2018 CIVIL SOCIETY ORGANIZATION SUSTAINABILITY INDEX

CENTRAL AND EASTERN EUROPE AND EURASIA

22nd EDITION – SEPTEMBER 2019
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FOR CENTRAL AND EASTERN EUROPE AND EURASIA
22nd EDITION - SEPTEMBER 2019

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:
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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: Empowering Kosovo Youth through Critical Thinking Workshop titled "Point of View." This critical thinking and writing workshop gathered around fifty young men and women from both urban and rural areas in Kosovo in order to bring attention to youth concerns and promote youth engagement in the public sphere. This specific activity focused on the identification of youth needs and priorities.

Photo Credit: USAID/Kosovo
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The Great Polarization

The trend of democratic backsliding and the conflicts it has caused between government authorities and civil society has been noted in these reports for several years now. In recent years, we increasingly have seen society itself being divided along hard lines, with individuals and organizations who once would have classified themselves as competitors or political rivals in the context of a pluralistic system now viewing their opponents as mortal enemies.

We see this “great polarization” occurring rapidly in several countries featured in this edition of the CSO Sustainability Index, including Hungary, Poland, and Romania, to name a few. These societies are becoming increasingly fragmented into two enemy camps with very little common ground between them, and virtually no room for dialogue or compromise.

These processes of political polarization are increasingly being mirrored in new cracks, divisions, and friction within the civil society community itself, as highlighted in the Executive Summary that follows. In some countries, civil society as a whole has fractured along political lines. This breakdown of political pluralism cannot but worry those of us concerned not only with the survival of democracy but also the preservation of liberal values, including dialogue and compromise.

Civil society is naturally a community divided by different groups’ interests, by varied worldviews, and different conceptions on how to best organize society. However, despite their political and social differences, CSOs must unite for the common good of their countries, including by respecting those whose conception of that common good differs from their own. As the great Russian author Aleksandr Solzhenitsyn said, “the line between good and evil does not separate neighbor from neighbor, or country from country, but goes straight through a human heart!”

Michael Kott
Director, Civil Society and Peacebuilding
FHI 360
INTRODUCTION

The United States Agency for International Development (USAID) is pleased to present the twenty-second edition of the CSO Sustainability Index (CSOSI) for Central and Eastern Europe and Eurasia, covering developments in 2018.

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 ranges from 1 (the most enhanced level of sustainability) to 7 (the most impeded). 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.

In order to better ensure scoring consistency across countries, several dimension-level scores in this year’s Index were recalibrated to better reflect the situation on the ground, as opposed to being based on change from the previous year. These scores are marked in the individual reports. Further details about the methodology used to calculate scores and produce narrative reports, and to recalibrate scores, 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 sectors 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. In addition, the first report for Mexico is being published this year. These various editions of the CSO Sustainability Index bring the total number of countries surveyed in 2018 to seventy-two.

To further explore CSOSI’s historical data and past reports, please visit - www.csosi.org.
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.

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EXECUTIVE SUMMARY

The 2018 CSO Sustainability Index for Central and Eastern Europe and Eurasia reports on advances and setbacks in seven key dimensions affecting the sustainability of the CSO sectors in twenty-four countries.

The countries covered by this edition of the Index continue to vary widely in terms of their overall levels of CSO 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. Although CSO sustainability in both of these countries improved slightly in 2018, 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 gap between these two ends of the spectrum seems to be shrinking. While CSO sustainability in countries such as Poland and Slovakia, which are at the higher end of sustainability, deteriorated in 2018, sustainability in Azerbaijan and Belarus improved.

DRAMATIC POLITICAL DEVELOPMENTS

As always, political developments in a country have a significant impact on CSOs. In 2018, Armenia experienced the most dramatic political transformation in the region, dubbed a Velvet Revolution. After his final term as president ended, Serzh Sargsyan was named prime minister, a post that became more powerful than the position of president with a 2015 amendment to the constitution. Mass protests were organized to oppose the apparent power grab. In response to the protests, which included decentralized strikes and blockades of major highways, Sargsyan announced his resignation on April 23. Opposition leader Nikol Pashinyan was elected prime minister and formed a new government. Snap parliamentary elections were organized in December, in which opposition parties scored a decisive victory over the old regime, effectively ending the rule of the Republican Party of Armenia (RPA), which had held power for nearly twenty years. Civil society played essential roles during these dramatic developments, including mobilizing significant constituencies in support of the protests and pushing anti-corruption and human rights agendas and preparing for and monitoring the election process after Sargsyan's resignation.

Mass protests in Slovakia also led to political change during the year. After an investigative reporter and his fiancée were killed in their apartment in February, mass demonstrations were organized around the country to demand a thorough, independent investigation of the murders, which were allegedly linked to the journalist's investigative work into ties between Slovak businessmen and politicians and the mafia. The resulting political crisis culminated with shuffles in ministerial posts and the resignation of the prime minister. However, the country's governing coalition remained in place, and analysts believe that as the chairman of the ruling party, the former prime minister will continue to rule from behind the scenes. CSOs' role in organizing the demonstrations was reflected in an improved advocacy score, but also caused them to be subject to an intensive smear campaign, leading to a deterioration in the sector's public image, as well as overall sustainability.

Notable elections were held in Georgia, Latvia, and Bosnia and Herzegovina (BiH) in 2018. Georgia elected its first female president in November; according to controversial constitutional amendments adopted in 2017, she will also be Georgia's last directly elected president. Parliamentary elections were held in Latvia in October; the election results—in which newly formed parties won a substantial number of seats—seem to indicate that citizens are tired of “old politics” in which elected officials do not listen to the electorate. General elections were held in BiH in October, although an ongoing dispute about the electoral law left the country unable to legally form a government. There is no clarity on when this political stalemate may be resolved.
Elections were held in other countries with less dramatic results, including presidential elections in the Czech Republic; general elections in Hungary; local and presidential elections in Montenegro; local elections in Poland and Slovakia; and local and parliamentary elections in Slovenia. CSOs in these countries educated voters, advocated for their platforms with the candidates, and monitored the elections. In addition, civic activists ran for office and won in many countries. In Russia and Azerbaijan, presidential elections reaffirmed the positions held by their strong incumbent presidents; both elections generally failed to meet democratic norms.

POLARIZED CIVIL SOCIETY

While the CSO Sustainability Index measures the sustainability of CSO sectors as a whole, civil society is never monolithic. In many countries covered by this edition of the Index, civil sectors are highly polarized, often mirroring deep divisions in society. This polarization manifests in several ways. Most commonly, different CSOs have conflicting opinions, including on highly charged issues. In more extreme cases, governments purposely divide the sector by implementing laws selectively, limiting certain organizations’ access to public funding, providing variable access to decision-making processes, and vilifying CSOs with which they disagree. All of these trends were apparent in this edition of the CSO Sustainability Index.

The situation is perhaps the most stark in Russia, where the report notes that in essence, two civil societies exist: one consisting of the numerous charitable, sports, youth, cultural, educational, and other organizations that provide social services, and another that comprises human rights, environmental, and other organizations that actively advocate for public interests and are often critical of the authorities. The state has very different attitudes and approaches to these two types of CSOs, providing ample funding, a relatively enabling environment, and positive media coverage for the former, while the latter are vilified, subjected to legal restrictions and state harassment, have very limited access to state funding, and are generally ignored or portrayed negatively in the official media.

Elements of this type of discrimination in government approaches to different types of CSOs can also be seen in other countries. In Poland, for example, organizations focused on issues conflicting with the conservative government’s agenda, including on human rights, anti-discrimination, women’s rights, and environmental protection, have limited access to public funding and are presented in a negative light by media controlled by the government or with close ties to the ruling party. Similarly, in Hungary, the increasing political bias in the distribution of public funding has led to an abundance of money for “loyal” organizations, while other CSOs struggle to survive. In Belarus, the legal framework explicitly allows the government to refuse registration to any public association or foundation with which it is “uncomfortable.” Several CSOs were denied registration in 2018, including one with a stated mission of building civil society and rule of law and affirming the principles of freedom, democracy, and human rights in Belarus.

Migration was a particularly divisive topic in Central and Eastern Europe in 2018, and the situations in Hungary, the Czech Republic, and Slovenia exemplify the way that some governments and politicians vilify CSOs with which they disagree. The situation was particularly dramatic in Hungary, where in January, the government announced a new legislative package dubbed “Stop Soros” that targeted, but failed to define, organizations “supporting immigration.” The approved act criminalizes support to immigration and interfering in the work of the police. The accusation came after PIC published a report warning that the Slovenian police do not allow foreigners who enter the country illegally to submit asylum applications and instead...
return them over the border in breach of international agreements. In addition, a major Slovenian newspaper published an article suggesting that CSOs working with migrants are performing an illegal activity, which damaged their reputation and work promoting the interests of migrants.

Meanwhile, debates around the Council of Europe Convention on preventing and combating violence against women and domestic violence, popularly called the Istanbul Convention, led to heated clashes between conservative and progressive CSOs in Bulgaria and Croatia. In both countries, claims that the Convention would introduce the concept of gender ideology or a third gender that contradicts biological sex led to the vilification of CSOs promoting ratification of the treaty. In Bulgaria, for example, the word “gender” essentially became an insult, and progressive CSOs that supported ratification were labelled as traitors. In addition, CSOs engaged in gender issues faced serious obstacles working with schools during the year.

The use of negative rhetoric and media coverage to vilify CSOs that are critical of the government played a key role in the widespread deterioration in scores for the public image dimension in 2018, with ten countries experiencing such declines. The scope and scale of smear campaigns vary. In Slovakia, while traditional media provided positive coverage about CSOs’ role in the mass protests at the beginning of the year, negative coverage and disinformation became more prevalent in alternative media (especially online media outlets), and there were frequent stories about “Soros Foundations” and “paid agents from abroad” aimed especially at CSOs engaged in advocacy. Ultimately, the organizers of For a Decent Slovakia, the informal initiative that organized the mass protests, were criminally charged for attempting a coup d’etat, although the charges were dismissed due to the lack of evidence. In Georgia, the government and ruling party reacted to growing criticism from CSOs with a coordinated propaganda campaign, with the main narrative focusing on the alleged political bias and anti-national motives behind CSOs’ agendas. In Latvia, the situation is less severe, but CSOs’ public image is constantly threatened by negative rhetoric from politicians and some high-level civil servants. For example, Transparency International Latvia Delna was called incompetent for monitoring a project to update the tram line in Riga. The country reports for the Czech Republic, Moldova, Romania, and Serbia also reference growing attacks on civil society. Even in Estonia, which has the highest score for public image in the region, members of the right-wing conservative party in parliament publicly attacked CSOs representing minorities, primarily for their financial dependence on state institutions.

**UNCLEAR REGULATIONS PLACE BURDENS ON CSOS**

In 2018, CSOs were affected by national-level legislation adopted to comply with international standards addressing issues such as money laundering, counter-terrorism, and data privacy.

In response to a European Union (EU) money laundering directive, in 2018, a number of countries, including Bulgaria, Estonia, Latvia, and Romania, developed or adopted laws that require CSOs to designate their “beneficial owners,” and to meet other requirements, such as organizing training for their employees and monitoring their operations. In addition to placing new administrative burdens on CSOs, these requirements caused confusion among CSOs as to who they should report as their beneficial owners. In Estonia, for example, the guidance indicated that a CSO should list its executive director as its beneficial owner, rather than the people benefiting from the CSO’s operations. In Romania, the draft law aimed at implementing this directive applied the term “beneficial owner” to every single person assisted by a CSO. In Latvia, CSOs have the option of indicating in their registration documents that it is not possible to identify their real beneficiaries; organizations that have done so, however, have faced complications in their registration process.

Countries aspiring to EU membership have adopted similar laws. In Serbia, the state introduced an obligation for all existing CSOs to register their “real owners” as part of a wider state effort to determine the owners of all legal entities in the country after years of privatization. The instructions were unclear, leading to a variety of different practices among CSOs: some CSOs registered their directors, board members, and founding members, while others introduced new positions within their governance structures for this purpose. Beginning in August 2018, CSOs in Moldova have been required to submit statements on their individual beneficiaries, including their names, as part of a broader effort to prevent and combat money laundering and the financing of terrorism. CSOs, especially those that work for the public benefit, such as think tanks, have found it difficult to identify their beneficiaries. Some CSOs have therefore indicated their president or executive director as a beneficiary. However, this has led to concerns that such moves could increase mistrust in the sector, enforcing the belief that CSOs
work for their own benefit, as opposed to working for the public benefit. CSOs in North Macedonia were also subject to a new law requiring them to declare and keep data about their “real owners,” with fines of up to EUR 10,000 for failure to comply. The new law has not had any effect thus far, but CSOs fear, for example, that if a bank cannot identify the real owners of a CSO, it could refuse the CSO as a client.

CSOs were also affected by other laws aimed at addressing problems with money laundering. In Kosovo, for example, in line with an anti-money laundering regulation issued by the Central Bank, CSOs were requested to provide information and statements verifying that they are not financing terrorism or laundering money. The statements had to be signed by their founders, who in some cases are no longer alive or in the country. In Serbia, the Law on Prevention of Money Laundering, adopted in 2017, was implemented in 2018. The action plan for implementing this law includes increased inspections of CSOs; however, no clear information is available on the extent to which CSOs were subject to such inspections in 2018.

Similarly, CSOs in EU countries found themselves struggling to comply with the EU’s General Data Protection Regulation (GDPR), which regulates data protection and privacy and came into force in May 2018. The Index reports for countries including Estonia, Poland, and Slovakia note that CSOs found the new requirements unclear and that they therefore struggled to develop their own methods to protect data. The Bulgaria and Slovenia reports note that the GDPR’s implementation has placed substantial administrative burdens on CSOs, while in Hungary, many CSOs desperately sought legal help in the weeks before the GDPR entered into force.

MODEST GAINS IN FINANCIAL VIABILITY

Although financial viability continues to be the weakest dimension of CSO sustainability in nearly every country covered by this edition of the CSO Sustainability Index, there were some positive developments in 2018, with half (twelve) of the countries reporting improvement during the year. These advances were concentrated in the Southern Tier and Eurasia countries: five of the nine Southern Tier countries had improved financial viability scores, while every country in Eurasia with the exception of Georgia reported advances in this dimension. Slovenia was the only country in the Northern Tier that reported positive movement in financial viability. These improvements were fueled by advances in public funding, foreign funding, individual philanthropy, tax designations, and social entrepreneurship.

Public Funding

Public funding, whether from local, regional, or national governments, has long been a key source of financing for CSOs in EU countries. Growth in public funding, as well as improvements in how such funding is distributed, played a key role in the overall growth in financial viability in 2018. In Ukraine, for example, the Ministries of Social Policy, Youth and Sport, and Culture allocated a combined total of $13.6 million for CSO funding in 2018, an increase of 1.7 times compared to 2017 and 2016. In Slovenia, public funding of CSOs increased by 9.5 percent in 2018, while in Armenia, the total budgeted amount for nonprofit grants and subsidies directed to CSOs increased by approximately 60 percent between 2017 and 2018. Montenegro began to implement a new mechanism for public funding of CSOs in 2018. Under this system, the government identifies priority funding areas on the basis of proposals from the ministries, and then the line ministries allocate and distribute funds. The new mechanism requires that at least 0.3 percent of the current national budget be provided for financing of CSO projects and programs in areas of public interest, and 0.1 percent in the area of protection of persons with disabilities. In addition, at least 0.1 percent of the budget should be committed to co-financing EU-funded projects and programs.

In Kosovo and Azerbaijan, new government bodies introduced grant schemes for CSOs. Government funding remains the most significant source of funding for CSOs in Russia.

Armenia, Azerbaijan, Kosovo, Serbia, and Slovenia all noted improvements in the transparency of public funding for CSOs. The Serbian government adopted a new bylaw on transparent funding of CSOs and, in cooperation with the United Nations Development Program (UNDP), established an e-calendar on which local governments are obliged to publish calls for proposals for funds from the budget line dedicated to CSOs. The process of awarding public funding for CSOs in Kosovo became more transparent as public institutions appeared to broadly apply a 2017 regulation that requires the introduction of public competitive processes, external members on evaluation committees, transparent evaluation criteria, and monitoring and accountability measures. In Armenia, the process for allocating state grants became more open and transparent after the Velvet Revolution. In Azerbaijan, the NGO Support Council—a key funding source for active CSOs—introduced a number of electronic novelties in the grant
application and administration procedures, including an e-system to schedule contract signing; e-submission of project reports; and e-communication between the project team and the NGO Support Council’s staff. Procedures for awarding and distributing public funds in Slovenia also improved. On the national level, for example, prepayment has now become standard, while at the local level, some municipalities have simplified their regulations, and others have made changes to their calls for proposals that improve eligibility and selection criteria, introduce multi-year support, accept voluntary work as an in-kind contribution, and simplify application forms and reporting requirements.

Despite these improvements, transparency in the public funding process is mentioned as an ongoing problem in several countries. The North Macedonia report notes that most public institutions awarding grants lack clear criteria, rules, and procedures, especially on reporting and ensuring transparency and accountability of the funds awarded. The Bosnia, Georgia, Russia, Ukraine, and Serbia reports also note ongoing deficiencies in the transparency of the distribution of public funding to CSOs.

Government bias in the distribution of state funds also continues to be an issue, particularly in countries where authoritarian governments channel resources to favored organizations. In Russia, the vast amounts of government support benefit a wide range of registered CSOs, including many focused on environmental and human rights issues. However, the most active and visible human rights CSOs and CSOs registered as foreign agents rarely receive government support. Some CSOs registered as foreign agents prefer not to even apply for governmental support because they fear this will subject them to additional inspections. Most government support to CSOs in Belarus continues to take the form of direct financing of loyal organizations controlled by the government. As described above, similar situations exist in both Hungary and Poland, where “loyal” organizations receive ample government funding, while those focused on issues such as democracy and human rights have little or no access to these funding sources. The Georgia report notes that many CSOs fear the potential politicization of accepting state funding, as well as the possibility of the government using funding as a leverage for influence.

