems in place. The funds and time allocated by most CSOs for the development of financial and procurement procedures are minimal. Organizational financial audits are very expensive and the majority of CSOs cannot afford them. The number of CSOs that publish financial reports on their websites remains low.

**ADVOCACY: 3.7**

In 2017, the ability of CSOs to engage effectively in advocacy worsened for the third year in a row, although there were a few individual successes. According to the EC’s Serbia 2018 Report, “The public administration needs to further strengthen its capacity for inclusive and evidence-based policy and legislative development… Public consultations on proposals are often conducted formalistically and too late in the process, not enabling all interested parties to provide timely and qualitative input. Line ministries have yet to develop internal rules on policy development and legal drafting.”

According to the Center for Research, Transparency, and Accountability (CRTA) Political Audit 2017, only a small percentage of the public (13 percent) initiated or participated in initiatives aimed at solving a community problem, similar to 2015 but somewhat higher than in 2016. According to the same research, only 36 percent of respondents think that anyone in their community works on solving public problems. Of these 36 percent, only 21 percent recognize CSOs as entities that work on solving public problems.

The Office still operates as the official channel connecting the government and civil sector. In 2017, it organized forty-seven events connecting CSOs, government representatives, and other relevant stakeholders. According to a report published by the Office, the number of employees both in public administration and local self-government who are responsible for cooperation with CSOs increased. However, authorities’ responsiveness to CSO advocacy initiatives decreased. For example, while CSO representatives were invited to be members of working groups focused on issues such as judicial reform, media strategy, and public administration reform, in many cases their knowledge, opinions, and recommendations were ignored, driving them to leave these groups. The adoption of the Strategy for Enabling Environment for Civil Society Development—which was originally introduced in 2015—remained at a standstill.
The Law on Planning System, which was pending in parliament in 2017, clearly defines the relationship between the two sectors, especially in terms of public participation in decision-making processes. Amendments to the Law on Public Administration, which were also pending in parliament during the year, require public participation in decision-making processes in the initial phases of drafting legislation.

The National Convention on the EU continued to provide a mechanism for CSO participation in the EU integration process. However, authorities “restricted” some important negotiation documents, effectively limiting CSOs’ role to that of observers. In addition, the Convention has limited functional capacities due to its large number of CSO members (over 700) and limited resources. In accordance with Serbia’s Action Plan for Chapters 23 and 24 of the EU accession process, the Serbian Government announced a constitutional amendment process focused on judicial reform. The Ministry of Justice invited CSOs and other professional associations to participate in the consultative meetings on potential constitutional changes. However, these meetings did not allow substantive debate. After this “consultative process” took place, the government started accusing CSOs of lacking capacity to participate in judicial reform. A number of associations, including the Association of Judges, the Lawyers Committee for Human Rights – YUCOM, and the Belgrade Center for Human Rights, terminated their participation in the consultations thereafter.

A number of government bodies have formal cooperation mechanisms with CSOs. In 2017, the Governmental Office for Combating Drugs developed a Memorandum of Cooperation with eleven CSOs, which was signed at the beginning of 2018. In 2017, the Ministry of Public Administration and Local Self-Government demonstrated increasing willingness to participate and collaborate with civil society. For example, CSOs participated in working groups to develop an action plan for public administration reforms. Despite this positive development, the influence of CSOs was mixed. For example, while the CSO suggestion to draft a Law on Electronic Petitions was accepted, proposed improvements to the Decentralization Strategy were rejected.

Cooperation between parliament and CSOs was problematic in 2017. The National Assembly terminated its Memorandum of Cooperation with the Open Parliament Initiative, an initiative aimed at establishing and enhancing links among the parliament, citizens, and CSOs in Serbia. The termination occurred after the Initiative protested against the lack of accountability and transparency in the state budget process, including the lack of assembly debate.

In 2017, an informal group of 219 media entities and CSOs formed to fight for media freedom in response to the state’s closure of Vranjske, a south Serbia newspaper. The group submitted a list of demands to improve the media environment to the prime minister. Its efforts were successful in drawing attention to the status of media among relevant stakeholders including the EU.

In 2017, a number of GONGOs (government-organized NGOs) and PONGOs (political party NGOs)—including the Council for Monitoring, Human Rights, and the Fight against Corruption Transparency, and the Institute for Youth Needs Assessment—were established either to compete in particular funding contests or to discredit the advocacy efforts of other CSOs.

The Coalition for Monitoring of Public Finances identified a number of irregularities in public procurements related to the building of roads, which were confirmed by the court in March 2017; however, the government neglected to do anything about these incidents.

In December 2017, the national public enterprise in charge of the production and distribution of energy created its first Commissions for Customer Complaints in five cities in Serbia with CSO representatives as members. The Center for Customer Protection Forum initiated a procedure to protect energy consumers, which the Ministry of Trade, Tourism, and Telecommunications adopted in December. As a result of this initiative, a Council for Energy Consumers Protection was also created.

Although Serbia does not have a Law on Lobbying, there were a few legislative successes attributed to advocacy and civic engagement by CSOs in 2017. For example, the Law on Financial Support to Families with Children was adopted after three years of work; it integrated all of the demands made through the Rights for Moms campaign, which mobilized 250 mothers to communicate directly with Serbia’s 250 MPs.
CI and the Office held six trainings for local self-governments and CSOs on the guidelines for the inclusion of CSOs in the process of adopting regulations in order to better engage CSOs at the local level.

CSOs were invited to participate in an online consultative process on a draft decree that would amend the law currently governing state co-funding of the public benefit programs implemented by CSOs. Some of the prominent amendments included provisions on conflict of interest, the monitoring and evaluation of programs, and an opportunity for CSOs to become part of selection committees. The amendments were still pending at the end of the year.

**SERVICE PROVISION: 4.2**

Service provision by CSOs remained at the same level in 2017 as 2016. Social services, including daycare centers for disabled children, SOS telephone lines for vulnerable groups, psychosocial services, educational workshops, and group therapy, continue to dominate the sector’s product line. CSOs provide refugees from the Middle East, now more permanently located in migrant reception centers, with social and educational services to help them integrate into local communities, resulting in the enrollment of migrant children in elementary schools for the first time in 2017.

The licensing process for social service providers continues to favor state providers, granting them better access to state funding. Beneficiaries increasingly ask for licenses from CSO providers before deciding whether to use their services, limiting the number of beneficiaries of CSO services. The licensing process continues to be guided by certain infrastructural and bureaucratic criteria, such as the size and characteristics of premises to be used for social service provision. CSO service providers fear that they might be pushed to work more like state institutions—entities not perceived as efficient or effective by beneficiaries or civil society. The government still does not allow CSOs to provide any health services, while the provision of socio-health services to socially endangered groups is not clearly regulated. Some CSOs see this as an opportunity to partner with health institutions and provide services such as early testing on HIV.

In January 2017, the government began to make budget transfers to local self-governments specifically for social protection. The system was designed to provide a higher level of social protection support to less developed municipalities and to guarantee that social services respond better to community needs. However, according to local CSOs, some of this funding was not spent for social services.

By law, funds from the state and local authorities for social services should be distributed equally between state and CSO service providers. In practice, however, the state often allocates significantly larger amounts to state-owned social service providers. It then tries to compensate for this by offering CSO social service providers funding from budget line 481, which increases competition for this funding. Starting in 2017, some municipalities increased their control over the selection of paid individual services providers, like housekeepers or personal assistants for persons with disabilities, as well as beneficiaries entitled to receive state-funded services, leading CSOs in some municipalities to complain that the process favored ruling parties’ members.

CSOs provide trainings to state and local government institutions on the development of project proposals, access to EU funds, and other project cycle management topics. The government prefers to engage individual trainers from CSOs directly, rather than the CSOs themselves. Organizations publish manuals and books on the improvement of institutional practices in a variety of areas and topics. For example, the National Coalition for Decentralization published a guide for local authorities on local budget processes. To a lesser degree, CSOs also provide services such as trainings and the development of proposals to businesses.
CSOs implement needs assessments with inconsistent quality and capacities. In 2017, organizations were quite responsive to community needs, as evidenced by their new focus when supporting migrants. As migrants’ stay in Serbia became more permanent, leading CSOs in this area of work, such as Group 484 and Association Atina, quickly changed their focus from direct humanitarian support to integration-related activities. Association Atina led the creation of networks of CSOs and local state institutions in six cities and municipalities on migrant integration.

CSOs cover their costs via project-based funding, from both international donors and state project financing. The vast majority of CSO services are free for beneficiaries. International donors have limited their financial support to CSO social service providers, insisting that the state should take a more significant role in this realm.

**SECTORAL INFRASTRUCTURE: 3.3**

CSO sectoral infrastructure did not change significantly in 2017. The contract for the EU-funded TACSO Resource Center ended at the end of November 2017, and no new call for proposals had been published by the end of the year. During 2017, TACSO provided twenty technical assistance sessions on organizational development and fifty-four open door consultations, and organized more than forty different events. A total of 526 participants and 251 CSOs used TACSO services during the year. In addition, experienced national and local CSOs in nearly every city in the country provide different types of support and trainings to newly-founded CSOs or those experiencing transformations.

In November 2017, Catalyst Balkans introduced three new and improved online organizational development tools: Giving Balkans, a platform that provides data and visual reports on philanthropy actions in the Western Balkans; CiviCatalyst, the first client relations management platform in Serbia tailor-made for CSOs; and Donations, a crowdfunding platform for non-profit campaigns.

Leading foundations such as TRAG and Ana and Vlade Divac continued to provide support for local CSOs and informal groups. In addition, fifteen to twenty domestic organizations provided sub-grants to CSOs in 2017 with funding from the EU and other donors. In addition to providing smaller organizations with indirect access to larger donors, these sub-granting schemes facilitated better networking and exchange between larger and smaller CSOs.

In addition to networks and coalitions that continued their work from previous years, new thematic coalitions appeared in 2017, including a coalition of twenty-three CSOs led by the European Policy Center that monitors public administration reforms. However, some of the largest advocacy coalitions reported a drop in interest and motivation among members due to a lack of state responsiveness to their initiatives.

Serbia continues to have numerous trainers and consultants willing to help CSOs learn and implement managerial skills. Due to the large number of newly-founded CSOs, basic trainings are still in demand. More advanced trainings on topics like strategic management, financial planning, fundraising, volunteer management, and constituency building are less accessible. Training materials are mostly available in English and, to some extent, Serbian. Materials are not available in the languages of national minorities. Many trainers and consultants charge fees for their services. While this decreases their reliance on direct donor support, their fees are high and inaccessible for most CSOs. The limited number of institutional grants decreased CSOs’ capacity to pay for high-profile consultants in 2017.
In 2017, there were some positive examples of collaboration between CSOs and companies. For example, Delhaize Serbia Ltd. implemented a campaign through which it donated a portion of the income from all school supplies sold in Tempo hypermarkets to the SOS Children’s Village. Delhaize also supports an initiative by the Belgrade Food Bank, through which 172 stores across the country donate eighty-five to ninety tons of fruits and vegetables each month. Seventy-two CSOs then distribute this food to over 8,000 socially vulnerable persons. Partnerships with media have become less common. Media outlets’ financial struggles make it difficult for them to provide air time for free or reduced costs. CSOs are frequently included in different working groups regarding state strategies and legislation on local and national level. Such participation is usually required by the EU, but there are instances when the state sector includes CSOs on their own.

PUBLIC IMAGE: 4.6

The public image of CSOs did not change significantly in 2017.

CSOs struggle to get media coverage. Belgrade-based organizations only have access to national media outlets, which have little interest in covering CSOs. Meanwhile, due to the privatization process and subsequent closing of numerous media outlets, there are fewer local media outlets that provide coverage of local organizations. The public TV service RTS rarely covers civil society issues or activities. Private media shows more interest in the activities and work of CSOs. Some CSO leaders are invited to provide their opinions or expertise on news and other programs, particularly in cases when political actors and members of the government avoid making comments on a particular issue. CSOs criticize media reporting on the sector as superficial, while media outlets constantly tell CSOs that their narratives are too project-oriented and difficult for average people to understand. This tension between media and CSOs was a frequent topic of discussions during joint events during the year.

In 2017, media regarded as close to the government, such as TV Pink, continued to discredit CSOs working on anti-corruption, government accountability, and rule of law by publishing their budgets and calling them foreign mercenaries. Some CSOs, including KRIK, brought lawsuits against the editors-in-chief of such outlets, while also facing slander charges themselves from a minister mentioned in the Panama Papers. At the same time, civil society media outlets, like BIRN and VOICE, were subject to public attacks from the government and media close to the government after publishing investigative stories related to public expenditures, transparency, the misuse of donations, and the Panama Papers.

CRTA’s 2017 Political Audit recorded a decrease (from 21 percent in 2016 to 15 percent in 2017) in the percentage of people who would request assistance from CSOs in solving their problems. CRTA also found that only one-third of citizens understand the role of civil society. Another third perceived CSOs to be international organizations, while the final third called them anti-governmental organizations.

The business sector continues to respect the expertise of CSOs, and there was an increase in long-term cooperation between the business sector and CSOs. Despite this, companies are still much more likely to donate funds to state institutions than to CSOs. The government publicly attacked CSOs working on anti-corruption, accountability, and transparency, including the independent election monitoring work of CRTA and the report of BCSP on police practices and procedures. While CSOs are frequently included in working groups, their comments and recommendations are often rejected or ignored, especially when related to crucial policy issues.
In light of their limited access to local and national media coverage, CSOs increasingly use the Internet and social networks to promote their work, launch advocacy campaigns, and build constituencies. However, in October 2017, Facebook introduced a pilot system in a number of countries (including Serbia) that drastically decreased the reach of organizational and project pages, forcing CSOs to pay to promote their posts and get them viewed by more people. In 2017, the TACSO Resource Center provided training and published a Digital Media Toolkit to help associations improve their visibility.

There were no initiatives or changes in terms of self-regulation in 2017. Annual reports are still only published by leading organizations.
Corruption, a long-standing problem in Slovakia, was once again a major issue in 2017. Throughout 2017, much attention was focused on overpriced public procurements by the Ministry of Foreign and European Affairs during the Slovak presidency of the Council of the European Union. A former ministry employee, now an employee of Transparency International Slovakia, accused the ministry of organizing overpriced cultural events linked to the Slovak presidency. She further claimed that a contract to organize the logo presentation event was awarded to a firm selected in advance without a tender. In November, the whistleblower was given the White Crow award by VIA IURIS and Fair Play Alliance; White Crow is given annually to whistleblowers who challenge unethical or corrupt behavior at great personal risk, or to those who perform courageous civic deeds that benefit the public.

Thousands of Slovaks took to the streets during three big anticorruption marches to protest against corruption, including the non-transparent relationships between the government and business sector. The idea to protest came about spontaneously during a phone conversation between two secondary school students, and was inspired by a wave of massive anti-corruption protests in Romania earlier in the year. The protests’ objectives included instigating investigations into specific cases, dismissal of the Minister of Interior and Special Prosecutor, and abolition of amnesties issued by Vladimír Mečiar.

In response to these protests and strong public pressure, Slovak members of parliament (MPs) cancelled the amnesties issued by Mečiar and the presidential pardon of former Slovak head of state Michal Kováč.

1. This report focuses on events in 2017 and does not reflect the dramatic events took place in the country at the beginning of 2018, which will be covered in the 2018 CSO Sustainability Index. In February 2018, Ján Kuciak, a Slovak investigative journalist, and his fiancée, Martina Kušnírová, were shot dead in their home. Kuciak, who worked as a reporter for the news website Aktuality.sk, focused mainly on investigating tax fraud by several businessmen with connections to top-level Slovak politicians. Kuciak was the first journalist ever to be murdered in independent Slovakia. The murders, in addition to causing widespread shock and disbelief throughout the country, plunged the country into a political crisis pitting the government of Prime Minister Robert Fico against President Andrej Kiska and the political opposition. Following massive demonstrations, the crisis culminated on March 15th with the resignation of Prime Minister Fico and his entire cabinet. As of May 2018, nobody had been charged with the murders, and no clear motive had been established.
The Minister of Education resigned after a scandal involving the distribution of EU funds for research projects. In addition, the former Ministers of Construction and Regional Development were convicted of acting contrary to the principles of transparency and public procurement, the first convictions at such a high level in Slovakia.

Overall CSO sustainability did not change in 2017. Positive developments were noted in financial viability, as the number of funding sources increased, while the public image of CSOs deteriorated as a result of continuous polarization in society. No significant changes were noted in the other dimensions of sustainability.

According to records of the Ministry of Interior of the Slovak Republic, there were 50,734 registered CSOs in Slovakia in 2017. This number includes: 46,053 civic associations; 606 non-investment funds; 3,209 non-profit organizations providing public benefit services; 141 entities with international element; and 725 foundations.

**LEGAL ENVIRONMENT: 3.0**

CSOs can be established under a number of different legal forms, each of which have their own registration process. Civic associations register at the Ministry of Interior, which then requests the Statistical Office to issue them identification numbers. A foundation can be established by a natural or juridical person or persons after a foundation agreement is signed and verified. Non-investment funds and organizations providing public benefit services are established through a contract or memorandum filed with the corresponding regional authority seat. The registration process for all legal forms can usually be completed in a month.

In 2017, the Office of the Plenipotentiary of the Government for the Development of Civil Society continued to work on a draft law focused on establishing a single, reliable, and up-to-date register of non-governmental, non-profit organizations. The consultation process for the proposed law was planned for the beginning of 2018.

Since January 1, 2017, as part of the ongoing process of establishing eGovernment in Slovakia, every legal person listed in the Business Register has been required to communicate with the authorities through an electronic mailbox, which requires subjects to have a new ID with an electronic chip, as well as a personal security code. CSOs fear that this will complicate many routine processes. For example, they will have to give power of attorney to their employees to read the organizational mailbox. In 2016, civic associations, foundations, and other forms of CSOs were granted an extension through mid-2018 to meet this requirement. Following additional negotiations in 2017, MPs agreed that CSOs could have until 2019 to activate their mailboxes.

At the beginning of 2017, there were efforts by opposition MPs to amend the Freedom of Information Act to include civic associations, foundations, and non-profit organizations that manage more than €100,000 per year as obliged parties. This would have caused excessive administrative burdens on CSOs and significantly complicated operational processes. However, the amendment was not adopted.

The European Parliament and the Council of the EU adopted the Data Protection Package in May 2016. This package contained the General Data Protection Regulation (GDPR) on the protection of natural persons with regard to the processing of personal data and the free movement of such data. It applies to all entities that collect personal data on EU citizens and therefore is also binding for Slovak non-profit organizations that handle such data. EU member states should start to observe the regulation in May 2018. In 2017, CSO representatives met with the responsible officials to search for solutions that would not threaten projects promoting transparency and public scrutiny.
An amendment to the Law on Income Tax adopted in December 2017 establishes the concept of "charity advertising." This provision will exempt civic associations, foundations, non-investment funds, and non-profit organizations providing public benefit services from taxes on up to €20,000 of income originating from "advertising for charity purposes."

CSOs continue to function without any threats from the government. CSO representatives participated in protests throughout the year, but generally did so as individuals and not as representatives of their organizations. In contrast to 2016, there were no reported incidents of government hostility towards CSOs.

According to the Income Tax Law, if during the year a company donates funds amounting to 0.5 percent of its paid taxes, it can assign 2 percent of its tax obligation to CSOs. If it donates less than 0.5 percent of paid taxes, it can still assign 1 percent of its tax obligations. CSOs do not benefit from any other tax incentives or deductions.

CSOs can engage in fundraising campaigns and receive foreign donations. Although CSOs are classified as "organizations not based or not established on entrepreneurial purposes," some of them can, under circumstances agreed in advance, engage in entrepreneurial activities. Earnings must be reinvested in their activities.

The Pro Bono Attorneys program, managed by the Pontis Foundation, provides CSOs and their clients with free legal assistance. Legal services are coordinated mostly from Bratislava, but are available in the regions as well. From the program’s launch in 2011 to the end of 2016, a total of eighty attorneys have provided free help to more than eighty-five CSOs with almost 130 legal tasks. Currently, fourteen law firms and five individual attorneys participate in the program. In addition, many CSOs rely on the First Slovak Non-Profit Service Center (1.SNSC) for legal assistance. 1.SNSC operates an online platform that includes information about all legislative changes and proposals affecting the non-profit sector, in addition to other resources. However, users must pay an annual subscription fee to access the service, which can be a burden for some organizations.

**ORGANIZATIONAL CAPACITY: 3.1**

CSOs build relationships with individuals or groups affected by or interested in their issues through the use of social networks, newsletters, and fundraising campaigns. Some CSOs present their activities at weekend events, such as community markets. For example, Vagus, a CSO focused on homeless people, sells Thai food at such events to raise its public profile and to raise funds for organizational activities.

The majority of CSOs have clear mission and vision statements, although smaller organizations may only define their missions and visions in their articles of incorporation rather than elaborating on them in other strategic documents. Larger organizations generally consider strategic planning to be a vital part of their work, using these plans to guide their work. CSOs increasingly professionalize their management and strategic planning functions.

Larger CSOs tend to define responsibilities among boards of directors and employees more clearly than smaller organizations. However, members of the boards of directors in small organizations often do not understand the importance of their positions; some act as pro forma members in several organizations, rather than being truly active and involved in a single organization. Another problem is that of the so-called “migrating professors” – people who hold leadership and other positions in various CSOs.
The majority of people engaged in the sector work as freelancers, while only a small number have permanent contracts or work on a part-time basis. However, an increasing number of people joining the sector expect contractual employment relationships. Most organizations are not able to respond to such requests due to financial constraints; instead they may define individual staff competencies more precisely in order to prevent staff from being overloaded with responsibilities. CSOs also face difficulties employing staff because of increases in the minimum wage. The low salaries that CSOs offer make it very difficult for them to maintain qualified staff; this is particularly a problem for organizations providing social services. In 2017, a number of people from the third sector became involved in politics in advance of the 2018 elections. Organizations seek professional services from accountants, IT administrators, and graphic designers, but the pressure to keep costs low limits CSOs’ ability to pay for such services. According to research published by the Institute for Public Affairs, Center for Philanthropy, and Partners for Democratic Change Slovakia (PDCS) in December 2016, since 2003, the percentage of people volunteering has fallen from 39 percent to 32 percent. According to the 2017 World Giving Index, 16 percent of respondents in Slovakia reported that they participated in voluntary action in 2016, a 5 percent increase from the previous year.

Organizations still have the opportunity to acquire cheap software licenses through the Techsoup Slovakia program. This program, which is managed by the Pontis Foundation, is part of the Techsoup Global Network and offers reduced cost software from Microsoft, Adobe, GiftWorks, and O&O Software to participating non-profit organizations. In addition, CSOs can sometimes purchase used hardware from other companies. Despite the fact that CSOs have little support for their technical development, they increasingly use modern ICT, including social media, to facilitate their operations.

**FINANCIAL VIABILITY: 3.6**

The financial viability of CSOs improved in 2017, as CSOs had access to an increasing number of funding sources. CSOs strive to diversify their funding sources. However, most CSO funding is project-based, and CSOs therefore do not have sufficient resources to ensure their long-term sustainability. According to the December 2016 study *State of Affairs, Trends, Needs and Possibilities for Development of Civil Society in Slovakia*, conducted by the Institute for Public Affairs, Center for Philanthropy, and PDCS, funding for the non-profit sector comes more or less equally from public resources, private resources, and revenue from CSOs’ own activities, including earned income and membership fees.

During the year, a consortium of three foundations—Nadácia Ekopolis, Nadácia otvorenej spoločnosti, and Karpatská Nadácia—was selected to administer the Active Citizens Fund, a grant program financed through the EEA/Norway Financial Mechanism. No calls for proposals were issued in 2017, but this program is expected to allocate €9 million in support for civil society and non-governmental organizations by 2021.

There was a significant increase in funding available to CSOs through the EU Structural Funds in 2017. A series of six calls for proposals were issued in May as part of the EU-funded Effective Public Administration program. These were the first EU-funded calls for proposals in Slovakia in which CSOs were the only eligible applicants. Through these calls for proposals, CSOs were able to apply for a total of €15 million for projects focused on improving public policy, civic awareness and participation, the fight against corruption, and transparency in public administration. Although the closing date for all the calls was in August, the results had not yet been announced by the end of the year. CSOs were also able to apply for several other EU-funded calls for proposals focused on issues such as the environment or marginalized Roma communities during the year, but the huge administrative burden deters many from doing so.

According to the December 2016 study referenced above, CSOs receive funding from public sources in several categories. Direct support from the state in the form of central budget subsidies have been a growing trend in recent years. Local government support for CSO activities is also thought to have increased during recent years, although there is no data available to support this assumption.
Companies, especially multinational corporations, continue to distribute funds to CSOs through their tax assignations, which reached a record sum in 2017. According to the Ministry of Finance, tax assignations reached €63 million in 2017, up from €59.4 million in 2016, €56.9 million in 2015, and €52.2 million in 2014. Companies also continue to provide direct support to local projects. The number of small and medium enterprises supporting community projects is also rising. For example, the company Impact Futuristic supports the Adopt your Beehive Project, which promotes beekeeping around the country. However, some CSOs face problems managing the growing expectations of their corporate partners for public relations in exchange for their donations, which may be considered a violation of the law on tax assignations. There is also growing interest in volunteering by companies. In 2017, more than 10,000 corporate volunteers were engaged in Our City, the country’s biggest corporate volunteering event through which volunteers participate in a number of different projects around the country to beautify their cities.

There was also an increase in individual donations during the year, from both in-person fundraising and online collections. Crowdfunding platforms, such as Dobrakrajina.sk, Dakujeme.sk, Ludialudom.sk, startlab.sk (for public utility projects), and marmelada.sk (for creative activities), continue to be effective fundraising tools. According to the 2017 Annual Report of the Center for Philanthropy, in 2017, there were 97 campaigns on startlab.sk that received 11,979 individual donations valued at €351,000, compared to 33 campaigns that received 2,108 individual donations valued at €94,800 in 2016. However, crowdfunding is not effective for initiatives involving complicated or controversial topics, such as legislative amendments, lesbian, gay, bisexual, transgender, and intersex (LGBTI) projects, or Roma community projects. According to the 2017 World Giving Index, 30 percent of respondents in Slovakia reported donating to charities in 2016, a significant increase from 23 percent in the previous year.

In addition, in 2017 some organizations, including the Pontis Foundation, began to cooperate successfully with major individual donors—wealthy people interested in addressing particular problems and willing to provide significant funding for long-term partnerships and support.

According to State of Affairs, Trends, Needs and Possibilities for Development of Civil Society in Slovakia, the most common form of self-financing is membership fees, which 61 percent of CSOs collect; however, no statistics are available on the amounts collected through membership fees. The study also notes that revenue from selling products and services has been declining over the past five years, both in absolute amounts, as well as in the share of CSOs’ incomes. Only a few CSOs have established social enterprises. On rare occasions, government bodies and local businesses contract with CSOs for services. CSOs are generally eligible to apply for such contracts, but rarely do as their applications are seldom successful.

The Office of the Plenipotentiary of the Government for the Development of Civil Society organized a roadshow throughout the country in 2017 consisting of a series of workshops for CSOs focused on the means of funding non-profit organizations and projects of public interest. This, however, did not attract significant attention.

Well-developed CSOs have financial management systems. Foundations, non-investment funds, and non-profit organizations that render public utility services are required to submit annual reports to the government. In addition, ministries can send auditors to monitor the use of funds received through tax assignations or other public resources.
ADVOCACY: 2.6

Advocacy did not change significantly in 2017. CSOs engaged in a wide range of successful advocacy campaigns during the year and continue to have access to a variety of mechanisms to cooperate with the government, although this cooperation is often more formal than genuine.

Since 2005, Slovak legislation has enshrined the rights of the public (and CSOs) to participate in the law-making process. According to the act on the law-making process, draft laws must be published for public comment. Comments made by at least 500 individuals must be addressed; if not, there is a dispute procedure that can be followed.

The Office of the Plenipotentiary of the Government for the Development of Civil Society acts in an advisory role to the state in order to promote active citizen participation; CSOs that represent citizens; and government bodies that are responsive to active citizens. As part of its tasks, the Office is responsible for coordinating the process of preparing strategies and action plans for the development of civil society. In 2017, the Office of the Plenipotentiary of the Government for the Development of Civil Society initiated two new projects to increase cooperation between the state and civil society. The first—Partnership: Pilot Cooperation Project of the State and Experts in Civil Society related to EU Funds—is aimed at facilitating cooperation between CSO experts and the state in the field of managing and monitoring EU funds. The second—the three-year Supporting Partnership and Dialogue in Participatory Public Policy Creation project—supports a pilot scheme of participatory public policy creation and implementation by twenty-five public institutions and CSOs.

The Minister of Interior convened two plenary sessions of the Council of the Government for CSOs in 2017. In general, such sessions are ideal platforms for CSOs to communicate their interests and concerns to the government, although there continues to be concerns within the sector about the Council’s effectiveness.

Platforms or umbrella organizations either do not function at all or only function on a formal basis. This is apparent in the number of situations when a relatively quick response and decision about cooperation were needed, but did not materialize. For example, after an investigation into child abuse allegations in the Čistý Deň resocialization center was reinitiated in 2017, CSOs dealing with child protection were unable to unite or communicate in a unified manner. Ministries increasingly invite CSO experts to participate in working groups. For example, in 2017, the Ministry of Labor, Social Affairs, and Family invited CSOs to participate in a working group on the topic of early childhood development. The sector, however, lacks the capacity to ensure the necessary participation.

In March 2017, VIA IURIS started to collect signatures for a call to cancel the amnesty issued by former Prime Minister Mečiar in relation to the kidnapping of a former president’s son, in which the Slovak Intelligence Service was thought to have played a role. The online petition at www.somza.to was first signed by a number of prominent individuals—including a group of former constitutional court judges, representatives of Slovak law and advocacy organizations, and 250 prominent representatives of cultural and social life—and was then opened to the public. Within twenty-four hours of publishing the petition, over 66,000 individuals had signed it, and by the end of the twenty-two day initiative, 84,127 signatures had been collected. The authors took the petition to the Slovak Parliament and negotiations in April 2017 resulted in 129 out of 144 MPs present voting in favor of the resolution to cancel the amnesties. The Constitutional Court confirmed this decision in May.
In 2017, a student movement inspired by events in Romania organized three large anti-corruption protests. Thousands of people took part in the protests, and students started a petition with specific demands—investigation of specific cases, dismissal of the Interior Minister and Special Prosecutor, and the abolition of amnesty. The movement aimed to collect 100,000 signatures, at which point parliament must consider the petition; around 70,000 signatures had been collected by the end of 2017.

Another successful civic initiative during the year was We are the Forest (My sme les), which opposes the destruction of national parks and forests threatened by massive logging. Almost 65,000 citizens signed an online petition supporting this initiative, thereby creating strong public pressure to adopt legislation that protects forests. Negotiations between government and civil society representatives were ongoing at the end of the year.

CSOs are getting more comfortable with the concept of lobbying, although the country still lacks a law regulating lobbying.

**SERVICE PROVISION: 2.6**

CSOs provide services in a variety of fields, including basic social services in fields such as health and education, and services to the elderly and disabled people. Despite strong engagement of CSOs in these areas, with CSO services sometimes replacing or complementing state-provided care, demand still sometimes exceeds supply. CSOs are not able to compete with private providers, and there is also a lack of market-oriented projects such as social enterprises.

CSOs often provide pro bono services that benefit the state, for example, creating public policies and legislative acts, which perpetuates the government’s practice of not remunerating them for their participation in working groups. The Office of the Plenipotentiary of the Government for the Development of Civil Society stated that due to the complicated rules of public procurement, it is easier to cooperate with individuals (experts) than with organizations.

CSOs provide education and consulting services to other CSOs, as well as government offices and companies. For example, the Slovak Governance Institute provides seminars to MPs about building a professional civil service and for local authorities about transparent city companies, and VIA IURIS provides legal consultations to other CSOs.

CSOs increasingly charge fees for their workshops, conferences, and seminars. However, the fees charged do not fully cover the costs of offering these services, and additional funding is therefore still required.

While CSOs can receive grants from the state, funding decisions are often made on a political basis. In addition, the state exhibits increasing tendencies of control, wanting to know exactly how organizations spend government money. In the majority of cases, public finances are allocated to public social services providers. As CSOs are categorized as private providers, citizens have to pay higher fees for their services and therefore generally prefer the cheaper, public alternatives.
SECTORAL INFRASTRUCTURE: 2.9

The infrastructure supporting CSOs in Slovakia did not change significantly in 2017. In contrast to other countries in the region, Slovakia still lacks dedicated support and information centers for CSOs, although there are strong grant-making and training organizations.

A number of foundations provide grants to CSOs mainly with funding from domestic sources, including tax assignations. Local community foundations provide grants funded both through locally raised funds and international donor resources.

Several CSOs—including Pontis Foundation, Voices, Slovenské centrum fundraisingu, and getADVANTAGE—provide trainings to CSOs, some on a pro bono basis. Training topics in 2017 included marketing, non-violent communication, the EU’s General Data Protection Regulation (GDPR), facilitation, and conflict resolution. A program called Butterfly Effect, implemented jointly by Edufactory by Pixel Federation, Sygic, Leaf, and hubhub.com, provides practical education to encourage the growth of digital business in Slovakia. However, more expensive services such as legal or marketing assistance remain out of reach for most CSOs.

CSOs—primarily civic associations and foundations—create ad hoc initiatives and networks, but these lack sufficient financial resources and therefore do not last over the long term. CSOs are willing to share information within their working groups on different topics or work together towards common aims. Intersectoral partnerships are also common. For example, the Human Rights League disseminates content on the Euractiv portal and blogs run by the daily newspaper SME.

PUBLIC IMAGE: 2.8

The public image of CSOs deteriorated in 2017 as a result of continuous polarization in society marked by increasing tensions, hate speech, and the rise of populism and disinformation. In addition, there is a fear that Slovakia will follow the path of Poland and Hungary, where the state is increasingly attacking the sector and eroding the legislation protecting civic space. For example, “anti-Soros” rhetoric, which is prevalent in Hungary and Poland, is being increasingly emulated in Slovakia.