Foreign Funding

Foreign funding continues to be a key source of funding for CSOs in many Southern Tier and Eurasia countries, and positive developments related to such funding contributed to improved financial viability in a few countries. Serbia and Ukraine both reported that foreign funding levels increased in 2018. Kosovo, Albania, and Serbia all noted donors’ increased use of sub-granting schemes, in which either large domestic CSOs or foreign CSOs receive funding from donors and then award sub-grants to smaller local CSOs, thereby increasing the number of organizations that can access such funds. CSOs in Azerbaijan, Belarus, and Russia continue to have very restricted access to foreign funding. In Azerbaijan, however, there was a slight increase in the number of foreign grants, donations, and service contracts registered by the government in 2018.

Individual Philanthropy

Individual philanthropy still represents a fairly limited share in CSOs’ overall funding, but a number of successful fundraising efforts were described in this year’s Index. In Russia, for example, the Need Help Foundation started a campaign called #onerubleperday. The campaign called on people to commit to making a small monthly donation (on average, a ruble a day), which will be automatically transferred to one of 132 approved charitable foundations. The campaign quickly became popular: in the last three weeks of the year, 42,000 people made more than 140,000 subscriptions and the total monthly amount of donations at the end of December exceeded 7 million rubles ($111,000). In Latvia, the Community Fund in Valmiera has created a special card called KOPĀ (TOGETHER). Cardholders receive discounts in local shops, while the shop owners donate a portion of the money the customers spend to the Community Fund to support local activities. Giving Tuesday is now organized in several countries in the region, including the Czech Republic and Russia. In the Czech Republic, over CZK 31 million ($1.3 million) was raised in 2018, approximately four times more than in 2017.

CSOs also increasingly use crowdfunding and other information and communications technologies (ICT) to generate individual donations. Many CSOs use international crowdfunding platforms, such as Indiegogo and Global Giving, but local platforms are also increasingly being developed. In Serbia, Catalyst Balkans launched a local crowdfunding platform called donacije.rs in March 2018; during the year, seventeen local, mostly smaller CSOs raised a total of $88,400 through this platform. In Moldova, www.sprijina.md was launched in 2018. In Belarus, the organization Falanster developed an open source tool called Doika, which CSO can install on their websites to collect donations and membership dues without intermediaries or commission fees; more than a dozen CSOs adopted this fundraising tool in 2018. In a particularly successful crowdfunding campaign, the Croatian organization
Common Zone Expanse of Gender and Media Culture raised more than $30,000, using the funds to produce Fierce Women – All the Right Cards, a card game with illustrated portraits of women who have made important contributions in the fields of science, art, culture, feminism, politics, and human rights. The Slovenian organization Humanitarček established a web portal (https://humanitarcek-portal.firebaseapp.com) where potential donors can see current actions that they can support; some are the direct wishes of the homeless people the organization serves, while others, such as Christmas dinner for the homeless, are more general. In Ukraine, a platform for SMS donations was launched in 2018, and eight CSOs started to collect funds through this platform.

Tax Designations

Individual taxpayers in Estonia, Hungary, Lithuania, Poland, Romania, Slovakia, and Slovenia have long had the option of assigning a percentage of their income taxes to eligible CSOs. In some countries, funds received through these mechanisms are significant. In Poland, the 1 percent tax collection for 2017 (the results of which were announced in mid-2018) was the largest ever, with Poles donating PLN 761.3 million (approximately $204 million), almost PLN 100 million more than in the previous year. There were also a half million more contributors, with more than 14 million people (over half of all taxpayers) taking advantage of the 1 percent mechanism. In Hungary, the total amount of 1 percent personal income tax assignations grew in 2018 from HUF 7.5 to 8.28 billion (approximately $26.8 million to $29.5 million). However, the number of taxpayers using this opportunity decreased, most likely as a result of the “automatic” tax declaration system introduced in 2017, under which the tax authority prepares the tax forms for taxpayers based on data employers submit, eliminating the need for taxpayers to make declarations themselves unless they want to check their accuracy or assign taxes to a CSO. In 2018, for the second year, Moldovan taxpayers could direct 2 percent of their income tax to an accredited CSO. Although still just 2.4 percent of taxpayers took advantage of this possibility, the number of taxpayers directing a percentage of their income taxes to a CSO increased by 34 percent between 2017 and 2018, while the amount collected by CSOs more than doubled.

Social Entrepreneurship

Social enterprises continue to develop throughout Central and Eastern Europe and Eurasia. This year’s country reports note some innovative examples of social enterprises. In Albania, for instance, Partners Albania opened the Ke Buono dessert shop in Fier, using a confiscated property of mafia activity. In Kyiv, Ukraine, the Urban Space 500 restaurant uses 80 percent of its income to support development projects around the city. Reports from Slovenia, North Macedonia, Serbia, Armenia, Belarus, and Moldova all note that growth in this sector is being fueled by the availability of donor funding for this purpose. In Armenia alone, aspiring social entrepreneurs can turn to USAID, the EU, Impact Hub Yerevan, KASA Foundation, Red Cross Armenia, the Association of Social Enterprises of Armenia, and the Civic Development and Partnership Foundation’s Center for Social Entrepreneurs for support.

REGIONAL TRENDS IN CSO SUSTAINABILITY

Overall CSO sustainability in Central and Eastern Europe and Eurasia again showed diverging trends in 2018. Seven countries—Bulgaria, Hungary, Poland, Romania, Serbia, Slovakia, and Ukraine—reported overall declines in sustainability, while another seven countries—Armenia, Azerbaijan, Belarus, Kosovo, Lithuania, North Macedonia, and Slovenia—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. However, there is a growing gap between sustainability levels in the Baltic states and the Visegrad countries. While CSO sustainability in Estonia, Latvia, and Lithuania strengthened or stayed at last year’s level, sustainability in Slovakia, Hungary, and Poland deteriorated in 2018. Much of this divergence can be attributed to differences in government attitudes towards CSOs. While governments in the Baltic states continue to make honest efforts to engage CSOs in decision-making processes, governments in Hungary, Poland, and Slovakia have attacked and discredited the sector and taken steps to shrink civic space.
Hungary continues to have the lowest level of sustainability among the Northern Tier countries, and its overall CSO sustainability score dropped in 2018 for the seventh consecutive year. Restrictive new laws and government harassment led to declines in the legal environment and public image dimensions, while increasing political bias and the lack of transparency in public funding contributed to a deterioration in financial viability. Traditional channels of advocacy and attempts to negotiate with state institutions remained ineffective, and became a growing issue at the local level as well, hindering CSOs’ advocacy efforts. The space for CSOs to provide services also narrowed.

CSO sustainability in Poland deteriorated in 2018 for the third consecutive year, as political polarization in the country continued to affect the work of CSOs. Organizations focused on issues conflicting with the conservative government’s agenda, including human rights, anti-discrimination, women’s rights, and environmental protection, had limited access to public funding and continued to be presented in a negative light by media controlled by the government or with close ties to the ruling party. Moreover, the quality of civic dialogue has deteriorated, and public consultations were rarely used in a meaningful way.

In Slovakia, as described above, the murder of an investigative reporter and his fiancée caused widespread public shock and led to a wave of mass protests and the eventual resignation of the prime minister. Although the advocacy score improved to reflect the sector’s role in these events, overall CSO sustainability deteriorated, as CSOs engaged in advocacy were the subject of an intensive smear campaign accusing them of being foreign agents.

CSO sustainability improved in 2018 in Lithuania and Slovenia. In Slovenia, scores for three of the seven dimensions of CSO sustainability—organizational capacity, financial viability, and advocacy—were recalibrated in 2018 to better reflect the situation in the country and better align them with other scores in the region. This recalibration was coupled with improvements in most dimensions of sustainability, the largest of which was in the legal environment dimension, as a new framework law was adopted after several years of discussion. These changes moved Slovenia’s overall CSO sustainability score into the Sustainability Enhanced category for the first time, meaning that all countries in the region, with the exception of Hungary, now have overall CSO sustainability scores in this highest tier of sustainability.

In Lithuania, CSOs built strong constituencies and mobilized large numbers of supporters for various causes; NGO Councils and the National NGO Coalition systematically represented the sector, strengthening CSO advocacy; the national government reaffirmed its commitment to outsourcing a significant portion of public services to CSOs, furthering advancements in CSO service provision; and public trust in the sector increased significantly.
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 3.4 (Bulgaria and Croatia) and 4.1 (Serbia). Two countries—Kosovo and North Macedonia—reported improvements in their overall CSO sustainability scores in 2018, while three countries—Bulgaria, Romania, and Serbia—experienced deterioration.

In Kosovo, five out of seven dimensions of CSO sustainability improved in 2018. An increase in the number of local grantmaking entities led to advances in financial viability and sectoral infrastructure. The transparency, competition, and quality of the processes for distributing public funds to CSOs improved, contributing to advances in CSO service provision. A few public advocacy campaigns, including one aimed at decreasing the stigmatization of survivors of sex crimes, had significant impact. In addition, public trust in CSOs improved notably.

In North Macedonia, the new government, which was formed in mid-2017, took positive but limited measures to increase the transparency and openness of state institutions, contributing to improvements in all dimensions of CSO sustainability, except for organizational capacity, which remained stable. Institutional prosecutions of a number of CSOs came to an end in 2018, and there were increased opportunities for CSOs to participate in decision-making processes. Service provision, especially the provision of social services, improved slightly, with the Ministry of Labor and Social Policy demonstrating a willingness to increase funding to and cooperation with civil society actors. Increases in public funding, corporate support, and local fundraising bolstered CSOs’ financial viability, and the infrastructure supporting the sector strengthened with the establishment of new resource centers and increased cooperation within the sector. Finally, the CSO sector’s public image improved slightly, although CSOs continued to be affected by the negative campaigns targeting the sector in previous years.

Like Hungary and Poland, CSO sustainability in Romania deteriorated, in part because of steps taken by the government to narrow civic space. The legal environment deteriorated with increasing attempts to regulate CSOs’ operations and finances. In addition, negative tax policies came into effect and public officials vilified CSOs. Cooperation with the government continued to weaken and public authorities discouraged citizen and CSO involvement in policy-making processes. Meanwhile, high-ranking government officials and politicians increasingly
used negative rhetoric and accused CSOs of being foreign agents. In addition, CSOs had limited access to traditional funding sources, staff turnover increased, and CSOs provided fewer services during the year.

Serbia is also experiencing a concentration of power in the hands of its president, leading the country to be classified as a partly free country in the Freedom in the World report published by Freedom House in early 2019 for the first time in several years. In this context, overall CSO sustainability deteriorated in 2018, with negative developments noted in the legal environment, advocacy, service provision, sectoral infrastructure, and public image dimensions. Advocacy suffered the most as the government resisted public dialogue and treated any outside suggestions or critiques of the government’s policies or decisions as attacks on the state or personal attacks on the president. In addition, legal regulations were introduced that impede the work of CSOs; the government—both on the national and local levels—increasingly tried to push CSOs out of service provision; and civic activists were subject to an increasing number of public attacks by state and local government officials.

Overall CSO sustainability also worsened slightly in Bulgaria during the year, with negative developments noted in financial viability because of the continued lack of funding opportunities for CSOs, and in public image due to ongoing negative campaigns against CSOs. These setbacks were slightly counterbalanced by improvements in sectoral infrastructure and organizational capacity: the constant attacks against CSOs have prompted them to start discussing how to counteract the negative rhetoric, while new movements created during the year attracted public attention and received public support.

**Eurasia**

![Eurasia CSO Sustainability Chart](chart_image)

Average sustainability scores in Eurasia continue to be lower than those in the Northern and Southern Tiers. CSO sustainability scores in Eurasia converged slightly in 2018, with sustainability in Ukraine, the country with the strongest sustainability in Eurasia, deteriorating slightly, and sustainability in the countries with the lowest levels of sustainability in the region—Belarus and Azerbaijan—both improving slightly. Overall sustainability in Armenia also improved during the year.

Ukraine was the only country in Eurasia experiencing a decline in overall CSO sustainability in 2018, with negative developments noted in the legal environment and advocacy dimensions. A 2017 law that requires anti-corruption activists to publicly declare their assets came into force, and parliament tried to introduce additional financial reporting requirements on CSOs receiving foreign funding. More than fifty activists were physically attacked during the year. CSOs’ advocacy efforts, while still robust, were less successful in 2018 than in previous years. Financial
viability, on the other hand, improved as CSOs had increased access to financial resources from both the public and private sectors.

Azerbaijan continues to have the lowest level of sustainability of any country covered in this edition of the CSO Sustainability Index and CSOs continue to operate in a restrictive environment. However, the government’s relationship with CSOs thawed somewhat in 2018, contributing to an improvement in overall CSO sustainability, with positive developments noted in the legal environment, financial viability, advocacy, sectoral infrastructure, and public image dimensions. Harassment of CSOs subsided; the number of grants, donations, and foreign service contracts registered with the Ministry of Justice increased; some government entities demonstrated increased will to collaborate with CSOs, enabling a broader range of CSOs to participate in decision-making processes; local entities offered more training opportunities and intersectoral partnerships between CSOs and the government expanded; and the sector’s public image improved slightly in parallel to the government’s warmer relationship to CSOs.

Similarly, CSO sustainability in Belarus improved slightly during the year, in part because of an apparent thaw in relations between the government and civil society, with CSOs subject to less hostile rhetoric and fewer instances of harassment. In addition, an article in the Criminal Code that criminalized the activities of unregistered organizations was finally abolished. Despite this, Belarusian CSOs continue to operate in a hostile climate and human rights are violated regularly. CSOs’ financial viability improved in 2018 with the development of local funding sources and advocacy improved with increasing use of public discussions, consultations, and digital activism. New capacity-building programs were initiated and CSOs had increased opportunities to develop joint initiatives and partnerships. Finally, the sector’s public image improved again as a result of CSOs’ continuous efforts over the past few years to increase their presence in the media, use social networks, and involve high-ranking officials in their events.

In contrast to the subtle openings experienced in Azerbaijan and Belarus, 2018 was a turning point in Armenian political history, as described above. In this context, the CSO sector’s overall sustainability improved in 2018 with advances noted in all dimensions. CSOs played a key role in the unprecedented political transformation, leading to improved scores in advocacy and public image. State harassment of CSOs decreased; a significant number of donor-funded capacity-building projects fostered improved organizational capacities, provision of high-quality services, and diversification of financial resources; and new and improved platforms for CSO dialogue and cooperation were developed and the spectrum of capacity-building programs and training opportunities increased.

CONCLUSION

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 European Union (EU) membership since 2014. In 2018, the Council of the EU announced that accession talks would be postponed until June 2019 as the country had not made enough progress in areas such as judicial reform, public administration reform, the fight against organized crime and corruption, and the protection of human rights.

The political situation in Albania in 2018 was tense. Parties opposing the ruling government boycotted parliament from September to December. Two ministers from the Ministry of Interior resigned in succession (one in March 2017 and the other in October 2018) after allegations—primarily from the opposition—that they had connections to organized drug trafficking. Tensions grew, resulting in a clash between the prime minister’s office and the office of the president when the president refused to appoint a new interior minister or to sign three important laws approved by the parliament—the law on the demolition of the National Theater building, the budget law for 2019, and a law on taxation for large businesses.

Active citizenship reached a new high in 2018, with numerous interest groups staging protests during the year. Demonstrations were organized to protest the introduction of tolls on a major highway called Durrës-Kukës, or Nation’s Road, the demolition and rebuilding of the National Theater, and the demolition of homes to make way for construction of a new ring road around Tirana. In addition, a long-standing student protest demanded quality and affordable higher education in Albania. This last one shook the country and was portrayed by media and in political discourse as a “slap in the face” to the government and resulted in upheaval in the Cabinet of Ministers.

The overall sustainability of the civil society sector did not change significantly in 2018, although slight improvements were noted in both the advocacy and financial viability dimensions. Advocacy improved as a result of CSOs’ active support of socio-political developments, while financial viability improved slightly as smaller CSOs and CSOs outside of the capital had increased access to funds through sub-granting programs. Despite this

improvement, financial viability remained the weakest dimension of CSO sustainability and continued to be marked by a lack of diversified resources, high dependency on international donors, and largely inaccessible public funds.

According to the Tirana First Court of Instance, at the end of 2018, there were 11,426 CSOs registered in Albania, including 400 CSOs (276 associations, 79 centers, and 45 foundations) newly registered in 2018. However, the number of CSOs registered by the tax authorities, which provides a better estimate of the number of active CSOs, is only 4,503, as officially closing down a CSO involves a long and costly process.

### LEGAL ENVIRONMENT: 3.7

The legal environment governing CSOs in Albania did not change significantly in 2018. While CSOs remain generally free from harassment by the central government, they still face challenges with registration, operations, and fiscal burdens that stem from an incomplete or inappropriate legal framework.

The process of registering a CSO in Albania is centralized in the Tirana Court of First Instance. CSOs in remote areas or representing vulnerable groups have long identified the centralized registration process and attendant fees as obstacles to their registration and operation. The registration process often involves unforeseen costs. For example, courts commonly introduce errors into a CSO’s registration documentation that CSOs are then required to fix. Legally shuttering a CSO involves a lengthy and costly court process; therefore, many defunct organizations remain on the books.

According to an April 2018 shadow report written by the National Council for Civil Society (NCCS), little progress has been made in implementing the 2015 Road Map for Albanian Government Policy Towards a More Enabling Environment for Civil Society Development (hereinafter known as the Road Map), the strategic document guiding government policies for the civil society sector. The report, which covers the period from 2015 to April 2018, states that out of fifty-three planned measures, only four have been fully implemented, six are in progress, and forty-one have not been implemented at all, with data lacking for two of the measures. For example, the Road Map proposed steps to decentralize the registration process, but the NCCS report notes that no progress has been made towards this goal.