Alternative and conspiratorial media continue to wage a discriminatory campaign against CSOs. This rhetoric primarily focuses on CSOs’ foreign sources of funding (including funding from the Soros Foundation), accusing them of disrupting the democratic system and collaborating with President Kiska, a political rival of the Fico government. Associations focused on issues such as human rights and watchdog functions, as well as foundations, are the primary targets of these accusations. Several politicians have also begun to repeat these conspiracy theories, and extremist language has become a normal part of the debate.

While this rhetoric and the negative campaigns have not had the same impact as they have had in neighboring countries, Slovakia’s Civil Society rating in Freedom House’s Nations in Transit report fell in 2017 due to the increased organization and mobilization by extremist political groups—which have drawn particular support from young people—and the growing risk this poses to liberal values and civil rights. According to the Freedom House report, news sites promoting conspiracy theories are more common than they were in the past, and experts increasingly connect such sites with Russian-backed propaganda efforts.²

A recent study by the Center for Strategic and International Studies (CSIS) argued that sites spreading pro-Russian propaganda are a key part of the Russian strategy to influence Slovak politics, likely with an eye on the country’s strategic position along European energy networks and as a transit country for Russian natural gas.3

There were positive developments during the year as well. Three civic campaigns—for the abolition of Mečiar’s amnesties, the anti-corruption marches, and We are the Forest—received massive public support. In regional elections, a pro-democratic candidate in the Banskobystrický region defeated the sitting regional administrator, a right-wing extremist, as a result of the mobilization of the public and civil society at the local level.

Although no recent public polling has been done on the perception of CSOs, the media provides positive coverage of certain third sector “flagships”—including Good Angel, League against Cancer, and Plamienok; as a result, the public perceives them in a very positive light. In general, charities are perceived by the public much better than organizations focused on advocacy. Human rights associations struggle to communicate the value of their work to the public, which may make the public more susceptible to the conspiracy theories being promoted.

The government’s perception of CSOs is reflected in the Government Program Statement from 2016. A key provision of this program establishes a framework for co-operation with CSOs, including “tools and platforms that will increase the involvement of the public and civil society in creation of public policies.” According to research conducted in 2016, younger activists working in the public sphere consider local government to be a key player. However, they feel that local governments do not always respond positively to their activities. Local governments benefit from CSOs, for example through volunteer work provided by organizations or services delivered under a contractual agreement (e.g. social care).

The central as well as local governments rely on CSOs as community resources and a source of expertise and credible information. However, the government often takes advantage of CSOs’ expertise, for example by expecting experts in working groups to provide their services free of charge or for very minimal fees.

The business sector has a positive perception of both advocacy and service provision CSOs. They also rely on CSOs as a source of expertise and credible information. Some businesses support CSO activities through partnership initiatives. For example, the Pontis Foundation manages the Fund for Transparent Slovakia, which is jointly funded by companies concerned with the weak law enforcement in Slovakia. The Fund provides systematic support of watchdog and analytical organizations to promote transparency and a favorable business environment in the country.

Major organizations have invested in public relations by engaging communications specialists, either strategically or on a case-by-case basis. CSOs use social media to varying extents. While large organizations use all kinds of social media for public outreach, smaller associations that deal with specific topics and do not pursue public money often do not see the need to use social media.

The law does not require CSOs to adopt codes of ethics. Only foundations are required to publish their annual reports, although other CSOs also demonstrate their transparency by preparing such reports.

The political situation in Slovenia remained relatively stable in 2017. As economic indicators in the country improved, the government lifted many austerity measures, resulting in increases in certain social transfers (including for students and families), public sector salaries, and public funding for certain CSO services, including in the area of social protection.

CSO sustainability in Slovenia improved slightly in 2017, with a number of positive developments noted in the areas of legal environment, financial viability, advocacy, and infrastructure. Although the core legislation regulating the registration and operation of CSOs remained unchanged, several minor legislative changes were adopted during the year that improved the legal environment for CSOs. Total CSO income and public funding for the sector both increased. In addition, several improvements were introduced to the procedures for public funding of CSO programs at the national and local (municipal) levels. However, the financial viability of CSOs continues to be insufficient to guarantee the long-term survival and development of CSO programs. CSOs actively participated in decision making and implemented several successful broad-based advocacy campaigns during the year. Intermediary support organizations (ISOs) increased the quantity of trainings and other services they offer local CSOs, thereby improving the infrastructure supporting the sector.

Organizational capacity remained approximately the same. Service provision did not change significantly, although there is growing awareness in the sector of the importance of diverse and agile service provision for the long-term viability of CSOs. The sector’s public image, on the other hand, suffered to a certain extent due to negative media coverage of environmental CSOs that questioned the environmental permitting process for a high-profile foreign investment. However, CSOs also benefitted from a significant amount of positive media coverage during the year, and there is no evidence that this incident will have long-term consequences on the sector’s overall image.

According to an analysis by the Center for Information Service, Co-operation and Development of NGOs (CNVOS), more than 27,650 CSOs were registered in Slovenia at the end of 2017.
This number includes around 24,160 associations; 3,240 private institutes; and 259 foundations. While not all registered organizations are active, 96 percent of all registered organizations submitted annual reports for 2016. There are also 254 registered social enterprises in the country, although many more companies operate as social enterprises without registering as such.

**LEGAL ENVIRONMENT: 3.0**

The legal environment governing the CSO sector improved slightly in 2017. Minor legislative changes were adopted during the year that decreased administrative burdens on CSOs and increased the funding advances that CSOs are eligible for from public funders.

The core legislation regulating the registration and operation of CSOs, namely the Societies Act, Institutes Act, and Foundations Act, did not change in 2017. Associations register at local administrative units; private institutes register at the courts; and foundations register at the responsible ministry. For all of these entities, the procedure can be completed in less than a month at a very low cost, typically less than €100. CSOs still cannot register online.

Legislation is clear regarding state authority over CSOs. Registration can only be denied if clear grounds are met, such as if the CSO’s sole purpose is to pursue profit or criminal activity. There are clear rules in place for when the state can replace members of a foundation’s board, such as if the board does not fulfill its legal or statutory obligations. CSOs are required to submit annual reports and can be dissolved if they do not submit these reports for two consecutive years. The law protects CSOs from being dissolved for political or arbitrary reasons. CSOs can freely express criticism and engage in advocacy or debate.

Public benefit organizations have access to certain privileges. For example, they can receive free legal assistance and individuals can designate a portion of their income tax to such organizations. To receive public benefit status, a CSO must have been active for a minimum of two years and its activities must be open to all, and not just its members. Legislation regulating specific policy areas, such as culture, sports, or environment, defines additional criteria. An ongoing issue with public benefit status is that associations can receive public benefit status regardless of their programmatic focus, while other forms of CSOs can only receive it if they work on certain areas, in accordance with sector-specific legislation. Once adopted, the new Act on NGOs will correct these discriminatory conditions.

Since the adoption of changes to the Act on Fiscal Validation of Receipts in December 2017, CSOs have a choice whether to use electronic tax registers to certify cash payments or manually certify these receipts afterwards through a special app on the tax authority’s website. This is a positive development, as the purchase of a tax register, certifications, and provision of a constant Internet connection (even for outdoor events) represented a relatively significant burden on smaller CSOs.

Another positive development during the year was that the implementation of the Republic of Slovenia’s Budget for 2018 and 2019 Act increased the amount that public funders could advance from 30 percent to 70 percent of a project’s value for grants with a value of up to €20,000.

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1. In 2017, CNVOS changed the methodology it uses to count CSOs to exclude those institutes, associations, and foundations in which the state, municipality, or other public entity was a founder.
The Prevention of Money Laundering and Terrorist Financing Act, which was first implemented in 2017, on the other hand, increased the administrative burden on CSOs, as they must now enter and update information on their beneficial owners\(^2\) in a separate register, with a steep penalty (€6,000 and up) for violations.

Tax treatment of CSOs is still relatively unfavorable. The tax deduction rate for corporate donations is only 0.5 percent. Individuals can allocate 0.5 percent of their income taxes paid to public benefit organizations, trade unions, or political parties. Donations and grants received by CSOs are not taxed, while income from CSO economic activities is taxed at the corporate rate.

CSOs can compete for public procurements and engage in economic activity like other legal entities.

CSO support organizations, such as the national network CNVOS, twelve regional CSO hubs, and the Legal-Informational Center for NGOs, continue to offer free legal aid to CSOs.

**ORGANIZATIONAL CAPACITY: 3.7**

Organizational capacity did not change significantly in 2017. CSOs continue to work closely with their constituencies and respond to their needs, while also successfully recruiting volunteers and donations. These efforts are particularly successful when CSOs are responding to crises or pressing local issues.

CSOs have clearly defined missions, which are an integral part of their statutes, but many still lack detailed strategic plans. This is because most organizations still struggle to obtain sufficient funds for their day-to-day operations, making strategic planning a lower priority for them. On the other hand, the participation of CSOs in organizational development programs offered by regional CSO hubs indicates that CSOs are increasingly aware of the importance of different aspects of organizational development, including strategic planning.

According to the core CSO legislation, management structures must be defined in CSOs’ statutes. Boards of directors are usually not involved in day-to-day operations, but instead serve as governing and supervisory bodies and play a limited strategic role by either adopting or rejecting annual programs prepared by executive directors or presidents.

Although the percentage of the working population employed in the sector remains low, at just 0.82 percent (up from 0.79 percent in 2016), employment in the sector continues to grow. The latest available data from CNVOS shows that employment in the sector increased by 300, representing a growth rate of 4 percent. The number of people employed by associations, which on average have the least employees of all types of CSOs, increased by 5 percent. Environmental organizations, however, experienced notable reductions in staff during the year, due to significant decreases and delays in public funding.

A new government program that provides subsidies for employment in the CSO sector was introduced in the summer of 2017, guaranteeing €1.2 million for an estimated 130 employees. However, the terms of the subsidy were too demanding for most CSOs. The biggest issue was that the subsidy only covered a portion of the employee's total salary—on average less than half—and most CSOs found it difficult to cover the remaining portion of the salary, for employment that must last at least fifteen months.

\(^2\) European Directive (EU) 2015/849 defines beneficial owners as any natural person(s) who ultimately owns or controls the customer or the natural person(s) on whose behalf a transaction or activity is being conducted. In the implementation of this directive, Slovenian law states that in the case of institutes, associations, and other non-profits (with the exception of foundations), there is a legal fiction that the beneficial owner is the legal representative of said CSOs. CSOs are therefore required to enter the information on their legal representatives as the beneficial owners in the register.
As a result, in the first three months of the program, less than 9 percent of the potential subsidies were awarded. If the money ultimately goes unspent, this may jeopardize similar initiatives in the future, as the government may incorrectly conclude that CSOs do not need the subsidies.

According to the Ministry of Public Administration’s 2016 report on volunteering, 307,262 volunteers provided 10,605,418 hours of volunteer work in 1,307 registered voluntary organizations in 2016. Interestingly, despite a 30 percent increase in the number of registered organizations and a huge increase in the number of registered volunteers over the past year (from 96,822 in 2015 to 307,262), the number of hours volunteered actually decreased by 272,942 hours. However, it is important to note that this data does not provide a full picture of volunteering in the sector, as many CSOs that engage volunteers are not registered as voluntary organizations. According to the 2016 World Giving Index, 32 percent of respondents in Slovenia reported that they participated in voluntary action in 2016, a 2 percent drop from 2015.

CSOs are well-equipped with information and communications technologies (ICT). The majority of organizations use social media, especially Facebook and Twitter, as their primary channel of communication.

FINANCIAL VIABILITY: 4.2

The financial viability of CSOs improved in 2017. According to the most recent data collected by CNVOS, the sector’s total income increased at a rate of approximately 2.5 percent in 2016, in line with the trend for the past several years. Public funding of CSOs also increased, but by a smaller margin (1 percent), thereby indicating that other sources of funding, such as donations and economic activity, are growing in significance. However, public sources continue to be the largest source of funds for the sector, accounting for 36.16 percent of total CSO income. While CSO funding sources are gradually becoming more diversified, diversification has not yet reached a level that would ensure long-term sustainability.

In 2017, CSOs had access to an increasing amount of resources from the new European Financial Perspective (2014-2020), which initially experienced significant delays. CSOs were able to apply for funding for programs in the areas of preservation of natural and cultural heritage, sustainable tourism, environmental protection, low-carbon economy, resource efficiency, social activation, youth work, culture, services for people with special needs, and other areas. The increase in European funds was complemented by increased funds from the national budget. For example, a large multi-year grant program benefited CSOs in the area of health. On the other hand, the financial viability of environmental organizations suffered, as there were no government grants for environmental programs in 2017, possibly due to delays caused by a change in the government entity responsible for funding such programs.

The procedures utilized in public calls have also improved, gradually becoming more transparent, less administratively demanding, and more tailored to the reality of CSOs and their programs. For example, legal changes made it possible for recipients of smaller grants (up to €20,000) to receive advances of 70 percent of a project’s value, instead of just 30 percent.
In addition, many calls funded through the EU Structural Funds have started to use simplified costs (e.g., standard cost per hour), which simplifies reporting and reduces the administrative burden on CSOs receiving funding. At the local level, some positive practices have also emerged in the implementation of public calls, such as the increased use of prepayments, issuance of more multi-year grants, and introduction of simplified and more transparent public funding procedures. This was partially a result of advocacy efforts by CNVOS and regional hubs over the last few years.

There continues to be a gap in funding between advocacy organizations and CSO service providers, as there are very few public calls available for advocacy activities at the national or local levels. Because Slovenian advocacy organizations tend to be small, they usually are not eligible for EU programs.

Larger, innovative fundraising campaigns continue to be rare, although there were a few successful online fundraising campaigns during the year. For example, the Association of Friends of Youth’s Adopted Child program ran a fundraising campaign called Magical Winter, which raised donations during the holiday season for children from poor families. Ongoing fundraising by Pod črto (The Bottom Line), a non-profit media outlet focusing on investigative reporting, successfully raised donations from individuals to sustain their work.

According to the 2016 World Giving Index, only 32 percent of respondents in Slovenia reported that they donated to charities in 2016, a significant decrease compared to 41 percent in 2015. One possible explanation is that CSOs’ ability to attract support typically increases during an acute crisis, such as a natural disaster or large influx of migrants. In 2017, unlike prior years, there were no such crises. However, donations linked to specific causes do not typically contribute significantly to the long-term financial sustainability of humanitarian organizations.

After a few years of limited annual growth (4 percent on average) in tax designations, the total funds allocated through this mechanism increased by 15 percent in 2016, from €4.0 million in 2015 to €4.6 million in 2016. This growth can be partially attributed to a wide online promotional campaign implemented by the national network CNVOS. Corporate donations increased slightly, from €24.5 million in 2015 to €24.8 million in 2016.

All CSOs must follow clear accounting requirements according to the type and size of organization. All CSOs need to submit annual reports approved by their boards to the Agency of the Republic of Slovenia for Public Legal Records (AJPES), and the vast majority of organizations submit these reports in a timely manner. With the exception of associations with annual incomes of over €1 million, CSOs do not need to undergo audits. Many CSOs publish their reports on their websites.

**ADVOCACY: 3.1**

Advocacy improved slightly in 2017.

CSOs are able to implement broad-based advocacy campaigns, and several successful campaigns were organized in 2017. One notable example is the campaign by a coalition of health organizations that participated in the preparation of the new Restriction on the Use of Tobacco and Related Products Act. This coalition engaged in a number of different advocacy activities to ultimately defend strict regulation in this area. They also preserved the role of CSOs in this area by reaching an agreement with the government for future funding.

CSOs also actively participated in decision making in other areas. For example, CSOs were members of the working groups preparing the Act Regulating the Integrated Early Treatment of Preschool Children with Special Needs, which defined the rights of children with special needs and their families to health and all other necessary services, and the Foreigners Act. CSOs working in the area of human rights successfully supported Roma people in their complaints before the Constitutional Court against government decisions regarding the demolition of Roma homes.

Many organizations that work on advocacy are able to establish direct lines of communication with policy makers. Other organizations that have traditionally been more focused on service provision are also improving their advocacy work and are becoming more comfortable with the concept of lobbying. This trend is particularly true of smaller organizations.
government continues to breach rules for public consultations 59 percent of the time, either failing to organize consultations, providing deadlines that are too short, or not providing deadlines at all. CSOs doing advocacy also encounter other issues with the consultation process. For example, consultations are generally not organized until the draft law is already prepared, which limits the public's scope of influence. In addition, the lack of brief summaries of draft laws in plain language limits public understanding of the solutions proposed, the rationale for them, as well as their costs and benefits.

The process of preparing the Act on Non-Governmental Organizations (NGOs), the core legislation for the CSO sector, and the Strategy for the Development of the Non-Governmental Sector and Volunteering, continued in 2017. After a working group including many CSO legal experts and representatives prepared the first draft in 2015, the Ministry of Public Administration coordinated the draft law within the government in 2016 and 2017. Public consultations regarding the draft law took place in late 2016 and early 2017. In 2017, CSOs submitted proposals and lobbied for improvements to the draft, most notably measures for funding of CSOs, which had been removed from the draft. The draft law was still pending in parliament at the end of the year, mainly due to other legislative priorities.

On the local level, participation of CSOs in decision-making processes is slowly improving. In 2017, a working group comprised of representatives of CSOs, the Association of Municipalities and Towns in Slovenia, and the Ministry of Public Administration published Guidelines for Public Participation in Decision Making at the Local Level, and organized several joint promotional activities to encourage their use by municipalities. The regional hubs, CNVOS, and the Association also continued cooperating to promote best practices for public funding of CSO programs at the local level.

**SERVICE PROVISION: 3.3**

CSO service provision stayed approximately the same in 2017. CSOs continue to be prominent providers of public services, offering their services in a wide range of areas, including social assistance, culture, sports, emergency preparedness, fire prevention, and environmental protection.

Although the products and services CSOs offer did not expand significantly in 2017, some potential for expansion was recognized. For example, the Ministry of Health commissioned research on CSOs active in the area of health. The research was aimed at identifying recommendations to create the necessary support environment for health-care CSOs to function effectively and to prepare the strategic basis for enhanced cooperation between the Ministry of Health and CSOs, including the identification of public services to be provided by CSOs.

There was an improvement in the supply of social protection services during the year; mainly due to increased public funding. A number of public calls were published in 2017 from the national budget and European Structural Funds to fund various social services, including family centers and intergenerational centers.
Although no data is available on the overall level of public calls or funding, the Ministry of Labor, Family, Social Services, and Equal Opportunity, an important funder in the area of family and social protection, awarded approximately €2 million more to CSOs in 2017 than in the previous three years, an increase of nearly 10 percent.

CSOs developed some innovative services in 2017. Most notably, the Forum for Equitable Development (Forum FER) implemented the project Escape and Run, which was aimed at educating Slovenian youth about the reality faced by migrants. The project involved a walk simulating the path of a young refugee who traveled from Afghanistan to Slovenia over three months, crossing seven countries. The Global Education Network Europe awarded the project its Global Education Innovation Award 2017.

Most CSOs offer their services broadly, beyond their own memberships. CSO goods and services reflect the needs of communities and constituencies, who directly report their needs to CSOs. CSOs mostly assess needs by communicating with their constituencies through social media, maintaining diverse networks in their local environments, and through direct conversations with their users.

The Association of Friends of Youth’s Adopted Child program, which provides sponsorship of poor children, continues to be among the most successful service programs in the country. In 2017, it launched a new campaign called Magical Winter, which successfully raised additional funding for its programs.

CSOs market their products—including workshops, trainings, and consultations—to other CSOs, the business sector, and the public sector. While there are some examples of CSOs successfully marketing their services with full cost recovery, CSOs usually do not conduct thorough market analyses and therefore do not fully realize the potential of cost recovery.

The government actively recognizes the value of CSO service provision. CSOs are recognized as service providers in national programs and legislation in many areas, and receive public funding to help them implement these services. For example, according to the Law on Fire Service, voluntary fire brigades, which are registered as associations, are responsible for providing public fire services. The Social Assistance Act and the Mental Health Act explicitly recognize CSOs as service providers. Many services offered by CSOs, for example in the area of health, social protection, sports, and culture, are co-financed by the state.

**SECTORAL INFRASTRUCTURE: 3.3**

The infrastructure supporting the sector improved slightly in 2017.

Intermediary support organizations (ISOs), including national umbrella networks, regional NGO centers, and a variety of thematic networks, cover all regions of the country and all areas of operation. Key ISOs include CNVOS, the twelve regional hubs, the Legal Informational Center for NGOs, and Slovene Philanthropy, the Association for Promotion of Voluntary Work. ISOs are well-positioned and recognized by CSOs and national and local authorities. They offer various services, such as information, training, consultancies, and technical assistance to CSOs throughout the country, according to their needs and levels of development. There are a significant number of thematic networks of CSOs, including networks focused on the areas of culture, urban planning, environment, and voluntary work, as well as networks of pensioners’ associations, alpine associations, firefighters associations, and disability organizations. Most of the thematic networks are financed by membership fees and public funding, while CNVOS, the regional hubs, and four of the thematic networks are funded by the European Social Fund.
Local grant-making organizations are still not well-developed. Many grant-making organizations that were registered nearly a decade ago still operate, but they generally do not re-grant anymore, and there are very few new grant-making organizations.

In 2017, many coalitions continued to work together in various policy areas, including migration, social protection, and health. Such coalitions continue to show increased ability to share information and jointly promote the sector's interests. CSOs working in the area of migration also managed to engage in joint strategic planning during the year.

CNVOS and the regional NGO hubs provide a wide range of free trainings covering all important issues for CSO development, including strategic planning, human resource management, fundraising, project management, lobbying, and public relations. In 2016, with funding from the European Social Fund through the Ministry of Public Administration, ISOs started implementing new capacity development programs, and continued and expanded such programs in 2017. The focus of these programs is on comprehensive assistance to selected CSOs, so-called “CSOs with potential.” ISOs are working closely with these CSOs by both helping them analyze their true needs and potential and by creating tailor-made programs for their comprehensive organizational and/or advocacy development.

Partnerships between CSOs and other sectors are growing. More and more successful intersectoral coalitions are being formed not only at the initiative of CSOs, but also other sectors, including municipalities, companies, and ministries. For example, APPLAUSE was aimed at using invasive plants to make paper. This is a reflection of the fact that many CSOs have been able to raise their profiles and are now considered valuable partners, both as expert organizations and because of their unique connections with their constituents.

In 2017, several successful and creative cause-marketing campaigns were implemented by partnerships between companies and CSOs. For example, a partnership between a supermarket chain and the Paralympic Committee of Slovenia implemented a number of activities to promote sport programs for disabled people. Local Counts is an initiative by a burger restaurant that makes donations to local CSOs based on customers' votes. Plaktivat is an initiative by an advertising company that covers printing costs and provides advertising space for city posters for competitively selected CSO projects or campaigns.

**PUBLIC IMAGE: 3.1**

The public image of CSOs did not change significantly in 2017. Mainstream media continued to provide extensive coverage of CSOs in 2017. Publications about CSOs and their work were present in all forms of media—print, television, radio, and Internet media. Most of the coverage in 2017 was focused on the various public benefit services CSOs provide, with less coverage of advocacy or issues affecting the sector as a whole, such as funding, tax issues, and capacity of CSOs. A notable exception was the campaign to promote the percentage mechanism, under which individuals can designate .5 percent of their income tax to eligible CSOs. This campaign was very visible and resulted in increased donations for a variety of CSOs. Most of the media coverage during the year was positive and contributed to better public understanding of and support for the sector.

However, there was also some significant negative coverage of the sector in 2017 connected to a potential high-profile investment by a foreign company to build a paint factory for cars, which was projected to create at least 400 jobs. Environmental CSOs with public benefit status have the right to be a party in procedures for obtaining environmental permits, and can file a complaint if they believe that the process of granting a permit was flawed.
In this case, the Slovenian government had promised the foreign investor an unrealistic timeline that did not sufficiently account for the time necessary to grant the environmental permit, including the right of CSOs to intervene in this process. Fearing that the investor would decide not to build the factory, CSOs were the subject of significant negative media coverage, as well as negative rhetoric by politicians and the local population on social media, portraying them as troublemakers that unduly obstruct economic progress or are even paid to do so. As part of this effort, there were public protests in front of environmental CSOs’ offices. The minister and government officials also attempted to influence CSOs through meetings and other tactics.

CSOs feared that this incident would impact the perception of the entire sector, because the media regularly used the expression ‘non-governmental organizations’ in a negative way in their coverage. However, specific CSOs, such as firefighters’ organizations, small local associations, and humanitarian organizations are still positively perceived. Several months after the incident, there were no indications that the public’s perception of CSOs had changed significantly.

The paint factory case clearly demonstrated that there is still significant room for CSOs to professionalize their public and media relations activities. Environmental CSOs, for example, did not effectively respond to the concerted attack against them. ISOs are incorporating activities focused on communication strategies and public relations in their organizational development programs for CSOs.

National and local governments generally have a positive perception of CSOs. The national government cooperates with CSOs on both service provision and advocacy. Local governments rely more on CSOs for service provision and the organization of local events. There continues to be room for improvement regarding cooperation of local governments and CSOs on advocacy issues, as many authorities still often neglect to consult CSOs in decision making.

The perception of CSOs by the business sector is also mainly positive, which is exemplified by the extensive cooperation between companies and CSOs in various cause marketing projects in 2017.

There are some initiatives to increase self-regulation and transparency in the sector; but they have not yet become widely accepted. Codes of conduct are not very common in the Slovene CSO sector; although CSOs have adopted codes for some areas of work, including social assistance and organized voluntary work. There are, however, several measures prescribed by law that guarantee a certain degree of transparency. For example, all associations, which account for 90 percent of all CSOs, must publish their annual reports on AJPES’ website. Several organizations publish their reports on their own websites as well.
The political situation in Ukraine remained stable in 2017. The government introduced a reform agenda for 2017–2020, as well as an action plan identifying priority issues, including economic growth, effective governance, human capital development, rule of law, and the fight against corruption. In May, the government adopted the 2017 action plan for civil society development, which outlines legislation to be adopted to promote the sector’s development, including measures to improve CSO registration and operation, the sector’s funding, and CSOs’ involvement in decision-making processes.

While the military conflict in the Donbas region continues, the number of internally displaced people (IDPs) decreased from 1.7 million in 2016 to 1.5 million in 2017. According to the Office of the UN High Commissioner for Human Rights, there have been an estimated 6,000 to 7,000 conflict-related civilian injuries since the beginning of the conflict. Moreover, according to an OSCE report, armed insurgents in Donbas deployed weapons in residential areas, violated the ceasefire, obstructed the work of OSCE Special Monitors, and intimidated local citizens.1

Civil society remains one of the strongest actors and drivers of reform in Ukraine. CSOs are engaged in a broad spectrum of activities, ranging from assistance to IDPs and independent advocacy campaigns to participation in newly-established committees to select high-ranking public officials. In 2017, CSO sustainability improved slightly, with progress noted in both organizational capacity and sectoral infrastructure. Intermediary support organizations (ISOs) and CSO resource centers strengthened their capacities, while more CSOs provided sub-grants to smaller organizations, and CSOs increasingly joined coalitions. Some leading Ukrainian CSOs with international donor support improved their governance and internal management systems, developed strategic plans, and refined their missions. These CSOs also increasingly engage constituencies in their work. At the same time, the legal environment governing the sector deteriorated during the year. Despite the fact that the government often relies on CSO expertise in decision making, it continued to have a negative view of CSOs and CSO coordination and cooperation with public authorities decreased during the year. Meanwhile, the business community improved its perception of CSOs.

According to the Ukrainian Unified National Register of Companies and Organizations (UUNRICO), there were 80,461 public associations, 1,254 associations of citizens, 25,223 religious organizations, 27,601 trade unions, 311 creative unions, 17,726 charity organizations, and 1,552 self-organized bodies registered in Ukraine as of January 1, 2018. These numbers constitute an insignificant increase compared to those of 2016. The data does not include CSOs registered in the Autonomous Republic of Crimea, the city of Sevastopol, or the occupied territories of Donetsk and Luhansk oblasts, as there is no access to these regions.

**LEGAL ENVIRONMENT: 3.5**

The legal environment governing the CSO sector deteriorated in 2017 due to the introduction of asset declarations for anti-corruption activists. The increasingly uncertain legal environment was also demonstrated in the attempt to introduce strict financial reporting requirements on public associations during the year, as well as several instances of state harassment.

Amendments to the Law on Corruption Prevention No. 6172 adopted in March 2017 require CSO activists engaged in anti-corruption activities to publicly declare their assets. Because of the vague wording of the law, CSOs fear that this requirement could be applied to any CSO activists involved in legislative drafting or expert analysis, as the majority of legislation includes anti-corruption elements, and may lead to selective prosecution of disloyal activists. Although this law entered into force only in 2018, activists have to report on any significant changes in their income status in 2017. CSOs view this law as punishment for their advocacy for asset declarations for public officials, which were introduced in 2016.

Authorities attempted to introduce additional financial reporting requirements on public associations (Draft Laws No. 6674 and 6675) during the year. According to these proposals, public associations with annual incomes over $20,000 would have to publicly disclose information that no other legal entities are required to share, including the names of their top ten paid employees and the total amount paid as salaries; their donors and the amounts received from each donating over $3,000 during the year; and the total amounts paid to third parties, including individuals and legal entities, as well as a detailed list of the entities that received payments exceeding $3,000. This proposal remained on parliament’s agenda at the end of 2017.

CSOs and CSO activists were subject to some selective harassment in 2017, which seemed to be tied to CSOs’ work. For example, the Security Service of Ukraine accused the All-Ukrainian Network of People Living with HIV/AIDS of funding terrorism, seemingly in reaction to the organization’s involvement in the fight against corruption in the public procurement of medical treatment, and the Tax Fiscal Service accused the Anti-Corruption Action Center, which is engaged in the fight against high-level corruption, of not paying its taxes. Despite such incidents, CSOs continue to freely address matters of public debate and express criticism of the authorities. Although there is still no law on peaceful assemblies, CSOs enjoy the right to assemble and participate in public protests, although there were cases in which radical groups attacked assemblies of LGBTI individuals and feminists.

CSOs found it easier to register in 2017. Amendments to the Law on Registration of Legal Entities, Private Entrepreneurs, and CSOs, which entered into force in January 2017, improve procedures for CSO registration and for making changes to CSOs’ statutory documents. It only takes up to three days to register a CSO and one day to register a charitable organization. The registration process is free of charge. CSOs can register at the regional and national levels in Justice Departments located in twenty-five oblast centers, Administrative Services Centers, or Centers of Free Secondary Legal Aid. CSOs can also choose to obtain nonprofit status, which exempts them from the 18 percent income tax. As of July 31, 2017, 165,735 organizations had nonprofit status, including 30,550 public associations, 7,978 charitable organizations, 123 creative unions, 18,438 religious organizations, 348 unions, 660 associations, and 17,454 trade unions. While no significant problems with CSO registration were documented in 2017, there were cases in which registration was delayed or CSOs were denied nonprofit status because their charters mentioned economic activities. A new procedure introduced in 2016 created a one-stop shop mechanism through which CSOs can apply for regular registration and nonprofit status simultaneously, but was not implemented in 2017.
Amendments to the Tax Code adopted in 2016 required all CSOs with nonprofit status to adjust their charters to bring them into compliance with the Tax Code before July 1, 2017. Some CSOs experienced problems with this process, as they submitted their revised charters at the last minute and the tax authorities were not able to process them on time. Tax authorities excluded CSOs that failed to meet this deadline from the nonprofit registry without verifying whether the CSO charters comply with the new Tax Code requirements; as a result, these organizations now have to pay the 18 percent income tax, which imposes an unexpected financial burden on them. Data is not available on how many CSOs were affected by this problem.

In May, the 2017 annual action plan for implementing the National Strategy for Promoting Civil Society in Ukraine was adopted; only 45 percent of activities were implemented by the end of the year. The Coordination Council for Civil Society Development, established in November 2016 as a CSO advisory body, was inefficient during 2017, only meeting once. The Council is responsible for monitoring the implementation of the National Strategy for Promoting Civil Society and addressing other issues affecting the enabling environment for civil society. The Draft Law on National Fund for Civil Society Development was developed and was under discussion at the end of the year.

Several minor developments positively affected CSOs during the year: The requirement for CSOs wishing to receive funds from abroad to have a license from the National Bank of Ukraine in order to open a bank account was canceled. The Law on Environmental Impact Assessment was passed, which allows CSOs to monitor public authorities’ work in this area, to engage in public consultations on environmental impact assessments, and to be engaged in expert commissions on environmental impact assessments. Financial reporting requirements for CSOs, schools, and religious organizations were also simplified.

CSOs are allowed to receive funding from international donors and from the state budget in the form of grants. CSOs are also allowed to compete for government contracts and procurements at the local and central levels and to conduct economic activities. According to the Tax Code, CSOs with nonprofit status are exempt from the 18 percent income tax as long as the income received from grants, endowments, fees, or economic activity is not distributed among founders, but only used for CSO activities. Although economic activities are allowed under the Tax Code, beginning in 2017, there were cases—including in Kharkiv, Odessa, Vinnytsya, and Donetsk oblasts—in which tax authorities denied nonprofit status to CSOs whose charters referenced economic activity. For instance, oblast tax authorities confirmed that the public association Social Guarantee from Vinnytsya was denied nonprofit status because its charter listed entrepreneurial activities.