Sources of income for CSOs, including membership fees, funds, grants, and donations, are exempt from value-added tax (VAT) and income tax. CSOs implementing EU Instrument for Pre-Accession Assistance (IPA) projects are eligible to claim VAT refunds on their expenses. CSOs are able to engage in economic activities and CSOs that engage in economic activities in the areas of education, culture, sports and social wellbeing are exempt from VAT. However, according to the legal framework, income from economic activities must not account for more than 20 percent of an organization’s overall annual budget, which limits the impact of economic activities on CSO sustainability. According to the 2018 report “Fiscal Treatment of NPOs, Assessment of National Legislation and Practice for Non-Profit Organizations in Albania” by Partners Albania, a number of CSOs that were registered with the tax authorities between 2008 and 2014 still face VAT policies similar to the private sector and reimbursement processes are very challenging.

The legal environment still fails to encourage philanthropy. Corporate donors receive a mere 4 percent deduction on their taxable income for donations, while individuals do not receive any tax deductions for donations to CSOs. No new legislation was put forward in 2018 to address the long-articulated need for a Law on Philanthropy that would distinguish between philanthropic activity and sponsorship.

The Law on Volunteerism and the Law on Social Enterprise, both of which came into force in 2016 and are priority areas of the Road Map, are still not fully operational. For instance, bylaws that will further regulate the relationship between volunteers and CSOs, including the requirements for volunteering contracts and a code of
ethics for volunteer work, have yet to be adopted. In order to facilitate implementation of the Law on Social Enterprises, the Minister of Health and Social Protection issued an Instruction (No. 602) in January that lays out the procedures for granting social enterprise status. In addition, the Council of Ministers issued two decisions further detailing the approved list of activities and categories of disadvantaged groups for social enterprises. The Council of Ministers also issued Decision No.789, which created a dedicated fund to support social enterprises in the period 2019-2021, in the final days of 2018. However, no organization has yet been granted the status of a social enterprise.

Legislation clearly regulates CSO operations. The only activities that CSOs are unable to engage in are those that violate human rights, constitutional principles, or other laws. CSOs are subject to operational audit inspections and anti-money laundering and financing of terrorism inspections by the tax authorities. The legal framework provides clear limits on government oversight over CSOs and no cases of abuse or state harassment were reported in 2018. During 2018, CSOs in Albania continued to exercise their right to appeal administrative decisions and freely addressed public debates, expressed criticism, and participated in public protests.

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. As part of its Law Clinics project, the Open Society Foundation for Albania operates two legal clinics in Durrës and Shkodra that provide free legal aid and legal education to citizens and communities, including CSOs. In addition, in a few cases, Tirana-based CSOs provided pro bono legal assistance to newly-established CSOs, including Euleus in Shijak and Citizens Commission in Selenica under the EU-funded Civil Society Instruments against Corruption (CIVILISC) project in 2018.

**ORGANIZATIONAL CAPACITY: 3.7**

CSO organizational capacity did not change in 2018. Albanian CSOs continue to struggle to identify and actively build relationships with potential constituents and beneficiaries of their services. Some CSO representatives note that an average CSO in Albania spends 70 percent of its time doing paperwork and only 30 percent of its time in the field connecting with people, communities, and groups, limiting its opportunities to build strong constituencies. This situation is influenced by the high dependency of Albanian CSOs on the agendas and priorities of foreign donors. Many CSOs adopt broad mission statements in order to be eligible for more funding opportunities and only a limited number have clear and defined strategic plans.

Most CSOs have formal structures and processes in place, although they do not always function effectively. In foundations and centers, boards of directors are nominally the highest decision-making bodies, but as reported in 2017 they rarely engage in governance. General assemblies serve this function in associations. If they exist, written policies and procedures are usually very general and some staff are unfamiliar with them. The majority of CSOs do not publish annual reports. In general, CSOs do not have conflict of interest policies.

As a result of their reliance on project-based funding, the majority of CSOs in Albania find it extremely difficult to maintain full-time staff who stay with the organization and thus strengthen organizational capacity over time. A long-standing regulation requires every CSO to declare at least one staff member with the social and health insurance offices at all times, regardless of whether they are implementing any projects, which poses a significant financial burden on CSOs, especially small organizations that operate on a volunteer basis.

Volunteer engagement in Albania remains low. According to the Charities Aid Foundation’s 2018 World Giving Index, just 7 percent of Albanians reported volunteering their time in 2017, down from 10 percent in 2016 and 11 percent in 2015. A lack of bylaws to implement the 2016 Law on Volunteerism prevents CSOs from relying on volunteers to operate when they lack funding.
Developing organizational capacities is largely considered a privilege that only large CSOs can undertake. Smaller CSOs can rarely afford to engage in such efforts due to their general lack of funding, particularly dedicated institutional development funds. In 2018, however, local CSOs had increased access to EU-funded projects and sub-granting schemes that included technical assistance to build their organizational capacities. Certain capacities are still a luxury for most CSOs because of their limited resources—these include public relations and advancing the use of information and communication technologies (ICT), both of which are critical for CSOs to develop, expand their influence, and identify and reach their constituencies and beneficiaries.

**FINANCIAL VIABILITY: 4.4**

CSO financial viability improved slightly in 2018 as smaller CSOs and CSOs outside of the capital had increased access to funds through sub-granting programs.

In 2018, international donors, including the EU and Swiss Agency for Development and Cooperation (SDC), continued to make funds available to smaller CSOs through projects with sub-granting components awarded to larger national CSOs. For example, during 2018, the Albanian National Training and Technical Assistance Resource Center (ANTTARC) provided sub-grants to CSOs through both the EU-funded project Partnership Against Corruption Together (PACT) and the USAID-funded Accelerated Civic Development and Cooperation. The Open Society Foundation for Albania, Co-PLAN, Partners Albania, Institute for Democracy and Mediation (IDM), the Regional Environmental Center (REC-Albania), and Terre des Hommes Albanian also awarded sub-grants to local CSOs with funding from the EU and SDC. However, CSOs receiving sub-grants are subject to arduous procedures and paperwork and the smaller grants make it difficult for them to achieve significant impact.

Despite this positive development, financial viability continues to be a major weakness for Albanian CSOs. Most CSOs not only lack access to multiple sources of funding, but also have no vision or strategy for diversifying their financial sources. The vast majority of CSOs depend on foreign funders and fear that, as Albania gets closer to becoming a member of the EU, drastically less foreign support will be available to them. Meanwhile, domestic funding sources are slow to develop.

The Agency for the Support of Civil Society (ASCS) remains the primary source of public funding for CSOs. Through its 2018 calls for proposals, ASCS awarded forty-five grants ranging from ALL 600,000 (about $5,400) to ALL 4,000,000 (about $36,000). The priority area for these calls for proposals was environmental protection, but grants were also awarded to projects focused on youth activism, empowerment of vulnerable groups, rule of law, and tourism and culture promotion. The Ministry of Culture financed 128 projects in 2018—twenty-one more than in 2017—with grants sizes of up to $4,500 for projects implemented by individuals and up to $18,000 for CSO projects. During 2018, the Good Causes Board of the National Lottery issued a call for proposals with total funding of EUR 230,000; no data is available on the number of projects supported through this tender. Public funds are generally awarded in a formally transparent manner, including the use of public calls with clearly stated selection criteria. However, no information is published on complaints about the competitiveness of these processes.

The legal framework regulating CSOs’ access to funding from local governments remains incomplete. As a result, CSOs and local government bodies have been unable to develop mechanisms and practices that would make public funds available to CSOs. According to the NCCS shadow report, several bylaws are still being drafted, thus delaying progress in the public procurement of social services offered by CSOs.

Although there is growing interest both within the sector and among the public in charity and philanthropy, few Albanian CSOs actively seek support from their communities and constituencies. Only large CSOs can afford to invest in building their fundraising capacities or to outsource fundraising services. A number of CSOs implemented
activities to promote philanthropy in 2018. For example, Partners Albania’s #GivingCircle is an initiative to support CSOs with concrete ideas or initiatives to bring about social change in the community. In recent years, CSOs have increasingly used ICT in their fundraising campaigns. A number of civil society initiatives, including Fundjave Ndryshe Foundation and Down Syndrome Albania, raised funds using social media in 2018. You are a Sunflower developed an application and game which are used along with social media tools to raise funds for the organization’s activities to help children in need. According to the 2018 World Giving Index, 28 percent of Albanian respondents reported donating to charities in 2017, the same percentage as in 2016.

Businesses contribute to CSOs through their corporate social responsibility (CSR) programs. The Albanian CSR Network, currently chaired by Tirana Business Park, is focused on conducting information and research on CSR, identifying and promoting best practices, and promoting cross-sectoral partnerships between businesses, the government, and civil society to address social problems.

Several social enterprises, such as Down Syndrome Albania’s floral business and the Yunus Social Business, which provides a range of business development services aimed at helping entrepreneurs transform their business ideas into viable business models, continued to develop. In 2018, Partners Albania opened the Ke Buono dessert shop in Fier, with support from the EU. This is the first case in which a confiscated property of mafia activity has been turned into a social enterprise.

Some CSOs continue to earn revenue through the provision of services, such as vocational training and agricultural services, although these are generally offered for less than market prices. Based on data from the General Tax Directorate in 2018, 679 nonprofit organizations (associations, foundations, and centers) engage in economic activity. According to the National Business Center (NBC), 319 nonprofit organizations possess licenses and provide social and educational services. However, no official records are available that show the extent of the revenues they generate.

Few CSOs are membership-based and support from membership fees is minimal. According to CSO representatives, during 2018, Albanian CSOs experienced an increase in their operational costs as a result of state monitoring and control. For example, CSOs are now required to declare and pay taxes on reference rental fees for office space, regardless of whether their actual rental costs are lower or even free. In addition, local government units do not differentiate CSOs from businesses when collecting taxes such as environmental taxes, cleaning taxes, and advertising sign taxes.

A similar approach is reported to be followed by Albania’s banking system. According to CSOs, in 2018 banks continued to treat them the same as businesses, making it extremely difficult for them to access loans. For example, CSOs are required to produce collateral, provide evidence of financial sustainability, and pay interest rates that might be reasonable for businesses, but are out of reach for CSOs. In addition, bank’s procedures and requirements to continuously update documents impose additional burdens on CSOs.

There is also growing concern in the CSO sector about competition from international organizations, such as Save the Children, Terre des Hommes and World Vision, which are increasingly competing with local CSOs for funds. Most Albanian CSOs are limited in their ability to qualify for these funds as they lack adequate financial management systems. CSOs are subject to the National Accounting Standards for Non-profit Organizations, which includes mandatory independent audits, but it is unknown to what extent these obligations are implemented.

**ADVOCACY: 3.2**

CSO advocacy improved slightly in 2018. Despite persistent challenges, CSOs diversified and intensified their advocacy efforts during the year.

Implementation of Law 146/2014 on Notification and Public Consultation, which regulates the process of notification and public consultation of draft laws, national and local draft strategic documents, and policies of high interest for the public, continues to be poor. Consultation processes at both the central and local levels of government are generally treated as formalities through which government officials inform CSOs about policy- and decision-making initiatives rather than seeking input from the public and interest groups including CSOs. For example, the consultation process for the Law on Youth presented the proposed law as the final version. Notifications for such events often are either poorly advertised, given on short notice, or both. Additionally, it is difficult to trace the outcomes of consultations in order to identify what the impact of each actor might have been.
on the process. For example, it is hard to find any comments from the public on konsultimipublik.gov.al, the online platform for public consultations.

According to a survey conducted by IDM in 2018 called National Public Administration Reform (PAR) Monitor 2017/2018, only 45 percent of surveyed CSOs agreed that formal consultation procedures met the pre-conditions for effective involvement in policy making, and only 19 percent agreed that government institutions consistently use consultation procedures when developing policies within their purview. Only 12 percent of surveyed CSOs stated that relevant ministries provide written feedback to consultees on whether their input was incorporated and only 10 percent stated that relevant ministries accepted the feedback coming from their organization.

The National PAR Monitor 2017/2018 also reported that civil society’s perceptions on access to public information is not very positive. Based on their experiences with requests to information, 39 percent of CSOs reported problems with information that is not in the requested format and 31 percent noted that information is not provided within the prescribed deadlines.

NCCS continued to promote CSO-government cooperation in 2018 and met several times during 2018. As provided by law, the National Council on European Integration (NCEI) promotes cooperation between political parties, state structures, and CSOs in EU integration processes. According to the official site of the Albanian Parliament, NCEI met three times in 2018 and continued to support the European Summer School, which promotes active involvement of all stakeholders in the implementation of EU-related reforms. In 2018, the Council of Ministers issued a decision approving the Regulation for the Functioning of the National Council for Child Rights and Child Protection. Five of the council’s members are CSO representatives active in the area and the council is expected to meet at least twice a year.

National-level advocacy continued in 2018 at the same pace as in 2017. CSO advocacy led to the adoption of Law No.22/2018 on Social Housing. The parliament incorporated CSO input into the law, which now reflects new international standards related to the protection and support of socially vulnerable groups, particularly victims of violence. Environmental CSOs were at the core of the Alliance against Waste Imports (AKIP), which opposed the Fieri incinerator in January and May. Environmental CSOs and local activists also protested against hydropower plants in Kukës and Valbonë in March and September. CSOs and issue-based coalitions protested the introduction of tolls on the Durrës-Kukës Road in April and the law on the National Theater in September. Students demonstrated in December to demand improved quality in higher education and an increase in the national education budget.

CSOs were increasingly engaged in advocacy initiatives targeting decision-making and policy-making processes at the local level, as well, in part because sub-granting practices have created more opportunities for local advocacy. In Tirana, for example, a number of CSOs formed an informal coalition to oppose, from a human-rights perspective, proposed municipal regulations that penalized begging and graffiti, among other things. The new regulations were approved despite the objections raised. Such initiatives are no longer limited to the capital and big municipalities. In fact, smaller municipalities—which generally have fewer human resources and lower capacities—are often more open to and inclusive of CSOs in participatory policy and decision making. For example, CSOs in Elbasan and Korca reported that they were regularly engaged in local consultation processes, such as participatory budgeting processes and the development of local plans, including social plans and plans for the integration of Roma, people with disabilities, and children, during the year, and that some of their suggestions and proposals were taken into consideration in final policies.

CSOs continue to engage informally in lobbying activities. However, the lack of a legal framework to regulate lobbying activities makes it difficult to track and report on these efforts.

The EU continued to offer technical support in creating a more enabling environment for CSOs though a nine-month project (November 2017 to July 2018) implemented by DAI Europe. However, CSOs did not engage in
significant advocacy regarding the legislation governing the sector and little progress was made in advancing CSO-related laws and regulations in 2018. Key laws of direct interest for CSOs such as the Law on Volunteerism (adopted in 2016), the Law on Social Enterprise (adopted in 2016), and the Law on Notification and Public Consultations (adopted in 2014) all remain only partially implemented due to incomplete legal frameworks. A process to develop a new Law on Philanthropy was not initiated in 2018.

**SERVICE PROVISION: 3.6**

CSO service provision did not change significantly in 2018. CSOs continue to provide diverse services ranging from social welfare, education, and health services to services aimed at strengthening the capacities of the sector and promoting evidence-based policy making. Furthermore, in 2018 CSOs including the Center for Civic Legal Initiatives, the Helsinki Committee in Tirana, and the Open Society Foundation for Albania, provided legal aid to citizens.

The number of CSOs that engage in service provision has gradually increased and diversified. However, expectations for further improvements during 2018 were not met. While state structures at the central and local levels increasingly value the role civil society can play in providing services, especially those aimed at vulnerable groups and individuals, no progress was made in materializing sustained financial support in 2018. Administrative-territorial reforms that were initiated in 2014 and the decentralization process that followed assigned new responsibilities to local government units, including the development of local social plans. Several municipalities drafted their local social plans during 2018. Local CSOs actively participated in this process and were viewed as important partners in the realization of the plans, particularly for the provision of social services. Nonetheless, the incomplete legal framework continues to limit CSOs’ access to local government funds, although some steps were made to remedy this situation. Council of Ministers Decision No.111, dated February 23, 2018, for the Creation and Functioning of the Social Fund permits local government units to turn to CSOs for social services that they cannot provide, although there are still no procurement regulations or practices for them to procure CSO services.

CSOs constantly strive to develop and improve services for specific target groups such as victims of violence, victims of trafficking, children in need, the elderly, and people with disabilities. Many CSOs try to assess the needs of their constituencies and communities and then tailor services to meet their needs. However, these assessments are generally done in an informal and non-systematic manner. CSOs are generally unable to provide sufficient services to all who need them.

CSOs continue to struggle to recover the costs of providing services. Many beneficiaries are unable to pay for services, and CSOs have insufficient access to other sources of financial support to cover the costs of service provision. Foreign donors’ interest in supporting service provision is dropping, while interest in studies, publications, and trainings is growing. Domestic funding sources are undeveloped and CSOs still have limited access to local government funds. These conditions make it nearly impossible for CSOs to specialize in service provision.
SECTORAL INFRASTRUCTURE: 3.7

The infrastructure supporting the CSO sector did not change significantly in 2018. The positive impact of the growth in sub-granting practices and technical assistance to smaller CSOs was balanced by rising operational costs that have limited CSOs’ opportunities to invest in and develop their infrastructure and capacities.

There are still no intermediary support organizations (ISOs) in Albania that provide CSOs with support services, including training. Likewise, there are few CSO resource centers and those that exist are not easily accessible for local CSOs. As part of its strategy, Partners Albania provides training to CSOs on institutional development. Partners Albania has prepared a curriculum tailored to the specific needs of each of the sectors with which it works. Several CSOs, including European Movement Albania (EMA), IDM, Co-PALAN, and the Albanian Institute for International Studies (AIIS), engage in policy research, analysis, advice, and advocacy; provide capacity building and training services; organize public debates and policy forums; and develop monitoring indicators on certain issues of significant public importance. With funding from the EU, the PACT program provides training-of-trainers and regional training workshops on good governance and anti-corruption; training workshops in investigative journalism; youth civic engagement and project development; technical assistance and organizational development mentoring; and project cycle management.