CSOs are allowed to raise funds through SMS-charity. The value of such donations is exempted from the value-added tax (VAT) of 20 percent and social security contributions (SSC) of 7.5 percent. There are no limits on the amounts of charitable support participants in the Anti-Terrorist Operation (ATO) Zone and their family members can receive from charitable organizations. Such charitable support includes the provision of special personal protection equipment, technical means of surveillance, personal care, food, and other goods and services. According to the Tax Code, individual and corporate donors can receive tax deductions up to 4 percent of the previous year’s income for donations to CSOs. However, this benefit is rarely used due to the small potential returns, the complicated procedure involved, and the potential risk of additional tax audits. In addition, according to amendments to the Tax Code made in 2017, corporate donors can claim an 8 percent tax deduction from the previous year’s income for support to sport CSOs.

CSOs in the capital and other major cities have access to high-quality legal advice from national and local CSOs. CSOs can receive consultations on relevant legislation through a hotline run by the Ukrainian Center for Independent Political Research (UCIPR). Many other CSOs, including the Helsinki Human Rights Union, GURT,
OPORA, the Reanimation Package of Reforms (RPR), and the Center of Civic Advocacy (Lviv), also provide local CSOs and activists with legal consultations in their areas of expertise. CSOs can also take advantage of online seminars and webinars, as well as regional trainings, on legal issues. In 2017, for instance, approximately 1,600 people participated in webinars focused on CSO reporting, amendments to CSO charters to comply with the Tax Code, CSO registration, and accounting.

**ORGANIZATIONAL CAPACITY: 3.2**

In 2017, CSOs at both the national and local levels improved their organizational capacities. As a result of increased donor attention to capacity building over the past few years, CSOs have improved their understanding of the importance of organizational development and have therefore defined missions, created strategic plans, and developed internal policies and procedures. They also increasingly incorporate strategic planning techniques into their decision-making processes and try to adhere more closely to their missions and strategic plans. In addition, CSOs have united into clusters and coalitions and enhanced their work with target groups and new supporters.

Institutional development of CSOs at the national and local levels was significantly supported by international donors, including USAID, UNDP, the Swedish International Development Cooperation Agency (Sida), the NGO Forum, and the International Renaissance Foundation (IRF). USAID and Sida supported the Marketplace, an online capacity-building platform that helps CSOs, initiative groups, and municipal institution find service providers. USAID, Sida, and IRF provided core financial support to CSOs, including national and regional think tanks, in order to promote their institutional development. UNDP and USAID ENGAGE continues to support the development of CSO resource centers at the local level. EU-financed programs target regional CSOs with programs that include institutional capacity building.

In addition to these programs, many CSOs invest in their own organizational development. For instance, CSOs hire paid consultants to develop their strategies, policies, and procedures, and cover the costs of training and participation in conferences abroad for their employees.

CSOs increasingly identify potential constituents and beneficiaries and actively develop relationships with them by involving them in their activities and ensuring that their activities represent their needs. CSOs also build effective channels of communication with their target groups. Despite these efforts, few people are engaged in CSO activities. According to a survey conducted by the Democratic Initiatives Foundation (DIF) in December 2017, 83 percent of respondents have never belonged to a CSO, only 2.2 percent were members of a CSO, and 6.6 percent were engaged in a CSO’s work.

A growing number of CSOs have clear missions and strategic plans, which they follow and refine according to their needs and the challenges they face. According to research by UNDP, 60 percent of CSOs have missions and 40 percent have strategic plans. CSOs also increasingly have internal management structures to guide their work, including a recognized division of responsibilities between the board, members, and executive directors.

To simplify the establishment and operation of newly-established CSOs as well as to support them in various issues like avoiding conflicts of interest, UCIPR, together with the Ministry of Justice, developed a model CSO charter. The Ministry of Justice approved the model CSO charter at the beginning of 2017 and CSOs began using it during the year:

Although official data on employment in the CSO sector is not available, CSOs are announcing more vacancies and a growing number of organizations can now afford...
permanent paid staff. CSOs receiving funding from large donors are able to hire permanent staff on a full-time basis, but many CSOs still rely on part-time staff and volunteers. According to the 2017 World Giving Index, 16 percent of respondents in Ukraine volunteered in 2016, the same as in 2015. The number of CSOs hiring professional accountants and utilizing the professional services of IT consultants, lawyers, and financial experts continues to increase.

CSOs use modernized technology (including computers, software, and printers) and have access to the Internet. CSOs are efficient in using social media, like Facebook, Telegram, and Twitter, to facilitate their communication with target groups. CSOs have begun to take the security of their data and online communications more seriously. For example, many CSOs maintain servers outside of the country, have secure emails accounts, and train staff in data security. At the same time, CSOs still experience problems with lack of data confidentiality, absence of good quality antivirus software, hacking of accounts, loss or confiscation of equipment, and wiretapping.

**FINANCIAL VIABILITY: 4.2**

CSOs’ financial viability did not change significantly in 2017. According to the most recent data available from the State Committee of Statistics, in 2016 23,237 public associations declared $258.9 million in income (compared to $242.9 million in income reported by 22,185 public associations in 2015). Total income included $10.8 million from the state budget, $8.1 million from local budgets, $25.9 million in membership fees, $146.8 million in charitable donations (which includes donations from companies, individuals, and international funding), $19.6 million from economic activities, and $47.6 million from other sources. CSOs attempt to diversify their funding sources to sustain their operations in both the short and long terms, although not all of them are able to do so.

Foreign donors continue to be an important source of funding for CSOs. Despite efforts to attract local funding, according to data collected by ISAR/Ednnania and the State Committee of Statistics, foreign funding continues to account for 30 to 40 percent of the sector's total revenue. Support from international donors, including USAID, the United Kingdom’s Department for International Development (DFID), UNDP, the EU Commission, and Germany’s GIZ, increased significantly in 2017. According to the Ministry of Economic Development, the value of officially registered international technical assistance projects implemented by CSOs almost doubled between 2016 and 2017. This support primarily targeted projects focused on citizen engagement, regional development, decentralization reform, and the fight against corruption, and many CSOs tried to focus on these areas. CSOs working in service provision, on the other hand, struggled to secure funding.

Due to economic stagnation and war, CSOs had fewer opportunities to raise money from local sources in 2017, leading to the dissolution of CSOs such as Ukraine 3000. However, many CSOs are able to raise funds successfully at the local level. For example, in 2017, the twenty-six community foundation supported by ISAR/Ednnania through a grant from the Charles Stewart Mott Foundation raised over UAH 17 million (approximately $655,000), about 70 percent of which came from local sources, including individuals, governments, businesses, and local organizations. According to the 2017 World Giving Index, 29 percent of respondents in Ukraine gave donations in 2016, compared to 26 percent in 2015.

According to the State Committee of Statistics, companies provide about 17 percent of the total income received by CSOs. Coca-Cola, for example, donated over $928,000 in Ukraine in 2016-2017 for women’s empowerment, human rights, climate protection, packaging and recycling, and water replenishment. However, businesses rarely
use the tax deductions available to them generally (only if they have their own charities), and most are therefore not motivated to donate to CSOs. Furthermore, due to economic problems, many companies have reduced their philanthropy and corporate social responsibility (CSR) programs.

CSOs can compete for grants from a few ministries, including the Ministry of Youth and Sport and the Ministry of Social Protection, as well as some oblast administrations and local self-government bodies. In 2016, the Ministry of Youth and Sport increased its budget for youth CSOs fourteen-fold, and improved the procedures and criteria for selecting projects. As a result, twenty-nine youth CSOs received UAH 7 million (approximately $270,000) to implement youth projects in 2017. Other government bodies, including the Ministry of Social Policy, still use non-competitive procedures to grant funds. The number of CSOs receiving public procurements increased in 2017, with CSOs receiving about UAH 140 million (approximately $5.4 million) though competitive public procurements during the year, a dramatic increase from the approximately UAH 60 million ($2.4 million) awarded through procurements in 2016.

CSOs’ fundraising capacities have increased. CSOs increasingly seek to raise support from their communities, including through the use of new technologies. Crowdfunding platforms like Spilnokosht and Na Starte continue to grow in popularity. In 2017, eighty-two projects successfully raised money through Spilnokosht. In September 2017, the Cabinet of Ministers issued a decree that made charitable SMS free of charge for the donor and tax-exempt for the mobile communications provider. In 2016, Ukraine’s leading mobile service providers signed the Unified Charitable Platform memorandum in which they agreed to develop a convenient platform for all involved participants in charity giving (individuals, corporate donors, charitable organizations and CSOs, and mobile service providers). The platform was still under development in 2017.

In 2017, CSOs increased the spectrum of their funding sources, including through social contracting, economic activities, and social enterprises. Membership-based organizations collect membership fees, which account for about 10 percent of the total income reported by all CSOs, according to the State Committee of Statistics. In 2017, four oblasts (Kharkiv, Kherson, Mykolaiv, and Poltava) awarded social contracts valued at about UAH 1 million to CSOs. CSOs also generate revenue by engaging in economic activities, sometimes through social enterprises registered as nonprofit organizations. For instance, Laska Charitable Shop sells donated clothes, provides laundry and gift packaging services, and makes rugs. The revenue it generates from these activities funds various projects, such as support to people with cancer, senior citizens, and orphanages.

Financial management remains the weakest aspect of CSO operations. Sound financial management requires permanent financial staff, which not all CSOs can afford. Small and medium-sized CSOs operating on small grants often attempt to save resources by not hiring financial staff.

**ADVOCACY:** 2.1

CSOs—both individually and as members of coalitions—continue to conduct broad-based advocacy campaigns aimed at shaping the public agenda, public opinion, and legislation at both the national and local levels. At the national level, the biggest focus in 2017 was on anti-corruption efforts, pension reform, judicial matters, education, health, electoral reform, and decentralization. However, CSOs faced difficulties advocating at the national level for issues related to electoral reform, repeal of e-declarations for activists, and anti-corruption reform, largely because of the absence of political will to address these topics. Meanwhile, advocacy at the local level improved as authorities became more willing to pursue reforms.

CSOs have functional lines of communication with the government. Formal lines of communication include working groups, public hearings, and participatory budgets. In 2017, the number of working groups increased and their members developed a clearer understanding of how public policy is developed. For example, CSOs involved in a working group under the Ministry of Finance developed a draft law on amendments to the Tax Code that improves tax incentives for donors, while a different working group developed a draft electoral code. Informal lines of communication are also important. While legislation provides for public access to government decision-making processes, the law is not always followed. Consultations on legislation are organized on a case-by-case basis, and CSOs’ proposals are not always

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taken into account. Moreover, public councils are inefficient and there were several scandals related to the formation of public councils in 2017. For example, there were accusations that veterans groups that were members of public councils under the Ministry of Defense and Ministry of Economic Development used their positions to receive funds from the state budget for their organizations. In 2017, the Ministry of Infrastructure dissolved its public council because of its negative assessment of the ministry’s work.

In 2017, the government continued to work with CSOs to improve participatory mechanisms. With the support of international organizations, including the Organization for Security and Cooperation in Europe (OSCE) and the European Center for Not-for-Profit Law (ECNL), CSOs developed a Draft Law on Public Consultations to regulate public participation in national and local decision-making. The draft law was registered and was pending in parliament at the end of the year.

The Reanimation Package of Reforms (RPR) is a coalition of leading CSOs, experts, and journalists, and remained one of the strongest advocacy coalitions in 2017. During the year, RPR worked in seven major areas: judicial and anti-corruption reforms, decentralization, reform of public administration and law enforcement agencies, election law reform, and key economic transformations. It engaged with lawmakers to directly influence the legislative process and managed to advocate for the adoption of some reforms and important laws, including ones related to education, health, and pension reforms.

In 2017, authorities showed less interest in CSO advocacy and many reforms and draft laws that CSOs advocated for were not passed. For example, the Draft Law on the Establishment of an Anti-Corruption Court was rejected and electoral reform was not adopted. In addition, asset declarations for anti-corruption activists were not repealed and the government attempted to introduce additional public financial reporting requirements on CSOs.

Advocacy efforts at the local level, on the other hand improved. Many initiatives focused on participatory processes, including participatory budgets, civil initiatives, public hearings, open data, tenders, and public procurement. Advocacy campaigns on these issues were particularly successful in cities where governments were formed by former civil society activists or where communities are particularly active, including Kramatorsk (Donetsk oblast) and Kryvyi Rih (Dnipropetrovsk oblast).

In 2017, CSOs continued to advocate for CSO law reform and launched initiatives to promote a favorable legal and regulatory framework for the CSO sector, including better tax incentives for donations, more transparent procedures for granting public funds to CSOs, and implementation of the National Strategy for Promoting Civil Society Development.

**SERVICE PROVISION: 3.2**

No significant changes were observed in CSO service provision in 2017. CSOs continue to provide a wide range of goods and services, including social services. CSOs also provide education, legal aid, expertise, consultations, information, and other services for youth, senior citizens, people with disabilities, those who are severely ill, people with HIV/AIDS, and others. In addition, CSOs provide services in the areas of economic development, environmental protection, governance, and empowerment. In response to the conflict in the East of Ukraine and the occupation of Crimea, CSOs continue to provide support to ATO veterans and their families, IDPs, and people living near the conflict zone. Support is mostly focused on issues such as psychological support, humanitarian services, and employment. CSOs are beginning to understand what services can be offered at what price and how to identify and engage new clients.

The goods and services provided by CSOs generally address the needs and priorities of their clients. Although still not commonplace, CSOs increasingly conduct surveys to assess their clients’ needs and engage target groups.
in joint planning and decision making. Membership associations usually provide goods and services to individuals beyond their own members, but also provide their members with special incentives, including exclusive events. CSOs offer and distribute their products, including publications, workshops, seminars, and expert analysis, to the public, the government, and other CSOs. For instance, Helsinki Human Rights Union, the All-Ukrainian Network of People Living with HIV/AIDS, Alliance, and other CSOs provide services to broad target groups. CSOs generally provide their goods and services without discrimination to race, gender, ethnicity, or sexual orientation.

Many CSOs provide services for free, but an increasing number create social enterprises, sign contracts for service provision, and participate in public procurements to earn revenue. In 2017, CSOs improved their skills in this area by participating in trainings on social contracting and entrepreneurial activities offered by the East Europe Foundation, Ukraine Social Academy, NGO Forum, and others. Many CSO services are funded by the national government. Some CSOs provide training and services for local self-government bodies with funding from these bodies. However, authorities do not always engage CSOs in public procurement and social contracting.

**SECTORAL INFRASTRUCTURE: 3.2**

The infrastructure supporting the sector improved in 2017. The number of intermediary support organizations (ISOs) and CSO resource centers increased. In 2017, twenty-five ISOs in fifteen regions of Ukraine provided CSOs with training, consultations, and other support services. UNDP funds fifteen of these—eight established in previous years, and seven created in 2017—and the USAID ENGAGE Program supports the remaining ten. These centers provide space for other CSOs to conduct activities; access information; partake in training, consultations and technical support; and use ICT.

Local authorities also support the development of CSO resource centers. For example, in 2017 local authorities in Vinnytsya provided funding to CSOs to open resource centers that provide space and services for CSOs. In addition, the NGO Forum provides support to its CSO members and the Ministry of Youth and Sport supports youth centers that provide services to youth-targeted CSOs.

ISOs and CSO resource centers manage many sub-granting programs with funds raised from international donors or local donors, such as local governments and businesses. The majority of the fifty organizations that engage in re-granting are based in the regions; only ten are national CSOs. The School for Community Foundations, managed by ISAR/Ednannia with funding from the Mott Foundation, fosters the development of community foundations in Ukraine. In 2017, fourteen community foundations raised UAH 5.7 million (approximately $220,000) in funds at the local level to provide to other CSOs as sub-grants, almost twice the amount raised during 2016.

CSOs have access to many training opportunities at the national and local levels, including online and face-to-face trainings on such topics as strategic management, accounting, financial management, fundraising, and advocacy. The training reflects the needs of CSOs.
and their staff. For instance, Prometheus provides online courses on civic education, corruption-related research, management, social management, decentralization, and other issues. In 2017, the Center for Democracy and Rule of Law, Group of Influence, Institute for War and Peace Reporting, NGO Forum, Association of LGBTI League, MERT, and other CSOs offered a significant amount of training, including face-to-face training, webinars, and online training, reaching between fifteen and 150 organizations in a single training session. The Marketplace, managed by ISAR/Ednannia with funding from USAID, provides a central source of information about 800 service providers. In 2017, ISAR/Ednannia issued vouchers for capacity building to eighty organizations. An assessment of this program found that 95 percent of CSOs assessed such support as important for better competitiveness, 76 percent increased the amount of funds raised, and 76 percent increased the number of funding sources. Ukrainian Catholic University received a license to provide a certified program for leaders and managers of CSOs in 2016 and trained forty-one people in 2017. International donors also encourage CSOs to engage consultants and trainers from businesses to improve their organizational and financial management practices.

Cooperation within the CSO sector improved in 2017. CSOs frequently form networks and coalitions to share information and implement joint projects and activities, and the number of such initiatives continues to increase. RPR is the largest coalition of leading CSOs and experts, and currently has sixty-eight CSO members. The RPR Charter, developed in 2015, sets the framework for effective cooperation among its members. RPR established fourteen regional coalitions of CSOs in 2017. The regional coalitions will use RPR’s experience to cooperate with local authorities to solve local issues and implement reforms at the local level. New coalitions are constantly being established to promote joint interests.

CSOs work in formal and informal partnerships with businesses, government bodies, and media to implement projects and achieve joint objectives. For example, CSOs participate in working groups; draft expert opinions, draft laws, and other documents; and provide training to public officials. UCIPR, for example, provided training to tax officers regarding application of the Procedures for Maintaining Nonprofit Registry and Tax Code in 2017.

PUBLIC IMAGE: 3.3

The public image of the sector did not change significantly in 2017. While media coverage of CSOs in general and anti-corruption organizations in particular has worsened, this did not have a notable impact on overall public perception of CSOs.

CSOs engaged in advocacy and service provision enjoy media coverage—on television, radio, and online—at the national and local levels. But in 2017, there was a mass negative campaign accusing CSOs—particularly those engaged in anti-corruption efforts—of serving foreign donors’ interests, avoiding taxation, and having well-paid, but inefficient staff. These publications had a negative effect on public perception of anti-corruption activists. For example, there was broad public support for the introduction of asset declarations for anti-corruption activists.

Despite the negative media coverage, public perception of CSOs in general and their reputation among the broader population remains quite high. According to a survey by the Democratic Initiatives Foundation (DIF) conducted in December 2017, CSOs have one of the highest levels of public trust of any type of institution: 44 percent of respondents stated that they trust public associations and 62 percent expressed trust in volunteer organizations. UCIPR, for example, provided training to tax officers regarding application of the Procedures for Maintaining Nonprofit Registry and Tax Code in 2017.

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the president, and 9 percent in the parliament. The level of trust did not change significantly over the past year. According to a Razumkov Center survey conducted in 2016, 63.7 percent of citizens expressed trust volunteer organizations and 46.8 percent trusted public associations.

The USAID ENGAGE Program Survey, conducted in August–September 2017, shows that CSOs, including new ones, have become more transparent and recognizable among the public. In particular, the survey found that 50 percent of Ukrainians are aware of at least one organization; only 33 percent of respondents were unable to name a single CSO. The most recognized types of CSOs in Ukraine are charity funds (39 percent) and volunteer group (38 percent), followed by private funds, independent trade unions, and interest groups. The most recognized CSOs included the Rinat Akmetov Foundation (17 percent), National Exit Poll (15 percent), Hromadske TV (17 percent), Pinchuk Fund (12 percent), Euromaidan SOS (11 percent), and FEMEN (12 percent).

At the same time, many people are not aware of CSO activities and do not understand their importance. As mentioned above, the DIF survey found that 83 percent of respondents have never belonged to a CSO, only 2.2 percent were members of a CSO, and 6.6 percent were engaged in a CSO’s work. In general, the public has a better understanding of volunteers supporting the army and IDPs, as well as CSOs supporting people with disabilities, than of CSOs working to strengthen democracy.

Companies are more willing to cooperate and create partnerships with CSOs at the local and national levels. Both central and national governments rely on CSOs as a community resource and a source of expertise and engage CSOs in service provision and analytical work, including drafting and analyzing legislation and legislative proposals. Due to the introduction of asset declarations for public officials, representatives of local and central authorities have negative attitudes towards anti-corruption CSOs, which is demonstrated in negative rhetoric used towards CSOs and activists.

A growing number of CSOs strive to raise awareness about their activities and promote their public images. More CSOs develop relationships with journalists to encourage positive coverage. They cooperate with the media to develop TV programs and shows, inform citizens about reforms, and engage the wider public in their work. CSOs effectively use social media—including Facebook, and Twitter—both to inform the public about their work and to engage people in their activities.

CSOs increasingly take steps to increase their accountability and transparency. For example, they try to introduce self-regulatory mechanisms, such as codes of ethics and conduct for the CSO sector (although these have not been adopted yet), publish annual programmatic and financial reports, develop policies and procedures, and undergo financial audits.
ANNEX A: CSO SUSTAINABILITY INDEX METHODOLOGY

INSTRUCTIONS FOR CSOSI IMPLEMENTING PARTNERS

2017 CSO SUSTAINABILITY INDEX

I. INTRODUCTION

USAID’s Civil Society Organization Sustainability Index (the Index or CSO SI) reports annually on the strength and overall viability of CSO sectors in Africa, Middle East and North Africa (MENA), Afghanistan, Pakistan, and Central and Eastern Europe and Eurasia. The CSO Sustainability Index is a tool developed by USAID to assess the strength and overall viability of CSO sectors in countries around the world. By analyzing seven dimensions that are critical to sectoral sustainability, the Index highlights both strengths and constraints in CSO development. The Index allows for comparisons both across countries and over time. Initially developed in 1997 for Central and Eastern Europe and Eurasia, the CSO SI is a valued tool and methodology used by non-governmental organizations (NGOs), governments, donors, academics and others to better understand the sustainability of the civil society sector. USAID is continually striving to ensure the cross-national comparability of the Index scores, and to improve the reliability and validity of measurements, adequate standardization of units and definitions, local ownership of the Index, transparency of the process of Index compilation, and representative composition of panels delivering the scores.

Beginning with the 2017 Index and for the following four years, FHI 360 and the International Center for Not-for-Profit Law (ICNL) are managing the coordination and editing of the CSOSI. A senior staff member from both FHI 360 and ICNL will serve on the Editorial Committee as will one or more senior USAID/Washington officials. FHI 360 will provide small grants to local CSOs to implement the CSOSI methodology in country, while ICNL will be primarily responsible for editing the reports. Local Implementing Partners (IPs) play an essential role in developing the CSO SI and need a combination of research, convening, and advocacy skills for carrying out a high quality CSOSI.

Local Implementing Partners should please remember:

- Panels must include a diverse range of civil society representatives.
- Panelists should formulate initial scores for dimensions and justifications individually and in advance of the Panel Meeting.
- Discuss each indicator and dimension at the Panel Meeting and provide justification for the proposed score for each dimension.
- Compare the score for each dimension with last year’s score to ensure that the direction of change reflects developments during the year being assessed.
- Note changes to any indicators and dimensions in the country report to justify proposed score changes.
- The Editorial Committee will request additional information if the scores are not supported by the report. If adequate information is not provided, the EC has the right to adjust the scores accordingly.

II. METHODOLOGY FOR THE IMPLEMENTER

The following steps should be followed by the IP to assemble the Expert Panel that will meet in person to discuss the status of civil society over the reporting year, determine scores, and prepare a country report for the 2017 Civil Society Organization (CSO) Sustainability Index.
1. **Select Panel Experts.** Carefully select a group of at least 8-10 civil society representatives to serve as panel experts. Panel members must include representatives of a diverse range of CSOs and other stakeholders, such as:

- CSO support centers, resource centers or intermediary support organizations (ISOs);
- CSOs, community-based organizations (CBOs), and faith-based organizations (FBOs) involved in a range of service delivery and/or advocacy activities;
- CSOs involved in local and national level government oversight/watchdog/advocacy activities;
- Academia with expertise related to civil society and CSO sustainability;
- CSO partners from government, business or media;
- Think tanks working in the area of civil society development;
- Member associations such as cooperatives, lawyers’ associations and natural resources users’ groups;
- Representatives of diverse geographic areas and population groups, e.g. minorities;
- International donors who support civil society and CSOs; and
- Other local partners.

It is important that the Panel members be able to assess a wide spectrum of CSO activities in various sectors ranging from democracy, human rights and governance reforms to the delivery of basic services to constituencies. CSOs represented on the panel must include both those whose work is heavily focused on advocacy and social service delivery. To the extent possible, panels should include representatives of both rural and urban parts of the country, as well as women’s groups, minority populations, and other marginalized groups, as well as sub-sectors such as women’s rights, community-based development, civic education, microfinance, environment, human rights, and youth. The Panel should to the extent possible include an equal representation of men and women. If two or more representatives of the same CSO participate in the Panel, they can only cast one vote. It is recommended that at least 70 percent of the Expert Panel be nationals of the country that is being rated.

In some instances, it may be appropriate to select a larger group in order to better reflect the diversity and breadth of the civil society sector in the country. For countries where regional differences are significant, implementers should incorporate, to the greatest extent possible, differing regional perspectives. If financial
constraints do not allow for in-person regional representation, alternative, low cost options, including emailing scores/ comments, teleconferencing/Skype, may be used.

**If there is a USAID Mission in the country, a USAID representative must be invited to attend the panel.** USAID representatives that attend are welcome to provide some words of introduction to open the event, as it is funded by USAID, and they are welcome to observe and participate in the discussion. However, they will not have the ability to cast their vote in terms of scores.

**Please submit to FHI 360 for approval the list of the Panel members who you plan to invite at least two weeks before the meeting is scheduled to occur using the form provided in Annex A.** It is the responsibility of the IP to ensure that the panel composition, and the resulting score and narrative, are sufficiently representative of a cross-section of civil society and include the perspectives of various types of stakeholders from different sectors and different areas of the country.

2. **Prepare the Panel meeting.** Ensure that panel members understand the objectives of the Panel, including developing a consensus-based rating for each of the seven dimensions of civil society sustainability covered by the Index and articulating a justification or explanation for each rating consistent with the methodology described below. We encourage you to hold a brief orientation session for the panelists prior to the panel discussion. This is particularly important for new panelists, but is also useful to update all panelists on methodology and process changes. Some partners choose to hold a formal training session with panel members, reviewing the methodology document and instructions. Other partners provide a more general discussion about the objectives of the exercise and process to the panelists.

The overall goal of the Index is to track and compare progress in the sector over time, increasing the ability of local entities to undertake self-assessment and analysis. To ensure a common understanding of what is being assessed, the convener shall provide a definition of civil society to the panel members. The CSOSI uses the enclosed definition to ensure the report addresses a broad swath of civil society.

In order to allow adequate time to prepare for the panel, distribute the instructions, rating description documents and a copy of the previous year’s country chapter to the members of the Expert Panel a minimum of three days before convening the Panel so that they may develop their initial scores for each dimension before meeting with the other panel members. It is critical to emphasize the importance of developing their scores and justifications before attending the panel. It is also important to remind panel members that the scores should reflect developments during the 2017 calendar year (January 1, 2017, through December 31, 2017).

We also recommend you encourage panelists to think of concrete examples that illustrate trends, since this information will be crucial to justifying their proposed scores.

Lastly, it is highly recommended to compile and send to panelists data and information sources to guide them as they score. Recommendations of information sources are listed below under #4.

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**Definition of CSO:**
Civil society organizations are defined “broadly as any organizations, whether formal or informal, that are not part of the apparatus of government, that do not distribute profits to their directors or operators, that are self-governing, and in which participation is a matter of free choice. Both member-serving and public-serving organizations are included. Embraced within this definition, therefore, are private, not-for-profit health providers, schools, advocacy groups, social service agencies, anti-poverty groups, development agencies, professional associations, community-based organizations, unions, religious bodies, recreation organizations, cultural institutions, and many more.”

We are very interested in using the preparation of this year’s Index to track lessons learned for use in improving the monitoring process in upcoming years. In addition, we will solicit feedback through regional debrief meetings in fall 2018, and will create an online forum where IPs can share best practices, ask questions, and submit their comments or suggestions. These methods will be supplemented by brief satisfaction surveys that will be used to help evaluate the success of methodological and process innovations.

3. Convene a meeting of the CSO Expert Panel.

3.a. We do not require panelists to score individual indicators but only overall dimensions. For each dimension, allow each panel member to share his or her initial score and justification with the rest of the group. (Note: If two or more representatives of the same CSO participate in the Panel, only one vote can be cast on their behalf.) Although scoring will not take place at the indicator level, please be sure that panel members discuss each indicator within each dimension of the CSOSI and provide evidence-based, country-relevant examples of recent or historical conditions, policies, and events within each of the dimension narratives. Please take notes on the discussion of each indicator and dimension, detailing the justification for all dimension scores, in the template provided in Annex B. These notes must be submitted to FHI 360 with the first draft of the narratives (they do not have to be translated to English if not originally written in English).

At the end of the discussion of each dimension, allow panel members to adjust their scores, if desired. Then, for each dimension, eliminate the highest score and the lowest score (if there are two or more of the highest or lowest scores, only eliminate one of them) and average the remaining scores together to come up with a single score for each dimension. Calculate the average or arithmetic mean of these scores for a preliminary score for the dimension. Please keep all scores on record, making sure that personal attribution cannot be made to individual panel members. Use a table similar to the one provided below to track panel members’ scores without personal attribution.

<table>
<thead>
<tr>
<th>Panel Member</th>
<th>Legal Environment</th>
<th>Organizational Capacity</th>
<th>Financial Viability</th>
<th>Advocacy</th>
<th>Service Provision</th>
<th>Sectoral Infrastructure</th>
<th>Public Image</th>
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3.b. Once a score is determined for a dimension, please have panel members compare the proposed score with last year’s score to ensure that the direction and magnitude of the change reflects developments during the year. For example, if an improved score is proposed, this should be based on concrete positive developments during the year that are noted in the report. On the other hand, if the situation worsened during the year, this should be reflected in a lower score.

A change of .1 should generally be used to reflect modest changes in a dimension. A change of .2 is considered more significant and is appropriate when several indicators within a dimension improve or decline. Larger differences may be warranted if there are more significant changes in the sector. In all of these cases, the evidence to support the scoring change must be discussed by the panel and documented in the dimension narrative.

In addition, for each dimension score, review the relevant description of that dimension in “Ratings: A Closer Look.” Discuss with the group whether the score for a country matches that rating description. For example, a score of 2.3 in organizational capacity would mean that the civil society sector is in the “Sustainability

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1 Arithmetic mean is the sum of all scores divided by the total number of scores.
Enhanced” phase. Please read the “Sustainability Enhanced” section for Organizational Capacity in “Ratings: A Closer Look” to ensure that this accurately describes the civil society environment.

If the panel does not feel that the proposed score is accurate after these two reviews, discuss as a group to determine a more accurate score that fits the description for that dimension. Ultimately, each score should reflect consensus among group members.

3.c. Discuss each of the seven dimensions of the Index and score them in a similar manner. Once all seven dimensions have been scored, average the final dimension scores together to get the overall CSO sustainability score. Please submit the table with the scores from the individual panelists together with the narrative report. Panelists should be designated numerically.

3.d. Please remind the group at this stage that reports will be reviewed by an Editorial Committee (EC) in Washington, D.C. The Editorial Committee will ensure that all scores are adequately supported and may ask for additional evidence to support a score. If adequate information is not provided, the EC may adjust the scores.

4. Prepare a draft country report. The report should focus on developments over the calendar year 2017 (January 1, 2017, through December 31, 2017).

The draft report should begin with an overview statement and a brief discussion of the current state of sustainability of the civil society sector with regard to each dimension. In the overview statement, please include an estimated number of registered and active CSOs, as well as a description of the primary fields and geographic areas in which CSOs operate. Also include a brief overview of any key political, economic, or social developments in the country that impacted the CSO sector during the year. If this information is not provided, the editor will request it in subsequent rounds, which will require additional work from you.

The report should then include sections on each dimension. Each of these sections should begin with a summary of the reasons for any score changes during the year. For example, if a better score is proposed, the basis for this improvement should be clearly stated up front. These sections should include a discussion of both accomplishments and strengths in that dimension, as well as obstacles to sustainability and weaknesses that impact the operations of a broad range of CSOs. Each indicator within each dimension should be addressed in the report.

The report should be written based on the Panel members’ discussion and input, as well as a review of other sources of information about the CSO sector including but not limited to analytical studies of the sector, statistical data, public opinion polls and other relevant third-party data. Some international sources of information and data that should be considered include the following:

- CIVICUS Monitor -- https://monitor.civicus.org/
- World Giving Index - https://www.cafonline.org/about-us/publications
- Varities of Democracy (V-Dem) - https://www.v-dem.net/en/analysis/analysis/
- Media Sustainability Index - https://www.irex.org/projects/media-sustainability-index-msi
- Nations in Transit - https://freedomhouse.org/report-types/nations-transit#Vdugbq5FOh1
- ITUC Survey of Violations of Trade Union Rights: https://survey.ituc-csi.org/
- U.S. Department of State Human Rights Report: https://www.state.gov/j/drl/rls/hsrpt/
Please limit the draft reports to a maximum of **eight pages in English**. Please keep in mind that we rely on implementers to ensure that reports are an appropriate length and are well written.

While the individual country reports for the 2017 CSO Sustainability Index must be brief, implementers may write longer reports for their own use to more fully describe the substance of the panel meetings. Longer reports may include additional country context information or examples and could be used for a variety of purposes, including advocacy initiatives, research, informing project designs, etc.

Please include a list of the experts who served on the panel using the form provided in Annex A with the report. This will be for our reference only and will not be made public. Also, please remember to provide the individual panelists' ratings for each dimension (with the names replaced by numbers).

Submit the draft country reports with rankings via email by the date indicated in your grant's Project Description.

**5. Initial edits of the country report.** Within a few weeks of receiving your draft report, FHI 360 and its partner, ICNL, will send you a revised version of your report that has been edited for grammar, style and content. As necessary, the editors will request additional information to ensure that the report is complete and/or to clarify statements in the report. Please request any clarification needed from the editor as soon as possible, then submit your revised report by the deadline indicated.