CSOs managed a large number of sub-granting projects in 2018. In the framework of the EU-funded PACT project, ANTTARC provided CSOs with twenty-nine sub-grants worth approximately EUR 350,000. ANTTARC also signed nineteen agreements with CSOs totaling $475,000 as part of USAID’s Accelerated Civic Development and Cooperation project. The SDC-funded project LevizAlbania, which is implemented by the Open Society Foundation for Albania, Co-PALAN, and Partners Albania, provided support to eighty-one projects implemented by CSOs and individuals with a total budget of CHF 1,681,500 (approximately $1.7 million). IDM implements the EU-funded CIVILISC project, awarding a total of about EUR 150,000 to six network organizations (comprising eighteen organizations in total) in 2018. IDM also awarded two other grants totaling about EUR 35,000 to local CSOs as part of the EU-funded regional project Capacity Building and Advocacy Grant Program for Sustainable Rural Development in the Western Balkans. Through the EU- and Swedish-funded program on Environmental CSO Support in Albania (SENIOR-II), the Regional Environmental Center (REC-Albania) awarded twenty-eight grants to CSOs for projects implemented from March through October 2018. Finally, Terre des Hommes Albania issued seven medium-sized sub-grants ranging in size from EUR 10,000 to 14,000 to CSOs in the area of child protection under an EU-funded project. In order to strengthen the role and impact of local initiatives led by CSOs and civic actors, most of these projects provide their grantees with a combination of on-line and on-site trainings, individual coaching, networking, and sharing of experiences with other organizations in the country and the region.

Training is generally provided for free and is mostly offered in Tirana. However, not all local CSOs have the opportunity to access this support. Larger organizations invest in more specialized trainings, particularly in the areas of strategic management, accounting and financial management, fundraising, advocacy, public relations, and ICT.

CSOs continue to cooperate through issue-based coalitions. In 2018, coalitions worked successfully in the areas of human rights and women’s rights (Coalition of Shelters for Victims of Trafficking, Albanian Women Empowerment Network), rural development (Albanian Rural Network – ANRD), youth (Albanian National Youth Network), and education (Albanian Coalition on Education). New coalitions, such as the National Network for Children’s Rights in Albania, were also established during 2018. Think tanks in the capital continued to cooperate with grassroots organizations during 2018. However, coalitions continue to be donor driven and find it difficult to survive without donations.
Intersectoral partnerships continued to be weak during 2018. CSOs have few partnerships with media and collaboration with the private sector is almost nonexistent.

**PUBLIC IMAGE: 3.7**

The overall image of the sector did not change during 2018. The constant expansion of the sector has made it difficult for the public and donors to differentiate between “quality CSOs” and “ghost CSOs,” which are either still registered but inactive or are created solely to access certain funding sources.

During 2018, Albanian media, which is comprised of some twenty daily newspapers, seventy-one radio stations, seventy television stations, 109 cable television outlets, and hundreds of news portals, continued to prioritize coverage of political developments, with less interest paid to civil society. According to the Freedom House 2018 Nations in Transit report, the Albanian media sector was troubled by self-censorship, and intimate connections between politics, business, and media. Although CSOs do not have easy access to the media, some CSOs have managed to build productive relations with the media or to work with politicians, for example by inviting political figures to attend their events in order to attract media coverage. There continues to be a significant difference between the degree of CSOs’ access to national and local media, with local media being significantly more accessible. CSOs report that many media outlets—both local and national—charge CSOs to cover their activities, which discourages or prevents CSOs (particularly smaller ones) from seeking media coverage.

The media often express or air opinions that are critical of CSOs and blame CSOs for outcomes and results that are partially or even fully out of their control. For instance, CSOs advocating for gender equality and fighting against gender-based and domestic violence are often blamed for being ineffective and abusing funds whenever a related incident attracts media attention.

In this context, CSOs increasingly relied on social media and other non-traditional media outlets to publicize their work during 2018. However, the use of social media as a tool to raise awareness has its own costs, including fees to boost posts on Facebook or to increase the number of followers, which not all CSOs can afford. In general, CSOs feel that they have a shortage of capacities and expertise in public relations. Only a small number of CSOs have dedicated staff for communications and public relations.

According to a national poll conducted by IDM in 2018, CSOs were reported to be trusted by 57 percent of respondents, the same percentage as in 2017. This score ranks CSOs as the fifth most trusted institutions in the country, following religious institutions (73 percent), the education system (64 percent), the armed forces (63 percent), and the state police (58 percent). In 2018, there was increased activism by formal CSOs as well as several informal movements such as the Movement for the University and the Alliance for the Protection of the National Theater. The public generally reacted favorably towards these initiatives, although it is too early to determine if this enthusiasm will be sustained. No research or data is available on the government or business perception of civil society.

A growing number of CSOs advocate for transparency and good governance, activism but show little progress in taking steps to make themselves more transparent. A clear measure of this is the very low number of CSOs that publish online annual reports.
2018 was a turning point in Armenian political history. In April and May, the country experienced some of the largest protests and demonstrations since its independence in 1991. The protests were triggered by what was seen as a power grab by the former president, Serzh Sargsyan, who was named prime minister after his final term as president ended. A 2015 amendment to the constitution changed the country’s governance system from semi-presidential to parliamentary, making the office of the prime minister more powerful than that of the president. Demonstrators were also upset by long-term economic stagnation, oligarchic rule, economic monopoly, and the extremely high level of corruption plaguing the country.

In response to the protests, which included decentralized strikes and blockades of major highways, Sargsyan announced his resignation on April 23. This political transformation, led by member of parliament (MP) and leader of the opposition Civil Contract Party (CCP) Nikol Pashinyan, was dubbed a Velvet Revolution. Eventually, Pashinyan was elected prime minister and formed a new government. This was followed by parliamentary elections in December, the first-ever snap parliamentary elections held in Armenia since the country’s independence in 1991. Opposition parties scored a decisive victory over the old regime during these elections, effectively ending the rule of the Republican Party of Armenia (RPA), which had held power for nearly twenty years.

Two key civil society movements—Merzhir Serzhin (Reject Serzh) and the Restart student initiative—played essential roles during the political developments in 2018. Along with other CSOs, they quickly mobilized significant constituencies in support of the protests. CSOs also played an important role after the revolution, pushing anti-corruption and human rights agendas and preparing for and monitoring the election process. In addition, many civil society activists and representatives took posts in the new government and received mandates in parliament, as well as the Yerevan City Council.

The CSO sector’s overall sustainability improved in 2018 with advances noted in all dimensions. Advocacy improved as CSOs played a key role in the unprecedented political transformation. State harassment of CSOs decreased, resulting in an improvement in the legal environment. A significant number of donor-funded capacity-building projects fostered improved organizational capacities, provision of high-quality services, and diversification of financial resources. The infrastructure supporting the sector increased, with new and improved platforms for CSO dialogue and cooperation and a wider spectrum of capacity-building programs and training opportunities. CSOs’ public image improved due to the increased visibility of CSOs in the media and improved perceptions of CSOs by both the public and government in the aftermath of the Velvet Revolution.
According to the Ministry of Justice, there were 4,222 public organizations, 1,120 foundations, and 244 legal entity unions registered in Armenia as of the end of 2018. This represents a decrease in the number of public organizations by 560 over the past year due to a state policy adopted in 2016 to dissolve public organizations that had not provided reports for the last four years. The number of legal entity unions decreased by 73, mainly as a result of legislative changes introduced in 2017, which eliminated legal entity unions as a legal form and required them to modify their charters and re-register as foundations or public organizations by February 2019.

**LEGAL ENVIRONMENT:** 3.6

In 2018, the legal and regulatory environment governing the CSO sector improved slightly as the intimidation and harassment of CSOs and their members by state institutions and groups acting on behalf of the state decreased.

There are two types of formal CSOs in Armenia: membership-based public organizations, regulated by the Law on Public Organizations, and non-membership foundations, regulated by the Law on Foundations. In 2018, regional branches of the State Register of Legal Entities within the Ministry of Justice (MoJ) started to accept applications. This has significantly reduced registration delays, the risk of corruption, and the excessive bureaucracy that plagued the registration process in the past. The MoJ is obliged to respond to applications from public organizations within ten working days, and to applications from foundations within fifteen days. If an applicant uses the standard charter provided by the MoJ, the response time is reduced to two working days. There is still no online registration system for CSOs. Informal groups and initiatives are free to operate without registration as long as they adhere to general legal regulations and do not engage in financial transactions.

The Law on Public Organizations and Law on Foundations prohibit interference by state bodies and local authorities in the activities of CSOs as long as their operations are in compliance with the law. The laws clearly define the roles and responsibilities of boards, supervising committees, executives, and members. All foundations, as well as public organizations that receive public funding, are required to submit annual financial reports.

The State Revenue Committee (SRC) assumed responsibility for CSO oversight from the MoJ in 2017. In 2018, the SRC initiated amendments to the Laws on Public Organizations and Foundations that envisage increased reporting and other requirements. In November 2018, over 100 CSOs, including the Armenian Lawyers’ Association, International Center of Human Development (ICHD), Women’s Development Resource Center Foundation (WDRC), OxYGen Foundation for Protection of Youth and Women’s Rights, and Taxpayer Protection NGO, submitted recommendations to the SRC to revise the proposed reporting requirements, after which the SRC agreed to form a working group with CSOs to work further on these amendments.

CSOs are allowed to operate freely, address matters of public debate, and express criticism, as long as they act in line with the general legal framework. CSOs and their members have the right to assemble and participate in peaceful public protests. However, CSOs are allowed to represent their constituents’ interests in court only in cases dealing with environmental issues.

Although many civic activists were detained during the Velvet Revolution, the situation improved dramatically immediately thereafter and CSOs and their members did not experience any direct abuse by state institutions or groups acting on behalf of the state for the rest of the year. Notably, police harassment during peaceful public protests and demonstrations ceased, a change from previous years when individuals, including CSO and media representatives, were arrested by police or attacked by supporters of the regime from time to time.

According to the Tax Code, CSOs with total annual income exceeding AMD 58.35 million (about $120,000) have to pay 20 percent value-added tax (VAT) on their income. However, CSOs are eligible for exemptions from VAT for purchases under certain projects and procurements deemed charitable by the government. To access these
exemptions, eligible CSOs must apply to the State Humanitarian Commission. Commercial organizations and corporate donors can deduct donations to eligible CSOs from their taxable income up to 0.25 percent of their gross annual income; individual donors do not receive any tax deductions.

The legal framework allows both public organizations and foundations to engage in direct income-generation activities. Any profit generated must be used in accordance with the goals stipulated in the organization’s charter. Social enterprises do not receive any special tax benefits, and are instead subject to the same taxes as commercial enterprises. CSOs are also allowed to compete for government contracts at the local and central levels. In order to provide certain social services under government contracts, public organizations must be certified by the Ministry of Labor and Social Affairs (MLSA). CSOs are allowed to engage in fundraising campaigns and accept funds from foreign donors.

There are local lawyers trained and specialized in CSO-related issues in Yerevan and regional centers. In addition, CSOs can access legal support from resource centers and local organizations focused on human rights or legal issues. In 2018, organizations including the Armenian Lawyers’ Association, Transparency International Anticorruption Center (TIAC), the A.D. Sakharov Armenian Human Rights Protection Center, NGO Center (NGOC), Eurasian Partnership Foundation (EPF), and Civic Development and Partnership Foundation (CDPF) helped CSOs to revise and improve their charters, understand new changes in legislation, and properly organize social enterprises. In addition, in 2018 the USAID-funded CSO Development Program (CSO DePo) published two handbooks focused on CSO registration and operation.

**ORGANIZATIONAL CAPACITY: 3.5**

CSOs’ organizational capacities improved slightly in 2018 as a result of advances in CSOs’ strategic planning, internal management, and constituency-building capacities fostered by the long-term efforts of several donor-funded projects, including the EU-funded STRONG CSOs for Stronger Armenia (2015–2018), the USAID-funded Engaged Citizenry for Responsible Governance program (2014–2019), and the EU-funded Bridge for CSOs (2016–2019).

CSOs continually improve their abilities to identify potential constituents and beneficiaries and develop relationships with them. According to the Capacity Building Needs Assessment conducted in 2018 within the framework of the STRONG CSOs project, CSOs reported improvements in obtaining feedback from beneficiaries and increasingly used more effective mechanisms to collect data on their constituents and beneficiaries. Several donor-funded projects included constituency-building components during the year. For example, the USAID-funded Engaged Citizenry for Responsible Governance program, managed by TIAC, builds CSOs’ capacities to use participatory methodologies to engage constituents in their monitoring and advocacy efforts. In general, informal social movements seem to have stronger relationships and wider outreach with their constituencies than formal CSOs. For example, the Restart student initiative, which began at Yerevan State University, created local groups at fourteen other universities throughout the country, resulting in a large group of supporters and constituents.

CSOs also reported significant improvements in 2018 in their abilities to define missions and organizational goals, engage in strategic planning, and use self-assessment techniques to measure the success of their work. This improvement was also facilitated by various capacity-building projects. For example, within the framework of the CSO DePo program, more than 100 CSOs were evaluated and received consultations in strategic planning, communications, self-assessment, service provision, and other areas. Formally registered CSOs are required to state their main goals and spheres of activities in their charters. Generally, CSOs try to follow their missions and priorities, however, in many cases donor funding drives the spheres in which CSOs operate. In many cases,
informal initiatives and movements have more precise missions, priorities, and strategic goals and are more persistent in implementing them than formal CSOs.

The Law on Foundations prohibits the employment of board members in executive management. The Law on Public Organizations, on the other hand, does not require a division of responsibilities between governance bodies and staff members. While this provides organizations with flexibility in determining their management and governance structures, it also allows conflicts of interest, particularly in small CSOs that often employ their board members. According to the Capacity Building Needs Assessment, CSO boards have become more engaged in decision-making processes and demonstrated an increased role in organizational operations. The assessment also found that the number of CSOs that use written internal policies or procedures to guide their organizational activities has increased. CSOs continue to experience conflicts of interest, but increasingly acknowledge the need to take appropriate steps to minimize such occurrences.

The quality and management of human resources also improved in 2018 due to various capacity-building programs. The STRONG CSOs project reported an improvement of capacities in procurement and database management at the overall organizational level, while planning and technological awareness skills have improved on the personal level. Generally, CSOs engage staff on short-term contracts when funding is available. A small number of CSOs—primarily large CSOs that have been involved in capacity-building programs, have adequate human resources practices. CSOs generally outsource the services of accountants, information technology (IT) specialists, and lawyers when needed, as this is less expensive than hiring permanent staff.

A culture of volunteering is increasingly developing in Armenia. According to the STRONG CSOs needs assessment, 90 percent of surveyed CSOs involve volunteers in their work, while 21 percent of respondents reported that they do not have paid employees at all and work solely with volunteers.

CSOs generally have access to basic office equipment, but few CSOs can afford to upgrade their equipment unless grant funding is available. Internet access is readily available throughout the country and is relatively cheap. Most functioning CSOs have websites, as well as social media pages. Facebook and Instagram are especially popular among CSOs, whereas Twitter, LinkedIn, and other social media platforms are used less. In 2018, some CSOs started to use Telegram, a secure messaging app that became especially popular during and after the Velvet Revolution.

**FINANCIAL VIABILITY: 4.9**

Although it remains the weakest dimension of sustainability, CSOs’ financial viability improved slightly in 2018 due to increased diversification of funding opportunities, as well as increased transparency of government funding.

CSOs increasingly acknowledge the need to diversify their resources, but a majority of CSOs’ income still comes from foreign donors including the United Nations (UN), European Union (EU), USAID, and Open Society Foundation. The level of foreign funding did not change significantly in 2018, although some donors expressed their willingness to support democratic reforms in Armenia, with increased funding expected in 2019.

CSOs have enhanced their capacities to raise funds from local sources, including local businesses and philanthropic individuals and foundations. The Armenian diaspora is a key source of funding for local CSOs. For example, the Armenian General Benevolent Union (AGBU), based in New York City, has an annual budget of over $46 million. Several international organizations and philanthropic foundations, such as World Vision Armenia, Save the Children, and Armenian Karitas, have started to engage in local fundraising efforts. For example, Armenian Karitas organized a charity dinner in Gyumri in November.
Several large companies, such as Qajaran Copper-Molybdenum Company, various telecommunications and IT companies, and financial organizations, collaborated with CSOs within the framework of their corporate philanthropy and corporate social responsibility (CSR) programs in 2018. For example, an increasing number of companies collaborate with the Eco Aghb initiative group, which collects plastic and paper garbage and sells it to recycling companies, using the income for its ecological initiatives. As part of its CSR efforts, the ACBA Credit Agricole Bank started offering special low-rate loans for social enterprises in collaboration with the Association of Social Enterprises of Armenia.

CSOs increasingly use crowdfunding techniques to raise funds, including from the business sector and diaspora. For example, the Restart student initiative used crowdfunding initiatives to cover the tuition of students from economically disadvantaged families. Based on the success of these activities, Restart initiated the establishment of the Restart Foundation, which will be in charge of more institutional fundraising activities. Currently, a limited number of CSOs collect membership dues, which are usually very small and do not cover basic operational costs.

CSOs are increasingly interested in social entrepreneurship and some social enterprises established in recent years have become quite successful. For instance, ten social enterprises established in 2017 under the EU-funded Community Development through Social Entrepreneurship (CODE-SE) project generated income in 2018, which they used to support various social projects, including educational opportunities for disadvantaged families, youth programs, and cultural activities. Several platforms and organizations support social entrepreneurship in the country. These include the EU, Impact Hub Yerevan, USAID, KASA Foundation, Red Cross Armenia, the Association of Social Enterprises of Armenia, and CDPP’s Center for Social Entrepreneurs. Sky and Impact youth clubs throughout the country, organized by World Vision Armenia, develop and implement small business projects in their local communities, such as a greenhouse in Sisian, production of agricultural products in Shirak region, a school for DJs in Gyumri, and tourism projects. Some of these projects have made the clubs self-sustainable. Other successful social enterprises include Nimba, which enables women from disadvantaged families to work in the textile industry; Aregak, the first inclusive and barrier-free bakery and coffee shop in Gyumri; and the Bohem art-teahouse in Sevan. Many CSOs have started providing paid services to government bodies and other sectors, including training and capacity-building services, strategic planning, and research services. The scale of these services increased in 2018.