**6. Editorial Committee review.** In Washington, an Editorial Committee (EC) will review the scores and revised draft country reports. The EC consists of representatives from USAID, FHI 360, ICNL, and at least one regional expert well versed in the issues and dynamics affecting civil society in the region. A USAID representative chairs the EC. If the EC determines that the panel’s scores are not adequately supported by the country report, particularly in comparison to the previous year’s scores and the scores and reports of other countries in the region, the EC may request that the scores be adjusted, thereby ensuring comparability over time and among countries, or request that additional information be provided to support the panel’s scores. Further description of the EC is included in the following section, “The Role of the Editorial Committee.”

**7. Additional report revision.** After the EC meets, the editor will send a revised report that indicates the EC’s recommended scores, and where further supporting evidence or clarification is required. Within the draft, boxes will be added where you will note whether you accept the revised scores or where you can provide further evidence to support the original proposed score.

The report should be revised and returned to the editor within the allotted timeframe. The project editor will continue to be in contact with you to discuss any outstanding questions and clarifications regarding the scoring and the report’s content. Your organization will be responsible for responding to all outstanding comments from the EC, as communicated by the project editor, until the report is approved and accepted by USAID.

**8. Dissemination and promotion of the final reports.** After the reports are approved by USAID and final formatting is conducted, the country reports will be grouped into regional reports. Each Implementing Partner will be responsible for promoting both the final, published country report and the regional report. Your organization will conduct activities to promote the Index’s use and its visibility. This may include organizing a local public event, panel discussion, or workshop and by making the report available electronically by web posting or creating a social network page for the country report and through the other methods described in
III. THE ROLE OF THE EDITORIAL COMMITTEE

As an important step in the CSO Sustainability Index process, all country reports are reviewed and discussed by an Editorial Committee composed of regional and sector experts in Washington, DC, and an expert based in the region. This committee is chaired by a USAID Democracy Specialist and includes rotating members from USAID (past members have included experts from regional bureaus, the USAID Bureau for Democracy, Conflict and Humanitarian Assistance’s Center of Excellence on Democracy, Human Rights and Governance (DCHA/DRG), the USAID Bureau for Economic Growth, Education and the Environment’s Local Solutions Office, and USAID Democracy, Human Rights and Governance foreign service officers). The committee also includes civil society experts from FHI 360 and ICNL.

The Editorial Committee has three main roles. It reviews all reports and scores to ensure that narratives are adequate and compelling from the standpoint of supporting the proposed score and to determine if the proposed change in score is supported by the narrative. A compelling narrative demonstrates that a score results from evidence of systematic and widespread cases and is not based on one or two individual cases. For example, a country environment characterized by a growing number of CSOs with strong financial management systems that raise funds locally from diverse sources is a compelling justification for an elevated financial viability score. A country in which one or two large CSOs now have the ability to raise funds from diverse sources is not. The Editorial Committee also checks that scores for each dimension meet the criteria described in “Ratings: A Closer Look,” to ensure that scores and narratives accurately reflect the actual stage of CSO sector development. Finally, the Editorial Committee considers a country’s score in relation to the proposed scores in other countries, providing a regional perspective that ensures comparability of scores across all countries.

CSOs are encouraged to remind their panels from the outset that the Editorial Committee may ask for further clarification of scores and may modify scores, where appropriate. **While implementing partners will have the chance to dispute these modifications by providing more evidence for the scores the panel proposed, the USAID Chair of the EC will ultimately have the final say on all scores.** However, by asking panels to compare their scores with last year’s scores and “Ratings: A Closer Look” (which is essentially what the Editorial Committee does), it is hoped that there will be few differences between proposed scores and final scores. Ensuring that the narrative section for each dimension includes adequate explanations for all scores will also limit the need for the Editorial Committee to ask for further clarification.
INSTRUCTIONS FOR CSOSI EXPERT PANEL MEMBERS

I. SCOPE OF ANALYSIS

Throughout the process of developing a country report for the CSO Sustainability Index (CSOSI), please use the following definitions:

Civil Society Organization (CSO): Civil society organizations are defined “broadly as any organizations, whether formal or informal, that are not part of the apparatus of government, that do not distribute profits to their directors or operators, that are self-governing, and in which participation is a matter of free choice. Both member-serving and public-serving organizations are included. Embraced within this definition, therefore, are private, not-for-profit health providers, schools, advocacy groups, social service agencies, anti-poverty groups, development agencies, professional associations, community-based organizations, unions, religious bodies, recreation organizations, cultural institutions, and many more.”1

CSOs typically include informal non-registered groups, but to be included in the CSOSI they must possess the structure and continuity to be distinguished from a single gathering of individuals and from personal or family relationships. In many countries, government, political parties, and private companies establish and support CSOs. However, the CSOSI includes only organizations and groups that are self-governing, with a distinct legal and/or functional identity.

Legal Environment: The legal and regulatory environment governing the CSO sector and its implementation.

Organizational Capacity: The internal capacity of the CSO sector to pursue its goals.

Financial Viability: The CSO sector’s access to various sources of financial support.

Advocacy: The CSO sector’s ability to influence public opinion and public policy.

Service Provision: The CSO sector’s ability to provide goods and services.

Sectoral Infrastructure: Support services available to the CSO sector.

Public Image: Society’s perception of the CSO sector.

II. PROCESS

Use the following steps to guide you through the individual rating process. This same process will be repeated during the CSO Expert Panel meeting, where panel members will discuss their initial scores, evidence for these scores, and determine by consensus the final scores for each of the dimensions.

Step 1: Please start by reviewing last year’s report and other sources of information about sectoral developments from the last year that you are aware of. Then, rate each dimension on the following scale from 1 to 7, with a score of 1 indicating a very advanced civil society sector with a high level of sustainability, and a

score of 7 indicating a fragile, unsustainable sector with a low level of development. Fractional scores to one decimal place are encouraged.

When rating each dimension, please remember to consider each indicator carefully and make note of any specific, country-relevant examples of recent or historical conditions, policies, or events that you used as a basis for determining this score.

**Step 2:** Review your proposed score for each dimension to ensure that it makes sense in comparison to last year’s score given sectoral and country developments. In addition, review the description of that dimension in “Ratings: A Closer Look” to ensure that this accurately describes the environment. For example, a score of 2.3 in Organizational Capacity would mean that the civil society sector is in the “Sustainability Enhanced” phase. If after reviewing last year’s score and “Ratings: A Closer Look”, you determine that the score does not accurately depict the situation, please determine a more accurate score that better fits with the historical score and the description for that dimension.

<table>
<thead>
<tr>
<th>Sustainability Enhanced</th>
<th>Sustainability Evolving</th>
<th>Sustainability Impeded</th>
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<tbody>
<tr>
<td>1.0 – 2.0</td>
<td>3.1 – 4.0</td>
<td>5.1 – 6.0</td>
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<td>2.1 – 3.0</td>
<td>4.1 – 5.0</td>
<td>6.1 – 7.0</td>
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**Score Changes from Previous Year**

Because most change in the CSO sector is incremental, changes in dimension scores from the previous year should generally be within a range of 0.1 to 0.3 above or below the dimension score in the previous year. Changes in dimension scores from the previous year have the following significance:

- 0.1 Moderate change
- 0.2 Significant change
- 0.3 or greater Cataclysmic and often unexpected change

**Step 3:** Once you have scores for each dimension, average these seven scores together to arrive at an overall country rating.

**Step 4:** Attend the Expert Panel discussion. Listen to other experts describe the justification for their scores. After discussing each indicator in a dimension, you will have the opportunity to revise your proposed score to achieve a consensus score for that dimension.

*It is very important that the discussion includes specific examples and information that can be used to justify the Expert Panel scores. Therefore, please come prepared to share specific evidence of examples to support trends you have noted during the year. If adequate information is not provided, the Editorial Committee has the right to adjust the scores accordingly.*

**SCORING SCALE:**

The CSO Sustainability Index uses a seven-point scale, with 1 representing the highest and 7 the lowest level of sustainability. These levels are clustered into three general stages: Sustainability Enhanced (1 to 3), Sustainability Evolving (3.1 to 5), and Sustainability Impeded (5.1 to 7). The following broad guidelines can be used in determining scores for individual indicators and dimensions:
1 The civil society sector’s sustainability is enhanced significantly by practices/policies in this area. While the reforms or developments that are needed may not yet be achieved, the local CSO community recognizes the need for them and has a plan and the ability to pursue them itself.

2 The civil society sector’s sustainability is enhanced by practices/policies in this area. The local CSO community demonstrates a commitment to pursuing reforms and developing its professionalism in this area.

3 The civil society sector’s sustainability is somewhat enhanced by practices/policies in this area, or its commitment to developing the aspect in question is significant.

4 The civil society sector’s sustainability is minimally affected by practices/policies in this area. Progress may be hampered by a stagnant economy, a passive government, a disinterested media, or a community of good-willed but inexperienced activists.

5 The civil society sector’s sustainability is somewhat impeded by practices/policies in this area. Progress may be hampered by a contracting economy, an authoritarian leader and centralized government, a controlled or reactionary media, or a low level of capacity, will, or interest on the part of the CSO community.

6 The civil society sector’s sustainability is impeded by practices/policies in this area. A hostile environment and low capacity and public support may prevent the growth of the CSO sector.

7 The civil society sector’s sustainability is significantly impeded by practices/policies in this area, generally as a result of an authoritarian government that aggressively opposes the development of independent CSOs.

For more specific information about the meaning of ratings for individual dimensions, please refer to “Ratings: A Closer Look,” which is attached.
SCORING: DIMENSIONS AND INDICATORS

I. LEGAL ENVIRONMENT

REGISTRATION – Legal procedures to formalize the existence of a CSO

- Are there favorable laws on CSO registration?
- Do CSOs have to register in order to operate?
- In practice, are CSOs – no matter what their legal form or issues they focus on – easily able to register (i.e., are there significant barriers in terms of duration, cost, or bureaucracy)?
- Do some types of organizations have more difficulty with registration than others?

OPERATION – The enforcement of the laws and its effects on CSOs

- Do the laws clearly set out clear and limited rules for the internal governance of CSOs?
- Do the laws limit the scope of a CSO’s permissible activities, for example, by restricting certain types of advocacy or expression by CSOs?
- Are CSO reporting and other accountability obligations clearly set out in the laws and are these burdensome to CSOs?
- Do the laws provide clear limits on government oversight over CSOs?
- Are the laws and regulations implemented consistently and in accordance with their terms?

STATE HARASSMENT – Abuses committed against CSOs and their members by state institutions and groups acting on behalf of the state

- To what extent are CSOs and their representatives allowed to operate freely under the law?
- Are CSOs protected from the possibility of the State dissolving a CSO for political/arbitrary reasons?
- Are CSOs free from harassment by the central government, local governments, and tax police?
- To what extent do CSOs have legal recourse to contest government decisions (e.g., cancellation of a CSO’s registration, suspension of an activity, or refusal to authorize a grant) in court?
- Can CSOs freely address matters of public debate and express criticism?
- Do CSOs have the right to assemble and participate in public protests?

TAXATION – Tax policies that affect CSOs

- Do CSOs receive any sort of tax exemptions or deductions on income from grants, endowments, fees, or economic activity?
- Do individual or corporate donors receive tax deductions?

ACCESS TO RESOURCES – Legal opportunities for CSOs to mobilize financial resources

- Are CSOs allowed legally to earn income from the provision of goods and services by charging fees, establishing social enterprises, or other means?
- Is a broad cross-section of CSOs allowed legally to compete for government contracts/procurements at the local and central levels?
- Are CSOs allowed to engage in fundraising campaigns?
- Are CSOs allowed to accept funds from foreign donors?
LOCAL LEGAL CAPACITY – Availability and quality of legal expertise for CSOs

- Are there local lawyers who are trained in and familiar with CSO-related laws?
- Is high-quality legal advice available to CSOs in the capital city and in secondary cities?

II. ORGANIZATIONAL CAPACITY ______

CONSTITUENCY BUILDING – Relationships with individuals or groups affected by or interested in issues on which CSOs work

- To what extent do CSOs clearly identify potential constituents and beneficiaries and actively seek to develop relationships with them, for example by involving them in their activities or ensuring that their activities represent constituents’ needs and interests?
- How successful are CSOs in these endeavors?

STRATEGIC PLANNING – Organizational goals and priorities for a set timeframe.

- Do CSOs have clearly defined missions?
- Do CSOs have clearly defined strategic plans and incorporate strategic planning techniques in their decision-making processes?
- To what extent do CSOs follow their missions and strategic plans?
- To what extent do CSOs have metrics for measuring the success of their work?

INTERNAL MANAGEMENT STRUCTURE – Structures and processes to guide the work of CSOs

- Do CSOs have clearly defined management structures, including a recognized division of responsibilities between the Board of Directors and staff members?
- To what extent do Boards actively engage in the governance of CSOs?
- To what extent do CSOs operate in an open and transparent manner, including allowing contributors and supporters to verify appropriate use of funds?
- Do CSOs have written policies or procedures to guide organizational operations?
- Do CSOs take appropriate steps to avoid conflicts of interest?

CSO STAFFING – Quality and management of human resources

- To what extent are CSOs able to maintain permanent, paid staff?
- To what extent do CSOs develop the skills/competencies of their employees, including leadership skills as part of succession planning?
- To what extent do CSOs have adequate human resources practices for staff, including contracts, job descriptions, payroll and personnel policies?
- Do CSOs recruit and engage volunteers sufficiently?
- Do CSOs utilize professional services such as accountants, IT managers or lawyers?

TECHNICAL ADVANCEMENT – Access to and use of technology

- Do CSOs' resources generally allow for modernized basic office equipment (relatively new computers and software, printers, cell phones, etc.)?
- To what extent are CSOs able to access the Internet?
• Are CSOs effective in using modern technology and information communication technologies (ICT), including social media tools like Facebook, WhatsApp, LinkedIn, and Snapchat, to facilitate their operations?

III. **Financial Viability**

**Diversification – Access to multiple sources of funding**

• Do CSOs typically have multiple and diverse sources of funding to sustain their operations in both the short and long term?

**Local Support – Domestic sources of funding and resources**

• To what extent do CSOs raise their funding from local sources, including individuals, governments, businesses, and local foundations?
• Are CSOs able to draw upon a core of volunteer and non-monetary support from their communities and constituencies?
• To what extent do CSOs benefit from corporate philanthropy/corporate social responsibility (CSR) programs?
• Do governments (central and/or local) provide grants to CSOs in an open and transparent manner?

**Foreign Support -- Foreign sources of funding and resources**

• To what extent does the CSO sector rely on foreign funding?
• Have shifts in funding levels or priorities of foreign donors affected CSOs?
• How diversified is the support CSOs receive from foreign donors, both in terms of number and types (e.g. private, government)?

**Fundraising – CSOs’ capacity to raise funds**

• Do CSOs actively seek to raise support from their communities and constituencies?
• Do CSOs engage in any sort of membership outreach, resource mobilization activities (sporting events, cultural festival, diaspora outreach, etc.) or philanthropy development programs?
• Do CSOs use new information communication technologies (ICT) to raise funds?
• Do membership-based organizations collect dues?

**Earned Income – Revenue generated from the sale of products and services**

• To what extent do CSOs earn revenues from services, products, or rent from assets?
• To what extent do CSOs establish social enterprises?
• Do government bodies or local businesses contract with CSOs for services?

**Financial Management Systems – Processes, procedures and tools to manage financial resources and operations**

• Do CSOs typically have sound financial management systems in place?
• To what extent do CSOs have access to professional financial management services?
• Do CSOs typically operate in a transparent manner, including the use of independent financial audits and the publication of annual reports with financial statements?
IV. ADVOCACY ______

COOPERATION WITH LOCAL AND CENTRAL GOVERNMENT – Access to government decision-making processes

- Are there direct lines of communication or other avenues for collaborations between CSOs and policy makers at the central and local levels?
- Are these avenues informal and ad hoc or institutionalized into government decision-making processes?
- Do government policies or laws require public access to government decision-making processes, including requirements to have working groups, public hearings, etc.?

POLICY ADVOCACY INITIATIVES – Initiatives to shape the public agenda, public opinion, or legislation

- Do CSOs—either individually or in issue-based coalitions—conduct broad-based advocacy campaigns aimed at shaping the public agenda, public opinion, or legislation?
- To what extent have these campaigns been effective, at either the local or national level?
- How do CSOs select policy advocacy initiatives and to what extent are other local CSOs and communities consulted in this process?

LOBBYING EFFORTS – Engagement with lawmakers to directly influence the legislative process

- Are CSOs comfortable with the concept of lobbying?
- Have there been any lobbying successes at the local or national level that led to the enactment or amendment of legislation?

ADVOCACY FOR CSO LAW REFORM – Initiatives to promote a more favorable legal and regulatory framework for the CSO sector

- Is there awareness in the wider CSO community of how a favorable legal and regulatory framework can enhance CSO effectiveness and sustainability?
- Have CSOs made efforts to promote legal reforms that will benefit CSOs, local philanthropy, etc.?