Central government and local self-government bodies provide small amounts of grant funding to CSOs, and outsource some social services to CSOs. In 2018, the total budgeted amount for nonprofit grants and subsidies directed to non-governmental and non-commercial (public) organizations was about 10.8 billion AMD (about $22 million), compared to 6.8 billion AMD in 2017. After the Velvet Revolution, the process for allocating state grants became more open and transparent. For example, the Ministry of Culture updated its application forms based on templates used in the CSO sector. In addition, recent constitutional and legislative changes are having a positive influence on the transparency of public expenditures, including to CSOs. As a result, more CSOs were able to bid on state grant opportunities on equal terms with other organizations.

In addition to volunteer labor, local CSOs benefit from other forms of non-monetary support from their communities and constituencies, including free office space in public administration buildings. In many cases, local governments also cover the cost of CSOs’ utilities.

Generally, CSOs, particularly foundations, have appropriate financial management systems that allow them to produce financial reports for their donors and government. Donor-funded capacity-building projects often address financial management and financial sustainability issues. The Law on Public Organizations requires public organizations that receive public funding to disclose annual reports, while all foundations are required to publish their annual financial reports on the state-administered Azdarar web-page. Foundations are required by law to conduct external audits if their total assets exceed AMD 10 million (around $21,000); public organizations generally only do so if required by their donors. According to the STRONG CSOs needs assessment, CSOs often identify finance-related capacities, including financial management and fundraising, as their top needs.
CSO advocacy improved significantly in 2018. Civil society’s role in the Velvet Revolution demonstrated its capacity to quickly address the needs of the population at large and to shape the public agenda. The Merzhir Serzhin (Reject Serj) initiative formed immediately after Sargsyan announced his intention to become prime minister. Together with the Restart student initiative, it mobilized massive numbers of students and youth during the protests. Civil society’s final victory was achieved with the downfall of RPA, which had instilled a culture of corruption, oligarchy, poverty, and poor protection of human rights during its more than two decades of rule.

After the Velvet Revolution, the new government launched wide-ranging democratic reforms that are generally in line with the CSO sector’s agenda, including the introduction of transitional justice measures, facilitation of higher levels of democratic governance, fight against corruption, and enhancement of governmental transparency and accountability. CSOs were involved in developing these policies in 2018. For example, the CSO sector played a major role along with governmental authorities and the political opposition in the 2018 electoral reform process. CSO representatives were also actively involved in oversight activities for the elections.

A number of institutional mechanisms and platforms provide opportunities for CSOs to participate in government decision-making processes. The Law on Legal Acts, a new version of which came into force in March 2018, requires the organization of public discussions on draft laws. In addition, the government’s e-draft.am platform houses draft laws developed by state agencies, and CSOs can participate in various public councils and working groups. After the revolution, the newly formed government and local authorities were more responsive to CSOs’ advocacy activities and the effectiveness of these mechanisms increased. CSOs were able to provide their recommendations and opinions on various draft laws through the e-draft.am platform, which began functioning in 2017 and became significantly more popular in 2018. For example, CSOs provided feedback on the amendments proposed by the SRC to the Laws on Public Organizations and Foundations that envisage increased reporting and other requirements, which was viewed on the platform nearly 2,000 times. All seventeen ministries have public councils that include CSOs. State agencies and local self-government bodies also became more responsive to CSO criticism, suggestions, and recommendations.

Donor-funded projects support many broad-based advocacy campaigns aimed at shaping the public agenda, public opinion, or legislation in 2018. The EU-funded Commitment to Constructive Dialogue is aimed at enhancing the influence of CSOs and CSO coalitions on public, local, and national policy agendas. Its efforts focus on identifying common concerns and priorities, while approaching government bodies with constructive and strategic policy engagement initiatives. The USAID-funded Engaged Citizenry for Responsible Governance project aims to increase civic engagement and oversight of reforms to improve transparency and accountability of government actions and policies.

In 2018, CSOs engaged in many advocacy initiatives in response to needs that emerged in the context of the ongoing political and economic changes in the country. For example, after the government announced a plan to set a 23 percent income tax on all salaries and to compensate for the expected budget loss by increasing excise taxes on approximately seventy types of products, the newly formed Against Income Tax Equalizing initiative and the Boon TV educational portal initiated active discussions on welfare and social justice issues. The Armenian Ecological Front, along with other activists, raised concerns about the risks that the new Amulsar metal mine posed to the health and safety of communities and the environment. As a result of continuous protests at the mine, the miners stopped working, forcing the government to initiate a new environmental impact assessment. Infotun networks received small grants to monitor the process of community consolidations initiated by the central government. As a result, a set of recommendations was developed and submitted to the Ministry of Territorial Administration and Development.
There were no cases recorded in 2018 of the newly formed government either directly or indirectly discouraging CSO advocacy on politically controversial issues. In addition, illiberal and populist advocacy groups that had previously been active became largely dormant and did not significantly challenge the initiatives of democratic, right-promoting CSOs.

CSOs are comfortable with the concept of lobbying. Local CSOs were especially successful lobbying at the local level in 2018. For example, within the framework of USAID-funded Engaged Citizenry for Responsible Governance project, the Compass Research Training and Consultancy Center provided twenty-nine recommendations to the Gyumri town municipality on the formation of new, more effective models for garbage collection, road construction, the creation of working groups, and other topics. The town council accepted seventeen of these recommendations and incorporated them into its 2019 budget.

The CSO community has a good understanding on how a favorable legal and regulatory framework can enhance CSOs’ effectiveness and sustainability. In 2018, several CSOs made efforts to improve the new government’s long-term vision on social entrepreneurship. In addition, the Armenian Lawyers’ Association worked with over 100 partner CSOs to engage in a constructive dialogue with the SRC on the creation of the CSO-SRC working group, which will focus on CSO accountability and drafting amendments to the Laws on Public Organizations and Foundations.

**SERVICE PROVISION: 3.7**

CSO service provision improved slightly in 2018 as the range and quality of CSO services expanded. CSOs also demonstrated increased responsiveness to their constituencies’ emerging needs and the government expressed growing appreciation for CSO services.

CSOs provide services in a variety of fields including community development, social services, education, human rights protection, environment, and government accountability and transparency. According to the STRONG CSOs needs assessment, more CSOs mentioned economic development and poverty reduction as their dominant fields of work during 2018 than in 2015, indicating expanded diversification of services.

Although CSOs provide a diverse range of goods and services, they still only partially meet the needs of their constituents. For example, while there has been growth in the types of projects initiated within the youth sector, they still do not fully address the primary needs of youth in terms of employment and education. CSOs increasingly recognize the importance of comprehensive needs assessments and research. The STRONG CSOs needs assessment reports that the percentage of CSOs conducting needs assessments increased from 15 percent in 2015 to 31 percent in 2018. The growth in the use of needs assessments, particularly those based on participatory approaches, is also encouraged by donor-funded projects. For example, the EU-funded Commitment to Constructive Dialogue requires its sub-grantees to engage in research as part of its constructive and evidence-based policy-making activities.

CSOs generally provide their goods and services to a broad range of beneficiaries. The Law on Public Organizations stipulates non-discrimination as a key principle of CSOs’ activities. CSOs generally follow this rule and provide goods and services without discrimination regarding race, gender, ethnicity, or sexual orientation.

Largely as a result of donor-funded capacity-building projects, CSOs have moderately improved their capacities to generate revenue through service provision. For example, within the framework of the EU-funded EU4Women: Economic Empowerment through Social Enterprise project, which is jointly implemented by the Near East Foundation UK (NEF UK) and WDRC, twelve CSOs in the provinces received technical and financial support to launch or further develop social enterprises.
Government appreciation for CSO services—especially social services and public monitoring of state and local self-government bodies—significantly improved in 2018. For example, during the government session held in December 2018, the prime minister announced the government’s willingness to outsource more social services to CSOs in 2019. Local municipalities allocate 1 to 5 percent of their annual budgets to local CSOs for projects in the fields of education, recreation, and culture.

**SECTORAL INFRASTRUCTURE: 3.0**

The infrastructure supporting the CSO sector improved slightly in 2018 due to the increased scope and quality of the technical assistance and training programs provided by intermediary support organizations (ISOs), resource centers, and academic programs. In addition, CSO networks and coalitions have strengthened.

ISOs and resource centers, such as EPF, NGOC, Partnership and Teaching NGO, TIAC, and the Network of Infotuns (information houses) continue to provide assistance, training, information resources, as well as sub-grant opportunities to CSOs. A portal created on the CSO DePo webpage in 2016 presents profiles of CSO trainers and consultants. The portal had at least 3,000 visitors per month during 2018, and anecdotal evidence suggests that most of the thirty-three listed experts have been contacted by various CSOs at least ten times to conduct training and capacity-building exercises. Capacity-building activities and training opportunities are available both in Yerevan and the regions. ISOs and resource centers provide some paid services to CSOs, thus generating some revenues.

Several ISOs re-grant international donor funds to local CSOs for projects that address locally-identified needs. The Armenian Lawyers’ Association provided forty-seven EU-funded sub-grants to consortia of CSOs during the year. TIAC continues to provide grants to local CSOs within the framework of the USAID-funded Engaged Citizenry for Responsible Governance Project.

Cooperation within the CSO sector significantly improved during 2018, largely as a result of available grant programs focused on CSO consortia and coalitions. At the end of 2017, the STRONG CSOs project awarded sub-grants to seventeen coalitions involving forty-six CSOs from all over Armenia, with total funding exceeding EUR 900,000 (up to EUR 60,000 per project). The EU-funded Commitment to Constructive Dialogue program provided nine sub-grants to nine CSO coalitions; a total of AMD 225 million (approximately $472,000) was awarded. Finally, seven CSO coalitions that participated in the CSO Incubator project were awarded sub-grants worth up to AMD 8.5 million (approximately $17,800) each to strengthen the capacities of their coalitions.

In 2018, CSOs enjoyed increased access to capacity-building and training programs covering diverse aspects of organizational management, including strategic management, financial management, fundraising, volunteer management, social entrepreneurship, constituency building, and advocacy. The STRONG CSOs project reached 360 staff members from 135 CSOs through trainings, coaching sessions, and pro bono consultations on organizational management, project management, fundraising, and social entrepreneurship. Within the framework of the EU-Funded BRIDGE for CSOs project, AGBU Armenia provided training to 150 representatives of 115 CSOs in 2018, while another component of the project created links between 75 local CSOs and over 41 experienced pro bono professionals from the diaspora. In addition, provincial CSOs had greater access to trainings, as some training projects formally required the inclusion of regional CSOs. Some training materials are available in Armenian; however, a significant portion of the literature is still not available in the local language.

In November 2018, American University of Armenia (AUA) launched a new certificate program in nonprofit management within the framework of the BRIDGE for CSOs program. Eighteen CSO representatives from Yerevan and surrounding provinces began this program at the end of 2018. The Faculty of International Relations of Yerevan State University provides a six month-long intensive academic course on CSO management.
CSO partnerships with government and media continue to grow. The newly founded Armenian Business Coalition, which is comprised of more than thirty CSOs, for example, started to work with the Ministry of Economic Development and the Standing Committee on Economic Affairs on the new Small and Medium Enterprise (SME) Development Strategy for 2019-2024. Child rights organizations such as World Vision and Save the Children initiated the Ending Violence Against Children campaign, with active participation by the media aimed at increasing public awareness of the issue. Collaboration with the business sector is still limited.

PUBLIC IMAGE: 3.7

CSOs’ public image improved moderately in 2018 due to the increased visibility of CSOs in media and widespread recognition of civil society’s role in the Velvet Revolution. In addition, many CSO representatives took government posts and participated in elections after the revolution, increasing CSOs’ visibility even more.

The scope and quality of media coverage of CSOs improved significantly in 2018, with media, especially local and online outlets, regularly covering CSO events and activities. Both broadcast and online media outlets more frequently turned to CSO representatives for expert opinions on topics of public concern in 2018. Several media platforms, such as Article 3 Club (run by For Equal Rights), Media Center (managed by the Public Journalism Club), Azatutyun Radio Station/US, Civilnet Armenian online newspaper, and Factor TV, are particularly CSO-oriented and provide regular space and time for CSOs. On the other hand, media coverage of CSOs at the national level, especially on traditional TV channels, is still limited. In addition, media coverage of CSO activities is largely superficial, often lacking more in-depth and systematic analysis of the roles CSOs play in society. CSOs are sometimes able to broadcast public service announcements for free.

Under the previous regime, there were many negative publications, particularly in the pro-government media, in which CSOs were accused of “grant-chasing,” following “European values,” or opposing traditional Armenian values. The number of such stories decreased in 2018.

According to the Public Opinion Survey: Residents of Armenia, conducted in October 2018 for the International Republican Institute (IRI), 46 percent of respondents consider the work of NGOs and CSOs favorable, while 38 percent consider it unfavorable. While the public perception of CSOs has improved moderately over the past few years, there is still a perception among the population that CSOs are “grant-chasing” organizations. People usually have positive attitudes and trust towards those organizations and CSO representatives that they know personally, especially provincial CSOs and non-formal initiatives. The public became more supportive of CSOs’ activities after the Velvet Revolution. For instance, many people have now joined CSOs that are engaged in public monitoring of local government and municipal budgets, whereas previously these groups were perceived negatively. In addition, the number of people who turn to CSOs for various forms of support has increased.

CSOs’ reputation with the government also improved significantly in 2018. Many new government officials acknowledge CSOs’ expertise, research capacities, and opinions and are more open to collaborating and cooperating with CSOs, including on the provision of services. The government’s recognition of CSO expertise also is demonstrated by the fact that several key sectoral documents were developed in close collaboration with CSOs in 2018. For instance, the Union of Informed Citizens drafted amendments to the Electoral Code in close collaboration with the government and other CSOs prior to the snap parliamentary elections. The perception of CSOs—both those engaged in advocacy and service provision—has also improved among local government officials. CSOs are more frequently invited to participate in local public consultation meetings and decision-making processes, and their voices matter. The business sector, on the other hand, still has a limited understanding of CSOs and their role.
CSOs constantly strive to improve their public relations skills, as well as their relationships with journalists. In 2018, the Media Initiatives Center organized media tours to Gyumri, Alaverdi, Armavir, and Vanadzor within the framework of the CSO DePo and Media for Informed Civic Engagement (MICE) projects supported by USAID. During these tours, journalists representing various prominent media outlets were introduced to the activities and initiatives of local CSOs, as a result of which media materials on grassroots civil society activities were published.

CSOs such as the Compass Research Training and Consultancy Center in Gyumri and the NGO Center in Vanadzor actively use social media, particularly Facebook and Instagram, to raise public awareness of their activities. One way they do this is through the use of live streams on social media during public consultation meetings and workshops. Many CSOs and civic initiatives also now publish announcements and news on a regular basis. In general, informal civil society initiatives use social media more systematically than formal CSOs. Though many CSOs have started to use social media, few have developed social media strategies and most still lack professional approaches. During its training and capacity-building activities, EPF addressed CSOs’ capacities to promote their public image, including the use of visual and verbal communication through websites and social media.

Only a few advanced and relatively large CSOs have codes of ethics or try to demonstrate transparency in their operations by publishing annual reports or other relevant information. While associations are not required to publish annual reports, foundations are required by law to publish annual reports on the state-administered websites. Disclosed annual reports are usually very generic, with basic information about beneficiaries and activities, but no details about CSOs’ operations or financial flows. Some CSOs share information about their activities in the form of infographics rather than detailed annual reports.
The government of Azerbaijan’s relationship with CSOs thawed in 2018, partly in response to pressure from the international community. This contributed to an improvement in overall CSO sustainability, with positive developments noted in the legal environment, financial viability, advocacy, sectoral infrastructure, and public image dimensions. The legal environment improved as harassment of CSOs subsided: the Ministry of Justice (MoJ) initiated fewer CSO audits, there were no known instances of penalties being imposed on local or foreign CSOs, and travel bans on CSO leaders were lifted during the year. Despite these improvements, CSOs still operate in a restrictive environment in which they face obstacles to registering, have a hard time registering foreign grants, and are required to receive permission from the authorities to organize public events in the regions. The number of grants, donations, and foreign service contracts registered with the MoJ increased, which had a positive impact on the sector’s financial viability. While still limited, CSO advocacy improved, with some government entities demonstrating increased will to collaborate with CSOs, enabling a broader range of CSOs to participate in decision-making processes. Local entities offered more training opportunities and intersectoral partnerships between CSOs and the government expanded, strengthening the infrastructure supporting the sector. Finally, the sector’s public image improved slightly in parallel to the government’s warmer relationship to CSOs.

According to official information, in 2018 the MoJ registered 169 new CSOs (compared to 141 in 2017), bringing the total number of registered CSOs to 4,350 as of February 2019. There are also several hundred unregistered groups in the country.

The legal environment governing CSOs in Azerbaijan improved in 2018. However, CSOs continued to be subject to obstacles when registering, as well as many constraints on their operations.

Key legal acts regulating the legal environment for CSOs include the Civil Code, Law on Non-Governmental Organizations (NGOs), Law on State Registration of Legal Entities and State Registry, the Tax Code, and various decisions of the Cabinet of Ministers.

The registration of CSOs, including foreign CSOs, continues to be difficult. The process is lengthy, sometimes taking months, and the MoJ often takes a subjective approach based on the mission of an organization or its
founders. A new government services online portal contains detailed information on how to register a CSO with the MoJ.

Rules adopted in 2015 require CSOs to register foreign grants, domestic and foreign donations, and foreign service contracts with the MoJ. In past years, these requirements have virtually prevented CSOs from receiving any funding. According to official statistics from the MoJ, 2,289 grants, donations, and service contracts—both from the government and from foreign donors—were registered during 2018, an increase from 2,222 in 2017. No data is available on the precise sources of these financial instruments or amounts of these awards. According to CSOs, however, the MoJ registered at least twelve grants from the Embassy of Japan, several from the European Union (EU), United Nations (UN), and Eurasia Foundation, and at least one from USAID in 2018. The registration of foreign service contracts continues to be much easier and faster than the registration of foreign grants. The “one-stop shop” grant registration process (introduced by Presidential Decree in October 2016) made it easier to obtain the opinion of the Ministry of Finance (MoF) on a grant’s financial and economic expediency. Under this process, the MoJ, rather than the CSO, shares the grant application and its annexes with the MoF, which issues the opinion within a few days. The registration of grants from the state budget is a straightforward process and CSOs have no problems with it.

Rules adopted in 2015 require donors to undergo a multi-tier system of approval, including registering their branch offices in Azerbaijan, signing agreements with the MoJ, and receiving approval for each grant from the MoF. This system was simplified in 2017, and in practice, the MoJ overlooked cases where donors did not fully comply with the rules in 2018. The MoJ said that the EU was not eligible as a donor in 2015 and 2016, whereas it registered several EU grants in 2017 and 2018.

State harassment of CSOs declined significantly in 2018. There were no cases of the MoJ involuntarily dissolving a CSO during the year. The so-called NGO Case of 2014, in which several foreign and local CSOs were charged with violations of the criminal code, was closed for many organizations in 2018, although it remained open for others, such as the American Bar Association. In addition, bank accounts were unfrozen and travel bans were lifted, the number of inspections conducted by the MoJ decreased from ten in 2017 to eight in 2018, and there were no known instances of local or foreign CSOs being fined by the MoJ during the year. In addition, the MoJ only issued two warnings to CSOs in 2018, compared to thirty-three in 2017. Although it is not set forth in the law, in practice CSOs are still required to obtain approval from the local executive authorities prior to organizing any public events.

Changes to the Law on NGOs in May and June 2018 authorize the government to suspend the activity of CSOs during military situations and ban the establishment of CSOs in military units. This change is expected to have little impact on CSOs as there has not been a military situation in more than twenty years and there have not been any known cases of CSOs being established in military units.

CSOs are exempt from income tax on income from grants, donations, and membership fees. Changes to the Tax Code adopted in December 2018 introduce a 10 percent income tax deduction for commercial companies making donations to CSOs specialized in science, education, health, sports, or culture. In addition, these changes exempt income from the sale of agricultural products from income tax for five years, which is a significant benefit for CSOs that run social enterprises producing agricultural products.

Onerous new accounting rules were introduced for CSOs during the year that will be enforced beginning in 2019. The CSO sector does not generally have the capacity to comply with the extensive new rules; most CSOs do not even have accountants. The MoF and the Young Accountants’ Union, a local CSO, will organize pro bono training sessions for CSO accountants to familiarize them with the new accounting rules.

CSOs are allowed to earn income from the provision of goods and services, including by charging fees and establishing social enterprises. CSOs can engage in fundraising campaigns as long as they follow the rules on donations, and compete for government procurements.
Legal assistance to CSOs has improved over the past few years. In 2018, a project jointly funded by USAID and the Council on State Support to NGOs under the President of Azerbaijan (hereinafter, the “NGO Support Council”) developed NGO Azerbaijan, a mobile application that allows users to access information on issues related to CSO legislation, including registration, regulation of income, and taxation. The app also contains sample documents to help CSOs in their routine work, such as registration applications, contracts with volunteers, and service contracts. In addition, some CSO activists continue to benefit from pro bono legal assistance through a Facebook page called NGO Legislation (QHT Qanunvericilik), which is operated by a commercial company specializing in CSO legislation. In addition, a leading specialist in CSO legislation continues to teach a specialized course called NGOs and Human Rights at the Law Faculty of Baku State University. Every year, five to ten students complete this course before continuing their careers with CSOs or government. During the year, the USAID-funded Legal Enabling Environment Project (LEEP) organized several trainings on CSO legislation, as a result of which dozens of CSOs from Baku and the regions improved their knowledge of CSO legislation, including reporting obligations, regulation of income, and tax legislation.

Finally, changes were introduced to the Civil Procedure Code that provide for ex officio advocates (solicitors or advocates paid by the state to represent particular clients) for civil cases in the courts as well as administrative arrests. With these changes, CSOs can theoretically use the services of ex officio advocates in cases of administrative arrest of their members or civil claims—for example, related to registration with the MoJ—at the courts. In practice, however, state-appointed advocates are unlikely to efficiently defend CSOs or independent CSOs facing administrative arrests or civil claims.

In a rare occurrence, the International Culture Center won a court case in 2018 against the MoF’s decision to impose a penalty on it for failure to submit an annual financial report.

**ORGANIZATIONAL CAPACITY: 6.1**

CSOs’ organizational capacity did not change in 2018. The organizational capacity of regional CSOs continues to be significantly weaker than that of organizations in the capital because of their more limited access to funding (both foreign and domestic), legal and administrative barriers, and weak human capital. However, the fact that at least two donor-funded projects that focus on CSO capacity building—the USAID-funded Empowering Civil Society Organizations for Transparency (ECSOFT) project and the EU-funded Capacity Building of CSOs in Azerbaijan—started in 2018 may lead to improvements in the future.

CSOs find it extremely difficult to establish direct contact with constituencies in the regions due to the need to receive permission from authorities in order to organize public events. In contrast, social media offers a relatively free environment for CSOs to communicate with their constituents.

Active CSOs in Baku, as well as some larger CSOs in the regions, adhere to their missions to the extent that funding allows. Smaller organizations pay less attention to their missions. CSOs have few long-term funding perspectives, which makes strategic planning impossible.

Separation of powers within CSOs exists mostly on paper. Most CSOs have formal management and governance structures, but in practice the roles of boards or councils of trustees are limited to satisfying reporting requirements. The majority of CSOs are believed to have some formal written policies to guide organizational operations, but these documents are rarely used in practice. Some CSOs have established businesses in order to avoid the grant registration requirements; such arrangements often lead to conflicts of interest when the businesses use CSO property.
Most CSOs cannot afford to keep highly qualified staff on their payrolls, which results in an outflow of professionals from the sector. Few donors support the administrative expenses of CSOs and therefore, very few organizations can afford to engage lawyers, information technology (IT) managers, or accountants, much less fundraisers, human resource managers, or compliance managers. Instead, CSO leaders often perform all of these functions.

According to the Charities Aid Foundation’s 2018 World Giving Index, 12 percent of respondents in Azerbaijan reported that they participated in voluntary action in 2017, down from 16 percent in 2016.

Most CSOs cannot afford office rent and instead work from their chairpersons’ houses, especially in the regions. Very few CSOs own cars. Organizations operating in towns with functioning and reasonably equipped NGO Resource Centers can use their facilities for events and their day-to-day work free of charge. Although CSOs’ equipment is generally outdated, they make broad use of the internet, which is available in Baku and the regions, to learn about legislative changes, new funding opportunities, and other important information affecting their work.

**FINANCIAL VIABILITY: 6.5**

CSO financial viability improved slightly in 2018. According to official statistics from the MoJ, CSOs’ income increased by 45.6 percent between 2017 and 2018, reaching AZN 213.9 million (approximately $125 million). In addition, there have been some positive developments with the registration of foreign grants, donations, and service contracts. In 2018, the MoJ registered at least twelve grants from the Embassy of Japan, several from the EU, UN, and Eurasia Foundation, and at least one from USAID, while in 2017, only a few foreign grants were registered. Some of these grants involve sub-grants to other CSOs. However, funding from the NGO Support Council and Youth Fund continue to be the key funding sources for most active organizations.

Over the past few years, many CSOs started to receive foreign funding through affiliated commercial entities and individual service contracts. Some CSOs note that their grant history has suffered as a result of this practice, making them ineligible for large donor grants. In 2017 and 2018, the NGO Support Council suggested an alternative funding scheme in which a donor wires funds to the bank account of the NGO Support Council, which then wires it to the local organization. Under this scheme, the NGO Support Council also ensures approval of the grant from MoJ. This channel has been utilized in at least one case.

The largest government donors include the NGO Support Council (which financed 576 projects valued at nearly AZN 4 million (approximately $2.3 million) in 2018), Youth Fund (which awarded 99 grants to CSOs valued at AZN 683.500 (approximately $400,000) in 2018), State Fund for Support to the Development of Mass Media, and the Science Development Fund. In 2018, three new government bodies—the Ministry of Labor and Social Protection of the Population (MLSPP), Ministry of Health, and Ministry of Agriculture—began awarding funds to CSOs, bringing the total number of government bodies that award grants to CSOs to twelve. In general, the government advertises calls for funding online and shares them in the media. In 2018, grant competitions were held in areas including civil society strengthening, cultural diversity, human rights, human trafficking, women’s rights, rights of internally displaced people (IDPs) and refugees, rights of the disabled, environmental protection, education, culture, and history.

Although its internal regulations only allow it to issue one grant per CSO each year, the NGO Support Council has the most transparent grant procedures of these bodies. In 2018, it introduced a number of electronic novelties in the grant application and administration procedures, including an e-system to schedule contract signing; e-submission of project reports; and e-communication between the project team and the NGO Support Council’s staff.
The government continues to introduce the use of social contracting—outsourcing of social services—to CSOs. In 2018, MLSPP awarded social contracts to a total of eighteen CSOs.

CSOs rarely pursue funding through membership fees, local donations, or commercial tenders. Some CSOs collect local donations by placing cash boxes at shops or markets, despite the fact that there is no legal regulation of such fundraising. Local businesses such as Azercell and Azersun continue to support CSOs engaged in charity and sports events.

A limited number of CSOs have strong financial management systems. The financial capacities of regional CSOs are especially limited. The majority of CSOs do not publish annual financial reports with financial statements, despite the fact that they must submit this information to the MoF. Some banks have created additional bureaucratic obstacles for CSOs by requesting copies of contracts for all wires received and proof of registration from MoJ. In addition, banks refuse to issue debit and credit cards to CSOs.

ADVOCACY: 5.6

CSO advocacy improved moderately in 2018. Compared to previous years, some government entities demonstrated increased will to collaborate with CSOs, enabling a broader range of CSOs to participate in decision-making processes.

CSO-government cooperation channels widened during the year, with CSOs providing more policy recommendations and participating in public councils, discussions, and working groups. For example, the Azerbaijan Microfinance Association submitted a package of proposals to the MoF to address the issue of problem loans, some of which the MoF accepted for further discussion in 2019. Similarly, the Ministry of Agriculture consulted agriculture-focused associations and took into account some recommendations related to microfinance schemes, agricultural development of rural areas, and other issues. In addition, the Ministry of Agriculture established a separate unit to work with associations and created a WhatsApp group to facilitate communication. The Center for Economic Reforms also involved CSO experts in consultations. In April 2018, the State Committee on Property Issues (SCPI) invited CSOs to a Business Dialogue on real estate and in October 2018 it participated in a public dialogue with some thirty CSOs on the registration of real estate as part of the Dialogue Platform of State and Civil Society for Promotion of the Open Government Partnership (OGP, known as the OGP Platform).

The practice of organizing public discussions of draft laws with the participation of independent experts and CSOs also improved to some degree. In 2018, a parliamentary committee organized public discussions of the draft Law on Developing Small and Medium Entrepreneurship and the draft Law on the Protection of Children from Dangerous Information. Other discussions were held during the year on amendments to the Anti-Corruption Law related to whistleblower protections (under OGP), and bylaws regulating social issues (with the participation of the public council under MLSPP). A health organization submitted a package of proposals to parliament in 2017, which were discussed at the Health Committee in 2018; the law was still pending at the end of the year. However, consultations with CSOs regarding draft legislation are still not organized consistently. In particular, the Cabinet of Ministers never holds public discussions with CSOs, even on issues that directly affect them.

The Law on Public Participation, which entered into force on June 1, 2014, provides a legal basis for citizens to participate in governance through various mechanisms, including public councils, which serve as consultative bodies to the government. Its implementation, however, is still weak. In 2018, more than ten state bodies—including Azerbaijan Service and Assessment Network (ASAN), MLSPP, MoJ, State Migration Service, and the Committee on Women, Children and Family Affairs—had public councils with CSO members. The process for setting up the public council in the Ministry of Health began in 2018.
Other advocacy instruments also exist on paper, but are not implemented at present. For example, the Constitution stipulates that 40,000 citizens can initiate legislative initiatives; however, the supporting legislative framework to exercise this constitutional provision does not yet exist. In addition, the Law on the Status of Municipalities stipulates that citizens can participate in local self-governance through mahalla committees, voluntary unions of local residents. Municipalities should take into account the decisions adopted by mahalla committees and reply to their requests within a month. In practice, however, these do not function, with the exception of a limited number of active mahalla committees and even these do not have significant impact.

In 2018, the government of Azerbaijan demonstrated its willingness to re-activate its status in the OGP, which was suspended in 2016 due to unresolved constraints on civil society, and actively cooperated with civil society to this end. The NGO Support Council provided funding to ten projects aimed at assisting implementation of the OGP National Action Plan. CSOs engaged with the government on issues related to transparency, provided public feedback on government bodies’ services and performance, provided assistance through public councils, raised public awareness, and organized public discussions. For instance, on July 28, 2018, the OGP Platform, which includes CSO representatives, discussed research findings on the application of transparency principles and standards governed by ASAN service centers and made recommendations. On February 5, 2018, the OGP Platform held a public discussion on draft Law on the Chamber of Accounts. During the year, it also held a few other roundtables in cooperation with CSOs, including on CSO work in Azerbaijan. In addition, the OGP Platform successfully cooperated with the government to prepare the Strategic Roadmap for preparation of the new OGP Action Plan for 2019-2020. After the Platform suggested that the transparency of public agencies’ financial expenditures be improved, the Cabinet of Ministers issued a decree to make financial disclosure mandatory. Despite these efforts, the OGP extended Azerbaijan’s suspension in December 2018, because “the core issues raised...remain unresolved.”

Azerbaijan withdrew from the Extractive Industries Transparency Initiative (EITI) in 2017 following the country’s suspension from the EITI Board in October 2016 for failing to make satisfactory progress on civil society engagement. No efforts were made to rejoin this platform in 2018.

Citizens engaged in a successful public advocacy campaign, primarily on social media, opposing an amendment that envisaged a considerable increase in fees for the collection of wild fruits and berries. As a result of the online protest, the amendment was annulled by a presidential decree in February 2019. While this was not a win for any particular CSO, it demonstrated the power of collective outrage channeled into online advocacy.

Existing CSO advocacy platforms include the National NGO Forum, Anticorruption Coalition, South Caucasus Women Congress, National Platform of the Eastern Partnership Civil Society Forum (EaP CSF), and OGP Platform. Advocacy activities still remain limited, especially in the regions. Advocacy capacity is limited mostly to Baku-based CSOs. In the regions, CSOs’ capacity to advocate is also limited by the de facto requirement to obtain approval from the local executive authorities prior to organizing any public events.

Although social media usage is still relatively limited in Azerbaijan, social networks present great potential for advocacy. However, regional CSOs are not well-versed in the use of social media and even Baku-based CSOs do not make full use of this medium.

While CSOs continue to engage in advocacy on the international arena, lack of funding continued to limit these efforts in 2018.

CSOs engaged in several advocacy efforts aimed at loosening the restrictive environment governing the sector, largely within the OGP Platform.

**SERVICE PROVISION: 5.4**

CSO service provision did not change notably in 2018. CSOs provide services in a diverse range of areas. CSOs engage in research, assessment, monitoring, and training services for other CSOs, international and foreign CSOs, businesses, and academia. People with disabilities supported by CSOs have started producing and selling handmade products to meet the growing demand for such goods due to the development of tourism in the country. The government’s Easy Support to Family Business (ABAD) program continues to support such initiatives by organizing the sale of such products at the central railway station in Baku, the airport, and in the Old City.
It continues to be easier for CSOs to register service contracts than grants. However, CSOs often provide services indirectly by concluding service contracts with donors or other customers through affiliated commercial organizations or individuals. The legislative framework for the registration of service contracts did not improve in 2018.

Although there has been a slight increase in the scope of services rendered by CSOs on a paid basis, only a few professional CSOs are able to provide services in the market on a competitive basis. For example, GABA provides services related to agricultural consulting, organic production, agribusiness, and small farm development, while the Azerbaijan Microfinance Association provides training on financial literacy, business planning, fundraising, and women’s small business development. Since beneficiaries of CSO projects are often poor and cannot afford to pay for services, many CSOs prefer to work on technical assessment reports and other services that predominantly meet the needs of donors or specific clients (such as academia, international organizations, business agencies, or the government) instead of CSOs, local communities, or the population in general.

The 2012 Law on Social Services provides a framework for the state to engage in social contracting with CSOs. State orders for the provision of social services are easier than grants in terms of their legalization and registration.

**SECTORAL INFRASTRUCTURE: 5.8**

The infrastructure supporting the CSO sector improved slightly in 2018. Local entities offered more training opportunities and intersectoral partnerships between CSOs and the government expanded.

The UN Refugee Agency (UNHCR) established a network of regional NGO Resource and Training Centers in the late 1990s under the NGO Forum to boost civil society in the provinces of Azerbaijan. This network continues to provide technical and infrastructure support and arrange training programs for local NGOs. It also provides fee-based services to Baku-based organizations related to the organization of events and contacts with regional CSOs. The government has noted this network’s efficacy and in late December 2018, the NGO Support Council announced a grant competition to further advance the centers, with grants of up to AZN 30,000 (approximately $17,500) for Baku-based resource centers and AZN 20,000 (approximately $11,500) for region-based centers awarded in early 2019.

In 2018, a variety of venues continued to offer space for CSO events, both in the capital city and the regions. These include the International Press Center in Baku, Olympic Complexes, H. Aliyev Centers, Youth Centers, and Baku Congress Center. These facilities are well-equipped and are available for CSO events upon request either for free or at discounted rates, although they may still be selectively denied to critical voices. The Youth Fund provides youth CSOs access to the luxurious Baku Congress Center at discounted rates. The Women Resource Centers (WRC) also provide space for CSO events.

In theory, the Eastern Partnership Civil Society Facility, an EU-funded project that provides technical assistance to civil society actors in Eastern Partnership countries, provides support to Azerbaijani CSOs; however, as it lacks a local registered representative office, as required by 2015 rules, onsite support is impossible. Therefore, the support provided by this facility is limited to fellowships and events organized internationally.
There are several national CSO platforms, including the National CSO Forum, which was established in 1999 with 675 CSOs, and the independent Azerbaijan National Platform of the EaP CSF, which was established in 2009 and unites sixty-three CSOs. As in previous years, regional and international platforms, such as the South Caucasus Women’s Congress and Human Rights House Foundation, were only engaged in Azerbaijan to a limited extent, for example by funding the participation of CSO representatives from Azerbaijan in events or arranging advocacy campaigns abroad.