V. SERVICE PROVISION ______

RANGE OF GOODS AND SERVICES – Variety of goods and services offered

- Do CSOs provide services in a variety of fields, including basic social services (such as health, education, relief, housing, water or energy) and other areas (such as economic development, environmental protection, or governance and empowerment)?
- Overall, is the sector’s “product line” or services diversified?

RESPONSIVENESS TO THE COMMUNITY – Extent to which goods and services address local needs

- Do the goods and services that CSOs provide reflect the needs and priorities of their constituents and communities?
- How do CSOs determine these needs?
- Do CSOs collect data to demonstrate their contributions to local needs?

**CONSTITUENCIES AND CLIENTELE – People, organizations and communities who utilize or benefit from CSOs’ services and goods**
- Do membership associations provide goods and services to individuals beyond their own members?
- Do CSOs offer, distribute, or market some products, such as publications, workshops or expert analysis, to other CSOs, academia, businesses, religious institutions, or government?
- Do CSOs generally provide their goods and services without discrimination with regards to race, gender, ethnicity, sexual orientation, etc.?

**COST RECOVERY – Capacity to generate revenue through service provision**
- Do CSOs recover any of the costs of service provision by charging fees, creating social enterprises, signing contracts, etc.?
- To what extent do CSOs have knowledge of the market demand -- and the ability of distinct constituencies to pay -- for those products?

**GOVERNMENT RECOGNITION AND SUPPORT— Government appreciation for CSO service provision**
- To what extent does the government, at the national and local level, recognize the value that CSOs can add in the provision and monitoring of basic social services through its public statements or policies and practices?

**VI. SECTORAL INFRASTRUCTURE _____**

**INTERMEDIARY SUPPORT ORGANIZATIONS (ISOS) AND CSO RESOURCE CENTERS – Organizations and programs that provide CSOs with training and other support services**
- Are there ISOs (organizations that provide access to training and technical support) that serve CSOs in the country?
- Are there CSO resource centers (places where CSOs can access information and communications technology), or other means for CSOs to access relevant information, technology, training and technical assistance throughout the country?
- To what extent do ISOs and CSO resource centers meet the needs of local CSOs?
- Do ISOs and resource centers earn some of their operating revenue from earned income (such as fees for service) and other locally generated sources?

**LOCAL GRANT MAKING ORGANIZATIONS – Local institutions, organizations or programs providing financial resources to CSOs**
- Do local community foundations or ISOs provide grants, from either locally raised funds or by re-granting international donor funds, to address locally identified needs and projects?

**CSO COALITIONS – Cooperation within the CSO sector**
- To what extent do CSOs share information with each other or work together towards common aims?
- Are there networks or coalitions in place that facilitate such cooperation?
- Is there an organization or committee through which the sector promotes its interests?
**TRAINING – Training opportunities available to CSOs**

- Are there capable local CSO management trainers?
- Is basic CSO management training available in the capital city and secondary cities?
- Is more advanced specialized training available in areas such as strategic management, accounting, financial management, fundraising, volunteer management, constituency building, advocacy, and board development?
- Do trainings meet the needs of local CSOs?
- Are training materials available in local languages?

**INTERSECTORAL PARTNERSHIPS – Collaboration between CSOs and other sectors**

- Are there examples of CSOs working in partnership, either formally or informally, with the private sector, government, and the media to achieve common objectives?
- Is there awareness among the various sectors of the possibilities for and advantages of such partnerships?

**VII. PUBLIC IMAGE _____**

**MEDIA COVERAGE – Presence of CSOs and their activities in the media (print, television, radio and online)**

- Do CSOs—both those engaged in advocacy and service provision—enjoy media coverage at the local and national levels, in both government-controlled and private media, and in traditional (print, radio, TV) and online media?
- To what extent is this coverage positive?
- Do the media make a distinction between public service announcements and corporate advertising?
- Do the media provide positive analysis of the role CSOs play in civil society?

**PUBLIC PERCEPTION OF CSOs – Reputation among the larger population**

- Does the public have a positive perception of CSOs—both those engaged in advocacy and service provision?
- Does the public understand the concept of a CSO?
- Is the public supportive of CSO activity overall?
- How relevant is the mission of CSOs to community members?

**GOVERNMENT/BUSINESS PERCEPTION OF CSOS – Reputation with the government and business sector**

- Do the business sector and local and central government officials have a positive perception of CSOs—both those engaged in advocacy and service provision?
- Do they rely on CSOs as a community resource, or as a source of expertise and credible information?

**PUBLIC RELATIONS – Efforts to promote organizational image and activities**

- To what extent do CSOs raise awareness about their activities or promote their public image?
- To what extent do CSOs develop relationships with journalists to encourage positive coverage?
- Do CSOs effectively use social media for public outreach?
**SELF-REGULATION – Actions taken to increase accountability and transparency**

- Have CSOs adopted a code of ethics or tried to demonstrate transparency in their operations?
- Do leading CSOs publish annual reports?

**RATINGS: A CLOSER LOOK**

The following sections go into greater depth about the characteristics in each of the seven dimensions of the sector’s development. These characteristics and stages are drawn from empirical observations of the sector’s development in the region, rather than a causal theory of development. Given the decentralized nature of civil society sectors, many contradictory developments may be taking place simultaneously. Therefore the characteristics of the seven dimensions are not considered as seven distinct steps of development. Instead, these characteristics are clustered into three basic stages: Sustainability Enhanced, Sustainability Evolving, and Sustainability Impeded. The Sustainability Enhanced stage, the highest level of sustainability and development, corresponds to a score between 1 and 3 points; the Sustainability Evolving stage corresponds to a score between 3.1 and 5 points; and the lowest level of development, the Sustainability Impeded stage, corresponds to a score of 5.1 to 7 points on the scale.

**LEGAL ENVIRONMENT**

**Sustainability Enhanced (1-3):** The legislative and regulatory framework makes special provisions for the needs of CSOs, regardless of their affiliation or nature of activities, or gives not-for-profit organizations special advantages such as: significant tax deductions for business or individual contributions, significant tax exemptions for CSOs, open competition among CSOs to provide government-funded services, etc. Legal reform efforts at this point are primarily a local CSO advocacy effort to reform or fine-tune taxation laws, procurement processes, etc. Local and comparative expertise on the CSO legal framework exists, and legal services and materials are available.

**Sustainability Evolving (3.1-5):** CSOs, regardless of their affiliation or nature of activities, have little trouble registering and do not suffer from state harassment. They are permitted to engage in a broad range of activities, although taxation provisions, procurement procedures, etc. may inhibit CSO operations and development. Programs seek to reform or clarify existing CSO legislation, to allow CSOs to engage in revenue raising and commercial activities, to allow national or local governments to privatize the provision of selected government services, to address basic tax and fiscal issues for CSOs, etc. The local CSO community understands the need to coalesce and advocate for legal reforms benefiting the CSO sector as a whole. A core of local lawyers begins to specialize in CSO law by providing legal services to local CSOs, advising the CSO community on needed legal reforms, crafting draft legislation, etc.

**Sustainability Impeded (5.1-7):** The legal environment severely restricts the ability of CSOs, or certain types of CSOs, to register and/or operate, either through the absence of legal provisions, the confusing or restrictive nature of legal provisions (and/or their implementation), or government hostility towards and harassment of CSOs.

**ORGANIZATIONAL CAPACITY**

**Sustainability Enhanced (1-3):** Several transparently governed and capably managed CSOs exist across a variety of sectors. A majority of organizations have clearly defined mission statements, and many CSOs utilize strategic planning techniques. Boards of directors exist, and there is a clear distinction between the responsibilities of board members and staff. CSOs have permanent well-trained staff, and volunteers are

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1 The ‘Sustainability Evolving’ categorization does not assume a direct or forward trajectory. Dimension and Overall Sustainability scores that fall within this category may represent both improvements and regressions.
widely utilized. Most CSOs have relatively modern equipment that allows them to do their work efficiently. Leading CSOs have successfully developed strong local constituencies.

**Sustainability Evolving (3.1-5):** Individual CSOs demonstrate enhanced capacity to govern themselves and organize their work. Some individual CSOs maintain full-time staff members and boast an orderly division of labor between board members and staff. CSOs have access to basic office equipment, including computers and fax machines. While these efforts may not have reached fruition yet, leading CSOs understand the need and are making an effort to develop local constituencies.

**Sustainability Impeded (5.1-7):** CSOs are essentially "one-man shows," completely dependent upon the personality of one or two major figures. They often split apart due to personality clashes. CSOs lack a clearly defined sense of mission. At this stage, CSOs reflect little or no understanding of strategic planning or program formulation. Organizations rarely have a board of directors, by-laws, staff, or more than a handful of active members. CSOs have no understanding of the value or need of developing local constituencies for their work.

**FINANCIAL VIABILITY**

**Sustainability Enhanced (1-3):** A critical mass of CSOs have sound financial management systems in place, including independent audits and the publication of annual reports with financial statements, to win potential donors' confidence. CSOs raise a significant percentage of their funding from local sources, including government, corporate and individual philanthropy, and earned income. Most CSOs have multiple sources of funding, which allow them to remain viable in the short term. A growing economy makes growth in domestic giving possible.

**Sustainability Evolving (3.1-5):** CSOs pioneer different approaches to financial independence and viability. While still largely dependent on foreign donors, individual CSOs experiment with raising revenues through providing services, winning contracts and grants from municipalities and ministries to provide services, or attempting to attract dues-paying members or domestic donors. However, a depressed local economy may hamper efforts to raise funds from local sources. Training programs address financial management issues and CSOs begin to understand the importance of transparency and accountability from a fundraising perspective, although they may be unable to fully implement transparency measures.

**Sustainability Impeded (5.1-7):** New CSOs survive from grant to grant and/or depend financially on one foreign sponsor. While many CSOs are created in the hopes of receiving funding, most are largely inactive after attempts to win foreign donor funding fail. Local sources of funding are virtually nonexistent, in part due to a depressed local economy. CSOs have no financial management systems and do not understand the need for financial transparency or accountability. Government restricts access to resources – foreign or domestic -- through legislative and other restrictions.

**ADVOCACY**

**Sustainability Enhanced (1-3):** The CSO sector demonstrates the ability and capacity to respond to changing needs, issues and interests of the community and country. As CSOs secure their institutional and political base, they begin to 1) form coalitions to pursue issues of common interest, including CSO legislation; 2) monitor and lobby political parties; and 3) monitor and lobby legislatures and executive bodies. CSOs demonstrate the ability to mobilize citizens and other organizations to respond to changing needs, issues, and interests. CSOs at this stage of development will review their strategies, and possess an ability to adapt and respond to challenges by sector. A prime motivator for cooperation is self-interest: CSOs may form alliances around shared issues confronting them as nonprofit, nongovernmental organizations. Formal mechanisms exist and
are utilized to allow a range of CSOs to participate in the various levels of government decision-making processes.

**Sustainability Evolving (3.1-5):** Narrowly defined advocacy organizations emerge and become politically active in response to specific issues. Organizations at the evolving level of development may often present their concerns to inappropriate levels of government (local instead of national and vice versa). Weakness of the legislative branch might be revealed or incorrectly assumed, as activists choose to meet with executive branch officials instead (“where the power truly lies”). Beginnings of alternative policy analysis are found at universities and think tanks. Information sharing and networking within the CSO sector to inform and advocate its needs within the government begins to develop. Formal mechanisms to allow for CSOs to participate in various levels of government decision-making processes may exist, however they are not effective or routinely used in practice.

**Sustainability Impeded (5.1-7):** Broad umbrella movements, composed of activists concerned with a variety of sectors, and united in their opposition to the Government fall apart or disappear. Some countries at this stage have not even experienced any initial burst of activism. Economic concerns are predominant for most citizens. Passivity, cynicism, or fear exist within the general public. CSO activists are afraid to engage in dialogue with the government, feel inadequate to offer their views and/or do not believe the government will listen to their recommendations. CSOs do not understand the role that they can play in public policy or do not understand the concept of public policy.

**SERVICE PROVISION**

**Sustainability Enhanced (1-3):** Many CSOs provide a wide range of goods and services, which reflect community and/or local donor priorities. Many CSOs deliver products beyond basic social services in such sectors as economic development, environmental protection or democratic governance. CSOs in several sectors have developed a sufficiently strong knowledge of the market demand for their services, the ability of government to contract for the delivery of such services or other sources of funding including private donations, grants and fees, where allowed by law. A number of CSOs find it possible to cross-subsidize those goods and services for which full cost recovery is not viable with income earned from more lucrative goods and services, or with funds raised from other sources. Government bodies, primarily at the local level, recognize the abilities of CSOs and provide grants or contracts to enable them to provide various services.

**Sustainability Evolving (3.1-5):** The contribution of CSOs to covering the gap in social services is recognized by government, although this is only rarely accompanied by funding in the form of grants or contracts. CSOs recognize the need to charge fees for services and other products—such as publications and workshops—but even where legally allowed, such fees seldom cover their costs. While CSO-provided goods and services respond to community needs, needs are generally identified by foreign donors, or by CSOs in an unsystematic manner. The constituency for CSO expertise, reports and documents begins to expand beyond their own members and the poor to include other CSOs, academia, churches, and government.

**Sustainability Impeded (5.1-7):** A limited number of CSOs are capable of providing basic social services—such as health, education, relief, or housing—although at a low level of sophistication. Those that do provide such services receive few if any government subsidies or contracts. CSOs that produce publications, technical services or research do so only for their own members or donors. There are rarely attempts to charge fees for goods and services.
SECTORAL INFRASTRUCTURE

Sustainability Enhanced (1-3): CSO intermediary support organizations (ISOs) and/or CSO resource centers are active in all areas of the country and provide advanced training, informational services, legal support and advice, and philanthropic development activities. Efforts are underway to establish and endow community foundations, indigenous grant-making institutions, and/or organizations to coordinate local fundraising. A professional cadre of local experts, consultants and trainers in nonprofit management exists. CSOs recognize the value of training, although the lack of financial resources may remain a constraint to accessing locally provided training. Topics of available training cover: legal and tax issues for CSOs, accounting and bookkeeping, communication skills, volunteer management, media and public relations skills, sponsorship and fundraising. CSOs work together and share information through networks and coalitions. CSOs are beginning to develop intersectoral partnerships with business, government, and the media to achieve common objectives.

Sustainability Evolving (3.1-5): ISOs and resource centers are active in major population centers, and provide services such as distributing grants, publishing newsletters, maintaining a membership database, running a library of CSO literature, and providing basic training and consulting services. Other umbrella organizations and networks are beginning to be formed to facilitate networking and coordinate activities of groups of CSOs. Local trainers have the capacity to provide basic organizational training. Donors' fora are formed to coordinate the financial support of international donors, and to develop local corporate philanthropic activities. The value of intersectoral partnerships has not yet been realized.

Sustainability Impeded (5.1-7): There are few, if any, active ISOs or resource centers, networks and umbrella organizations. Those that do operate work primarily in the capital city and provide limited services such as access to computer equipment, faxes, e-mail and meeting space. Local training and CSO development capacity is extremely limited and undeveloped. Primarily programs of international donors provide training and technical assistance. There is no coordinated effort to develop philanthropic traditions, improve fundraising or establish community foundations. CSO efforts to work together are limited by a perception of competition for foreign donor support and mistrust of other organizations.

PUBLIC IMAGE

Sustainability Enhanced (1-3): This stage is characterized by growing public knowledge of and trust in CSOs, and increased rates of volunteerism. CSOs coalesce to mount campaigns to increase public trust. Widespread examples of good working relationships between CSOs and national and local governments exist, and can result in public-private initiatives or CSO advisory committees for city councils and ministries. Media covers the work of CSOs, and CSOs approach media and public relations in a professional manner. Increased accountability, transparency, and self-regulation exist within the CSO sector, including existence of a generally accepted code of ethics or a code of conduct.

Sustainability Evolving (3.1-5): The media does not tend to cover CSOs because it considers them weak and ineffective, or irrelevant. Individual CSOs realize the need to educate the public, to become more transparent, and to seek out opportunities for media coverage, but do not have the skills to do so. As a result, the general population has little understanding of the role of CSOs in society. Individual local governments demonstrate strong working relationships with their local CSOs, as evidenced by their participation in advisory committees, consultations, public-private initiatives, and the funding of an occasional grant, but this is not yet widespread.

Sustainability Impeded (5.1-7): The public and/or government are uninformed or suspicious of CSOs as institutions. Most of the population does not understand the concept of "nongovernmental," "nonprofit" or "civil society," including government officials, business leaders and journalists. Media coverage may be hostile, due to suspicion of a free but uninformed media, or due to the hostility of an authoritarian government-controlled media. Charges of treason may be issued against CSOs. Due to a hostile atmosphere caused by an authoritarian government, if individuals or businesses donate to CSOs at all, they do so anonymously.
### ANNEX B: STATISTICAL DATA

#### 2017 CENTRAL AND EASTERN EUROPE AND EURASIA

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<th>Country</th>
<th>CSO Sustainability</th>
<th>Legal Environment</th>
<th>Organizational Capacity</th>
<th>Financial Viability</th>
<th>Advocacy</th>
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## COUNTRIES RANKED BY SCORE

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