A few capable local CSO management experts who used to work for international CSO capacity-building programs found that demand for their services increased with the improvements in grant registration in 2018, especially in the regions. As a result, they started to offer training on such topics as project management, report writing, fundraising skills, strategic planning, and online communication strategies. In addition, the NGO Support Council, Azerbaijan Anti-Corruption Academy, Bank Training Center, and MG Consulting LLC all offer local training opportunities and materials in the Azerbaijani language. Some CSOs, such as the Law and Development Union, also share their expertise through webinars. According to official statistics from the NGO Support Council, a total of 491 trainings were held under projects implemented with its funding in 2018, a notable increase from 280 in 2017.

Intersectoral partnerships improved in 2018. The most successful example is the OGP Platform, which unites ten public agencies and forty-four CSOs. In 2018, the Platform was more active than in 2017. It presented the results of monitoring the implementation of the OGP National Action Plan for 2016-2018, and arranged advocacy events with several public agencies, though its ability to impact decision-making process is still limited. The National Assembly of Youth Organizations of the Republic of Azerbaijan (NAYORA) also partnered more actively with a variety of government agencies, including MLSPP, the Youth Fund, and the Ministry of Youth and Sports, in 2018. No partnerships between CSOs and businesses or media are known to exist.

PUBLIC IMAGE: 5.7

The CSO sector’s public image improved slightly in 2018 in parallel to the government’s warmer relationship to CSOs since the second half of 2017. In addition, specialized CSO media, such as the Civil Society Journal, www.qht.az, and www.qhtxeber.az, received support from the NGO Support Council to cover CSO activities.

In general, civil society activities are not covered on TV, with the exception of one program on civil society that airs on Public TV. The ARB20 channel demonstrates a particular interest in business associations. Media covered many activities under the OGP National Action Plan that involved active CSO participation. The concept of social advertising is nearly non-existent in Azerbaijan; as a result, CSOs must pay commercial rates to promote their issues on TV.

In 2018, the State Fund for Support to the Development of Mass Media awarded small grants to individual journalists. One of the topics for funding was the state of civil society.

According to the 2018 annual report of the NGO Council, “more than 600 NGOs’ activities were covered in 12 volumes of “Civil society” magazine, 45,000 news stories were published on the www.qhtxeber.az portal, and 34 books, 36 manuals, 213 booklets, 212 other printed materials (posters, calendars, etc.) of CSOs were financed and published. In addition, 107 television programs, 20 social videos, 34 films, and 11 websites were created during 2018 with funding from the NGO Support Council.” Most of these statistics reflect increases from 2017. For example, there were 31 books, 130 other printed materials, 35 television programs, and 20 films created on CSOs in 2017.

For the most part, the public is not very aware of CSOs’ work, and many of those who are aware are distrustful of CSOs because of the media’s negative reporting. This situation is exacerbated by the fact that CSOs in Azerbaijan do not represent broad constituencies and the link between CSOs and the public is weak. Most active CSOs are
located in Baku, while the regions of the country are poorly covered by civil society. The unwritten requirement to obtain permission to hold events in the regions prevents CSOs from reaching their constituencies through direct contacts. Many CSOs have become known by the names of their leaders rather than by the CSOs' own names. This had led to a general perception that some CSOs do not work for the public good but have become private businesses for their leaders. Generally, business entities are reluctant to cooperate with CSOs.

Only a small number of CSOs have full- or part-time staff members focused on public relations. A number of CSOs rely on volunteers or their chairperson to develop and implement public relations strategies. Although social media usage is limited in Azerbaijan, CSOs use social media, such as Facebook, Twitter, and YouTube, more than TV or print media to share information about their work. For example, the online NGO TV (www.qhttv.az) regularly posts videos and news related to CSOs; more than 2,000 people subscribe to this portal. In addition, there is a webpage, www.qhtfilm.az, that posts films developed by CSOs related to various topics such as youth, social issues, IDPs, and the disabled; the webpage was established in 2018 with funding from the NGO Support Council.

The majority of CSOs do not publish annual reports or have webpages. However, two online portals allow CSOs to post information about their activities pro bono. One of these portals (www.qht.az) has an online database for CSOs and CSO leaders. Very few CSOs have adopted codes of ethics.
The political context in Belarus did not change notably in 2018, although the government continues to speak about liberalization. CSO sustainability improved slightly during the year, in part because of an apparent thaw in relations between the government and civil society, with CSOs subject to less hostile rhetoric and fewer cases of harassment. In addition, the long-awaited abolition of Article 193.1 of the Criminal Code, which criminalized the activities of unregistered organizations, contributed to a moderate improvement in the legal environment. Despite this, Belarusian CSOs continue to operate in a hostile climate and human rights are violated regularly. CSOs’ financial viability improved in 2018 with the development of local funding sources and advocacy improved with increasing use of public discussions and consultations and digital activism. Nevertheless, limited access to funding remains one of the most urgent problems facing Belarusian CSOs and CSOs still have few possibilities of influencing authorities’ decisions. The infrastructure supporting CSOs in Belarus also improved, with the development of new capacity-building programs and increased opportunities to develop joint initiatives and partnerships. Over the past few years, Belarusian CSOs have continuously increased their presence in the media, intensively used social networks, and involved high-ranking officials in their events, leading to an improvement in the sector’s public image. Organizational capacity and service provision remained largely unchanged.

Although Belarus is dependent on Russia in multiple ways, at the same time, Belarus is intensifying its relations with the European Union (EU). Thus, the country must carefully balance European and Russian interests. In 2018, both Belarusian authorities and CSOs were alarmed at the growing threat Russian propaganda posed to national sovereignty. Numerous Russian media outlets issued materials discrediting Belarusian civil society, and social networks were infected with counterfeit pages promoting pro-Russian agendas.

As of July 1, 2018, there were 2,907 registered public associations, including 227 international, 770 national, and 1,910 local associations, as well as 42,062 registered branches of public associations in Belarus. Other registered entities included 28 trade unions, 39 unions (associations) of public associations, 207 foundations, and 7 national governmental public associations. Sixty-six new public associations and 22 new foundations were registered during the first half of 2018. No official data is available about the number of CSOs registered as nonprofit establishments. About 200 CSOs operating in Belarus are officially registered in other countries, including Lithuania and Poland, because of the unfavorable legal environment. According to the October 2018 study *Civil Society of Belarus: Current State and Conditions for Development*, conducted by the Center for European Transformation and the Legal Transformation Center (Lawtrend) and commissioned by the Belarusian National Platform of the Eastern
The 2018 CSO Sustainability Index for Belarus, Partnership Civil Society Forum, the total number of CSOs in Belarus, including organizations registered as various legal forms, organizations registered in other countries, and unregistered CSOs, is approximately 3,000.

In recent years, the structure of the CSO sector in Belarus has changed. Activism by informal groups and unaffiliated activists has increased, while older, more traditional CSOs show few signs of strengthening or becoming more sustainable. In addition, a growing proportion of registered CSOs are nonprofit establishments, which are subject to a much simpler registration process than that for other types of organizations.

**LEGAL ENVIRONMENT: 6.6**

The legal environment for Belarusian CSOs improved moderately in 2018. Notably, after years of advocacy by both Belarusian CSOs and international organizations, in December 2018, the Belarusian Parliament voted to abolish Article 193.1 of the Criminal Code, which criminalized the activities of unregistered organizations. Although no one had been convicted under this article for several years, security forces continued to use it to intimidate CSO activists. While criminal punishment was abolished, the ban on the activity of unregistered organizations remains in place, with violations now punishable by administrative fines up to approximately $600. CSOs fear that the authorities may use this provision to continue to harass and prosecute unregistered CSOs.

Overall, Belarusian CSOs continued to operate in an unfavorable legal environment in 2018. The governing legislation contains many conflicting norms and legal practices are inconsistently implemented.

The CSO sector in Belarus consists of three main legal forms: public associations, foundations, and nonprofit establishments. Public associations are voluntary associations of citizens that can register either at the local, national, or international levels. A minimum of ten citizens are needed to establish a local public association, fifty citizens are required to found a national association, and ten Belarusian citizens and three foreign citizens are required to found an international association. National and international associations register with the Ministry of Justice, while local associations register with the justice departments of the oblast executive committees. Registration decisions are made within a month of the date of submission of documents. One or more individuals and/or legal entities can establish a foundation. Local foundations must have at least $1,200 in capital, while national and international foundations require about $12,000. Foundations register with the same bodies as public associations do.

The government continues to enforce registration requirements arbitrarily to significantly limit opportunities for CSOs to operate. Along with criminal punishment for operating without registration, these practices have caused many Belarusian CSOs to register abroad or to register as nonprofit establishments, which involves a much simpler registration process. In the past, CSOs often registered as nonprofit establishments only after they were denied registration as public associations. In a new trend, many new initiatives now immediately register as nonprofit establishments, without first trying to register as public associations. A nonprofit establishment can be created by a single owner, either an individual or a legal entity. As they are established by a single founder, these non-membership CSOs require no internal governance structures and thus do not promote democratic decision-making processes in society. In addition, nonprofit establishments cannot observe elections or participate in certain public councils, and their founders bear personal liability for their debts.

The legal framework allows the government to refuse registration to any public association or foundation with which it is “uncomfortable.” Several CSOs were denied registration in 2018. For example, the authorities refused to register Dzeja Research and Enlightenment Public Association, which had a stated mission of building civil society and the rule of law and affirming the principles of freedom, democracy, and human rights in Belarus.
The Law on Mass Events was adopted in July 2018 and came into force on January 26, 2019. The law allows mass events to be organized through a simple notification process, rather than requiring advance permission. At the same time, however, the law limits the venues in which such events can be held to those designated for that purpose by local authorities. In many cases, authorities appointed little-visited places far from city centers, including abandoned stadiums and parks. In Minsk, a city with nearly two million inhabitants, only six sites were identified. State bodies have the right to hold CSOs administratively liable for violating the procedure for organizing and conducting mass events, with fines of up to $2,450.

In contrast to the wave of arrests during mass protests opposing the so-called “social parasite” legislation in 2017, there were no massive harassment campaigns and fewer activists and journalists were detained or subject to criminal charges in 2018. However, government repression of CSOs, including the use of criminal cases and administrative fines, remained a problem. In August, for example, the court sentenced the leaders of the independent trade union REP to home detention for four years for evading taxes on foreign funding that they allegedly received on behalf of the trade union. In addition, the authorities launched criminal proceedings against the director of BelPAN Information Agency for non-payment of income tax on revenues received abroad. A criminal case for illegal business activity was initiated against the Institute of Mathematics and Cybernetics. There were also several incidents in which rental agreements for private premises occupied by CSOs were suddenly terminated after local authorities pressured the owners to do so. Cinema Club Dotyk, which organizes a queer cultural festival, and the Union of Poles in Belarus experienced such terminations.

Limited access to funding remains a significant problem for Belarusian CSOs. CSOs are required to register foreign funding with the Department for Humanitarian Activities of the Property Management Directorate. As part of the registration process, a CSO must submit an official recommendation from the relevant governmental body. Presidential decrees and edicts specify the allowable goals for which CSOs can receive foreign and corporate funding; the list of these goals does not include such spheres as human rights, gender equality, and animal protection. CSOs are also required to register each tranche of money received within a single project, and there have been cases when ongoing projects were denied registration when registering the next tranche. The president’s administrative office arbitrarily provides tax exemptions on foreign aid. Public associations may not engage in business activities. CSOs have the right to participate in tenders for social services announced by local authorities.

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Lawtrend and the Assembly of NGOs provide CSOs with free legal aid. Several legal companies and lawyers offer their services to CSOs on a paid basis. However, lawyers working on sensitive cases may be subject to pressure, including disbarment.

**ORGANIZATIONAL CAPACITY: 4.7**

The organizational capacity of CSOs did not change significantly in 2018. Belarusian CSOs continued to develop their institutional capacities, despite the hostile environment, thanks to the commitment to democratic values of their leaders and activists. At the same time, as CSO leaders age, their organizations have taken an inconsistent approach to the development of leadership skills and succession planning. As a result, younger CSO members, personnel, and volunteers face narrowing career opportunities and often seek jobs in other sectors or create new organizations, thus enlarging the sector but weakening the capacity of the organizations that they leave.

Leading CSOs, such as the Center of Environmental Solutions, APB BirdLife Belarus, and Green Network, understand the importance of developing local constituencies. For example, Green Network organizes a number of special events, including Vegan Day, Earth Hour, and Car Free Day, that help them to attract new supporters and maintain relations with existing supporters. Newer organizations focused on bicycling, youth, and urban...
communities also appreciate the value of local constituencies and increasingly engage with them. Beneficiary-oriented CSOs, such as social service organizations, may understand that assessing the needs and interests of their beneficiaries is important but they are often not very successful at doing so because they lack the necessary resources - both financial and human. In some cases, CSOs feel that it is not worth the effort to adapt their services to beneficiaries’ changing needs and environments. New informal, issue-based social movements, such as March, Babe!, Brest Against Battery Plant Construction, Celebration of the 100th Anniversary of the Belarusian People’s Republic, and Protection of the Military Cemetery in Minsk, have been successful at generating public support by addressing people when they were focused on these issues.

Strategic planning is a well-known concept among Belarusian CSOs, and a number of local experts assist CSOs with defining organizational priorities. Several well-developed CSOs operating in fields such as environment, youth, and human rights have experience composing strategic plans and using them to guide their decision-making processes. A fair number of CSOs have clearly defined mission statements. However, some organizations tailor their priorities to respond to available funding. Despite the fact that it is encouraged by donors, only a few CSOs, such as New Eurasia Foundation, Office for European Expertise and Communications (OEEC), the Association of Assistance to Children and Young People with Disabilities (BelAPDIiMI), and ODB Brussels, have metrics for measuring the success of their work.

Except for nonprofit establishments, all CSOs are legally required to have boards and to define their roles and responsibilities in their statutes. In many organizations, however, there is confusion about the roles of board and staff members, which sometimes leads to tensions. In addition, staff members commonly serve on boards. In many CSOs, board members and leaders stay in their positions for years. More experienced CSOs take steps to avoid conflicts of interest, but generally lack written policies.

Many CSOs, including Green Network, National Youth Council RADA, OEEC, and Human Constanta, have written internal policies that guide their day-to-day work. On the whole, however, CSOs tend to have either unwritten policies to which they adhere or written policies which they ignore. In 2018, CSOs such as the Viasna Human Rights Center, Belarusian Helsinki Committee, and the Union of Belarusian Writers showed a growing interest in developing gender- and human rights-based policies.

Since CSOs continue to depend on donor funding, CSO staff is mostly project-based rather than permanent. Human resource practices regarding job descriptions, vacations, and maternity leave continue to be inadequate. Staff attrition is common, as CSO-trained specialists are able to get better paying and more stable jobs with businesses as managers and researchers. To compensate for staff shortages, CSOs often outsource professional accounting, information technology, and legal services. There is a lack of professional fundraisers to meet the demand of CSOs.

Both larger and smaller CSOs increasingly rely on volunteers and interns. For example, ProWomen.by delegates certain public relations, marketing, and administrative responsibilities to interns. In December, Belarusian CSOs discussed the challenges and best practices of volunteer management at an international forum called On Your Side. According to the Charities Aid Foundation’s 2018 World Giving Index, 19 percent of Belarusians volunteered during the year, nearly the same as in the previous year.

Many CSOs use relatively modern equipment, have a significant presence on social media and the internet, and demonstrate growing interest in using licensed software. CSOs typically rely on donor-funded projects to purchase office equipment or use staff members’ personal computers, printers, cell phones, and cars. In 2018, a number of businesses continued to offer free second-hand equipment to CSOs. CSOs continue to use modern technology, platforms, and apps, including Telegram Messenger, Trello, Slack, and Facebook. In 2018, a project implemented by Office for European Expertise and Communications, Baltic Internet Policy Initiative, and Harju Center for Entrepreneurship and Development in Estonia offered master classes in information and communications technologies (ICT) to CSO staff.
CSOs’ financial viability improved slightly in 2018 as local funding sources continued to develop gradually. Nevertheless, limited access to funding remains one of the most urgent problems facing Belarusian CSOs.

CSOs continue to depend largely on foreign funding. Although foreign funding levels remained relatively stable, CSOs feel as if their access to foreign grants became more restricted in 2018. According to the study *Civil Society of Belarus: Current State and Conditions for Development*, the reduction or redistribution of donor funding was named as a problem by experts from thirteen out of fifteen CSO subsectors. The structure of donor support has changed in recent years. Considerable donor funding is now administered and re-granted by international agencies, such as United Nations (UN) programs, or CSO consortiums; more funds are invested in grassroots initiative groups; and a significant portion is channeled to government-organized NGOs (GONGOs), such as We and Our City and the Navahrudak Charitable Foundation. In addition, the government continues to impose administrative and legal restrictions that hinder CSOs’ access both to local and foreign resources. For example, a project supported by the EU, which intended to offer EUR 2.5 million in sub-grants to local CSOs, failed to obtain Belarusian government approval and registration several times during 2018.

In 2018 CSOs continued to attempt to mobilize more domestic resources, including through crowdfunding and by developing closer ties with the business community. For example, the organization Falanster developed an open source tool called Doika, which CSO can install on their websites to collect donations and membership dues without intermediaries or commission fees. More than a dozen CSOs adopted this fundraising tool in 2018. Civil society initiatives raised about $920,000 through three crowdfunding platforms in 2018, an increase of nearly 50 percent over 2017. According to *Analysis of the Charity Market and Motivation for Giving in Belarus*, a report issued in 2018 by SATIO for the Belarus Red Cross, approximately $40 million is donated to charitable CSOs every year, with half donated by individuals, with the average size of donations at $8. According to the 2018 World Giving Index, 21 percent of Belarusians donated money to charities in 2017, a 1 percent increase from the previous year.

In 2018, the business community organized several competitions to support social projects, civil society initiatives, and CSOs. These included a competition by Activia, a dairy producer, to support women’s involvement in art, media, social projects, and urban planning; a #Paskarenne (Acceleration) contest to encourage communities to address important local issues jointly; and SAP UP Belarus’s contest for social startups.

Local authorities contract with CSOs for social services. In 2018, the state budget allocated approximately $330,000 for social contracting, about the same as in 2017. In general, however, government support to CSOs continues to take the form of direct financing of loyal organizations controlled by the government.

Few CSOs sell their services and products. Public associations are legally prohibited from engaging in business activity. In 2018, however, CSOs more frequently rented out their premises to other CSOs for events and collected small fees from participants in their educational programs, although the sums collected did not cover all costs. Social entrepreneurship also continued to develop in 2018. More than twenty social enterprise initiatives completed training at Biz4all Social Entrepreneurship School organized by ODB Brussels. A fair number of public associations collect membership dues, but these typically do not constitute a major source of revenue.

Very few CSOs have reliable financial management systems. Some organizations find it difficult to fill vacancies for accountants. Many CSOs are reluctant to be financially transparent and accountable because they receive funds that they are unable to register for various reasons. Several organizations have stopped publishing financial statements because they received negative public feedback regarding their content. In contrast, some CSOs relying on crowdfunding, such as Watch Docs Belarus, which organizes a festival of human rights documentaries, publish their financial statements online in order to allow their contributors and supporters to verify their use of funds.
ADVOCACY: 5.1

CSO advocacy improved slightly in 2018. The government conducted more public discussions and consultations and digital activism increased. However, in most cases, advocacy on key issues continues to take a long time and failed to yield results or systemic changes in 2018.

CSOs have limited institutionalized avenues for engaging in government decision-making processes. Business, social service, urban planning, and environmental organizations participate in public councils at ministries, are members of various intersectoral working groups, and provide expert consulting to various government agencies. For example, experts from the Minsk Cycling Community contributed to the development and adoption of the National Concept for the Development of Cycling, which provides for the cooperation of the government and CSOs in developing regional strategies. The number of public discussions organized by ministries on their websites grew from 51 in 2017 to 108 in 2018. As in previous years, government bodies failed to publish reports on the results of the discussions and the proposals that they received. Reports on the implementation of government plans and strategies are also extremely rare in Belarus. However, advocacy efforts by human rights organizations resulted in the publication in 2018 by the Ministry of Foreign Affairs of its report on the implementation of the Inter-Agency Human Rights Plan in 2017.

In 2018, a new Law on Normative Legal Acts was adopted, which contains provisions for public discussions of certain draft laws and resolutions. The law establishes a minimum time frame for public discussions and requires the results to be published. The law became effective in February 2019.

The use of online platforms for submitting petitions is growing. In 2018, the number of petitions created on the Petitions.by platform increased by 26 percent. Sociological surveys show that 21 percent of Belarusians consider online petitions to be an efficient form of participating in decision-making processes, but 18 percent exaggerate the actual influence of petitions on legislative initiatives. The government’s 115.bel service, which enables citizens to address municipal problems, expanded to the regions in 2018, thus providing additional advocacy opportunities for regional activists. In the town of Berioza, for example, thirteen municipal problems related to issues such as landscaping, municipal services, poor roads, street cleaning, and municipal lightning, were resolved through this instrument in 2018-2019.

A number of CSO advocacy campaigns achieved concrete results in 2018. The Law on Organic Farming was adopted in November, following advocacy by the Center for Environmental Solutions, Ecohome, AgroEcoCulture, and other CSOs. Initiative SmartHomei successfully advocated to publish the general plan of Gomel. A broad campaign that united people and organizations from many sectors convinced the authorities to commemorate the 100th anniversary of the Belarusian People’s Republic widely, whereas previous anniversaries were only observed by the opposition. Business associations advanced several proposals to amend the tax code and were successful in their efforts to repeal the so-called decree on false business.

Protest campaigns addressing environmental and socio-cultural concerns were able to mobilize supporters, although failed to bring concrete results. In a notable example, about 2,000 people gathered in Brest to demonstrate against the construction of a battery plant. Despite this broad opposition, the plant was still being built at the end of the year. The Mothers 328 movement advocated for a bill to reduce prison terms for illegal drug trafficking, but parliament did not include this amendment in the version of the Criminal Code that was passed.

The lack of unified positions among CSOs sometimes had a negative effect. For example, the Council of Ministers withdrew a bill on the treatment of animals from the parliament because of a disagreement among wildlife conservation organizations about a number of points.
CSOs in Belarus sometimes underestimate the importance of communicating with all stakeholders in the course of their campaigns. For example, CSOs promoting the Law on Combating Domestic Violence failed to reach out to all stakeholders. As a result, at the urging of faith-based and illiberal populist organizations, the president made negative comments about the bill and work on it stopped. Thereafter, the March, Babe! Initiative, which promotes the adoption of the Law on Combating Domestic Violence, was launched and gathered more than 2,000 followers on social media in its first days.

In 2018, the Assembly of NGOs, Center for European Transformation, Lawtrend, and other organizations conducted studies and published recommendations to promote legal reforms that would benefit CSOs. As a result of the long-term lobbying efforts of Belarusian CSOs, in 2018, the parliament voted to abolish Article 193.1 of the Criminal Code, which imposed criminal liability on the activities of unregistered organizations.

**SERVICE PROVISION: 5.0**

The quality, scope, and outreach of services provided by Belarusian CSOs did not change significantly in 2018. CSOs continue to provide a variety of services, many of which address social, charity, educational, environmental, human rights, and other concerns. However, there is still a lack of CSO services addressing water and energy management, people with dementia, alcoholism, and unemployment.

Some CSOs conduct needs assessments and engage beneficiaries in their activities, partly to fulfill donor requirements. Other organizations form their own understanding of what their target groups need. Very few CSOs collect data to demonstrate their contributions to fulfilling local needs. However, in 2018, CASE Belarus and NGO ACT measured the social and economic effects of CSO services for people with disabilities, orphans, and prisoners. Among its findings was the fact that the assumed net benefit of the guided employment of people with disabilities provided by BelAPDiMi amounted to more than $1 million over six years.

CSOs provide services to individuals beyond their own members. In 2018, Human Constanta started to provide legal advice to foreign citizens and stateless persons, and Education for the Future offered events and trainings on science, technology, engineering, and mathematics education to school teachers. Several organizations distributed capacity-building services, publications, studies, and expert analyses to other CSOs and individuals. The demand for CSO expertise in the areas of urban, social, and economic development and training in social assistance to vulnerable groups by government agencies and international institutions increased.

In 2018, CSOs increasingly used information technologies such as chatbots, online tools, and mobile apps to reach more beneficiaries and cater to their needs. Journalists for Tolerance launched the online service J4T-Checker to check texts on hate speech markers and offer replacements; the online school Zmena offered interactive lessons and materials to grassroots activists; and APB BirdLife Belarus launched an online course on bird watching and a mobile app for identifying birds.

In 2018, a growing number of CSOs took steps to avoid discrimination in their activities, but few practiced informed approaches to nondiscrimination in their work. According to the study Accessibility of Public Venues and Events in Minsk conducted by Human Library, organizers of public events are generally aware of ecofriendly values and the needs of wheelchair users, but have limited understanding of the needs of elderly people, visually impaired persons, parents with children, and lesbian, gay, bisexual, transgender, and intersex (LGBTI) individuals.

CSO services are mainly funded by international donors and provided to beneficiaries free of charge. The number of CSOs charging fees for events and educational courses grew slightly in 2018, but the revenue they collect generally does not cover the full costs of service provision. In an exceptional case, Press Club Belarus earned more than $125,000 in 2018 by charging for rent and collecting membership fees.

The 2018 CSO Sustainability Index for Belarus
Local authorities and certain ministries increasingly recognize the role of civil society in providing services, especially for people with disabilities. However, their recognition is often not publicly expressed and has yet to materialize into sustained financial support. In 2018, local authorities began to provide funding to CSOs for HIV prevention services.

**SECTORAL INFRASTRUCTURE: 5.0**

In 2018, the infrastructure supporting CSOs in Belarus improved slightly. The New Eurasia Foundation launched its long-term Leaders of Change program, which aims to strengthen the professional capacity of CSOs and cooperation between civil society actors. CSOs were able to conduct events free of censorship and had more opportunities to develop joint initiatives and partnerships. However, the level of support, range of services available, and overall sustainability of the sectoral infrastructure continues to depend significantly on foreign funding.

A number of organizations, including ODB Brussels, OEEC, New Eurasia Foundation, The Third Sector Center, Agency of Regional Development Dzedzich, and Vitebsk4me, provide consulting, training, and information to CSOs and activists in the capital and regional centers. Several umbrella organizations and branch associations, including the Assembly of NGOs, Association of Life-Long Learning and Enlightenment, and Belarusian National Youth Council RADA, also provide support to CSOs. In 2018, a new public space called Territory of Rights opened in Minsk, which provides premises free of charge to human rights and other democratic CSOs for their events. In Grodno, Vitebsk, and Gomel, regional resource centers for informal education service providers continued to function under the Learn to Act project, which is funded by the EU and DW International and implemented by the German Adult Education Association in cooperation with the Association of Life-Long Learning and Enlightenment and Folk High School in Cham. Intermediary support organizations increasingly consult with CSOs before launching new programs, but it is hard to estimate the extent to which they objectively assess and meet the needs of CSOs.

A few Belarusian organizations, including Belarusian Human Rights House, Mutual Understanding, and Belarusian Children’s Hospice, re-grant funds from foreign donors to local CSOs. In some cases, because of difficulties in registering such projects, CSOs do not distribute funds but instead purchase materials needed to implement projects and transfer them to their sub-grantees. For example, OEEC acquired and transferred materials to the winners of the Good Neighbor grant competition so that they could implement grassroots initiatives. Belarusian businesspeople and companies continue to support social initiatives addressing locally identified needs through the Social Weekend contest, with the number of applications constantly growing.

CSOs recognize the benefits of cooperating through networks and coalitions to address common interests, agree on goals and agendas, and share information. But such efforts are often limited by competition for donor support. CSOs form coalitions mainly for issue-based events and advocacy initiatives. In November 2018, CSOs working with older people formed the Coalition for Decent Longevity, while a coalition of human rights organizations prepared a joint alternative report for the UN Human Rights Committee. A large part of the sector promotes its interests through the Belarusian National Platform of the Eastern Partnership Civil Society Forum and the Assembly of NGOs of Belarus.

A pool of qualified local trainers, consultants, and experts in CSO management offer services to CSOs in Belarus. CSO representatives have access to basic training in project management, fundraising, public relations, advocacy, grassroots development, and other topics. In 2018, the New Eurasia Foundation launched an advanced course on NGO management in collaboration with the School of Business at Belarusian State University through its Leaders of Change program. Otherwise, advanced specialized training for experienced CSO leaders and staff is rarely available.
Although a genuine culture of partnership and dialogue between the CSO sector and other sectors has yet to form, CSOs’ collaboration with the private sector and the media increased in 2018. The Imena (Names) platform and Alfa-Bank launched a joint service that allows bank customers to spend cash they receive back to support social projects. The Internet Governance Forum, an annual event organized for the third time in 2018, is organized jointly by CSOs, businesses, government agencies, and media. A series of Creathon events, creative marathons to develop solutions for predefined challenges, was launched in which advertising industry professionals helped create progressive ideas for CSOs and social initiatives. According to SATIO’s report Analysis of the Charity Market and Motivation for Giving in Belarus, businesses donated 49 percent of their aid through charitable CSOs.

As in previous years, top government officials attended CSO events and local authorities and CSOs implemented joint projects, but this interaction does not yet amount to true partnership.

**PUBLIC IMAGE: 5.4**

CSOs’ public image improved in 2018. Over the last three to four years, Belarusian CSOs have continuously improved their public image by increasing their presence in the media, intensively using social networks, and involving high-ranking officials in their events.

Government-controlled and independent media provided mostly positive coverage of the CSO sector in 2018, an improvement from previous years. Most coverage focused on topics and events of a socio-economic character, such as grassroots activism, the concerns of people with disabilities, environmental actions, and economic forums. CSOs focused on advocacy and policy enjoyed less media coverage. A BelAPDlIMI project called Art for the Inclusion of People with Disabilities, which was aimed at creating a positive image of people with disabilities, revealing their creativity, and working with the media on how to properly address the issue of disability, was mentioned in the media more than 500 times. Participants in the Social Weekend competition among social projects frequently appeared on leading television channels. A number of media, including 34mag, CityDog, Kyky, Binokl, as well as the most popular web portals TUT.by and Onliner.by, continued to provide regular coverage of CSO initiatives and activists.

Public awareness of CSO activities remained low in 2018. According to a national poll commissioned by Pact in 2018, 26 percent of Belarusians know about CSO activities and 18 percent trust CSOs; the same percentages as in 2017. The poll also found that 3 percent of Belarusians participated in the activities of CSOs and 9 percent participated in socially beneficial civil initiatives. In an online survey by the Baltic Internet Policy Initiative, 40 percent of Minsk residents could not name a single public initiative in the city. A study of charities in Belarus initiated by the Belarusian Red Cross showed that out of 400 charitable organizations operating in the country, Belarusians were familiar with fewer than 5 percent. A study of assistance to people in difficult life situations conducted by the International Agency for Social and Marketing Studies (MASMI) for the German Support Program of Belarus, found that respondents trust CSOs more than state organizations. According to a Belarusian Analytical Workshop study, civil society was named second after the government as possible agents of change in the country.

Perceptions of CSOs by the authorities at the national and local levels improved in 2018. Research conducted by the Public Administration Research Center SYMPA and the Political Sphere Institute showed that in recent years, the interaction of civil society and local authorities has become closer and more constructive. However, many officials perceive CSOs as a human resource for solving local problems or as a tool for raising foreign funds, rather than as experts that can help frame regional agendas. This gap in understanding of the concept of CSOs between CSO representatives and the authorities was demonstrated in May 2018, when the president referred to “civil society” as associations created and managed by the state, while the minister of the interior made rude, discriminatory statements about LGBTI activists.
The business sector has an increasingly positive perception of CSOs. Business experts work pro bono at CSO events, and businesses organize their own events to provide consultations to CSOs in different areas. Businesses also partner with CSOs to implement joint projects. For example, Velcom mobile communication company and the cultural initiative KinoKong implement the project Belarusian Weekends in which they translate hit movies into Belarusian and show them in cinemas.

CSOs continue to use social networks as an effective means of communication. In 2018, the Center for New Ideas ranked public initiatives with more than 10,000 subscribers on social networks. The number of CSOs included in the list grew from fifteen in 2017 to eighteen in 2018. The search and rescue squad Angel remained the most popular organization with 158,000 subscribers. CSOs also use their own events to communicate with government representatives, international experts, and diplomatic communities. For example, President Alexander Lukashenko addressed an international forum organized by the Minsk Dialogue, and government officials participated in the Kastrychnicki Economic Forum and other events organized by SYMPA, the Liberal Club, and other organizations.

Only leading CSOs issue public annual reports, but a growing number of different types of CSOs provide public information about their achievements through infographics, mailings, and social media posts. However, even CSOs that tend to work in a transparent manner avoid publishing financial data in their public reports. Some CSOs self-regulate. For example, at the end of 2018, independent media adopted a value-based strategy for 2019-2024. There was hardly any discussion of a general code of conduct for CSOs in 2018.
General elections were held in Bosnia and Herzegovina (BiH) in October 2018. However, an ongoing dispute about the electoral law left the country unable to legally form a government. The political stalemate could have a significant impact on the ability of registered CSOs to carry out planned and budgeted activities and projects, as the ministries are not operating fully. There is no clarity on when this complex situation may be resolved.

The unexplained deaths of two young men in 2016 and 2018 triggered significant civil movements in Sarajevo and Banja Luka in 2018 that brought together large numbers of citizens, including the support of more than 200,000 people on social networks, including Facebook. Protesters accused authorities of covering up the killings and called for an end to alleged government corruption and negligence. This was the first time since 2014 that BiH has seen massive public mobilizations. At the end of 2018, police engaged in violent measures—including beatings, arrests, and detentions—to prevent protesters from gathering daily in Banja Luka’s central square. Three activists were charged with crimes against public order, which carry a maximum sentence of up to twelve years.

The overall sustainability of CSOs in BiH did not change significantly in 2018. The only dimension recording a change in score was financial viability, which deteriorated as funding for CSOs continued to decrease, with international rather than local organizations receiving most direct donor funds.

The process of unifying BiH’s eighteen CSO registers, including that of the Republika Srpska (RS), was finally completed in 2018. In December 2018, there were 25,495 legal entities, comprising associations and foundations, in the collective register of CSOs maintained by BiH’s Ministry of Justice. The register records organizational names, registration numbers, addresses, and authorized persons, but lacks any other contact information that would allow others to communicate easily with CSOs.

1 The score for Organizational Capacity was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. This resulted in a change in the overall CSO sustainability score, while in reality CSO sustainability did not change from the previous year.
LEGAL ENVIRONMENT: 3.4

The legal environment in BiH did not change significantly in 2018. Three laws continue to govern associations and foundations in BiH: the Law on Associations and Foundations of BiH and separate laws within each of BiH’s constituent entities, the Federation of Bosnia and Herzegovina (FBiH) and RS.

Associations and foundations can register at any of eighteen administrative offices (Ministry of Justice of BiH, Ministry of Justice of FBiH, five Basic Courts in RS, Brcko District of BiH, and ten cantonal ministries of justice). CSOs seeking to register at the state level may use the e-register of BiH’s Ministry of Justice. Registration fees are BAM 200 ($120).

The state-level Law on Associations and Foundations was amended in November 2016 to reflect requirements and recommendations of the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) and the Financial Action Task Force (FATF). The amendments, which require CSOs to provide more detailed financial reporting, are expected to increase the transparency of CSOs. The laws of the FBiH and RS have not yet been revised or harmonized, although the MONEYVAL and FATF requirements apply to them as well.

Under BiH’s Law on Associations and Foundations, the authorities may close a CSO that fails to comply with the provisions governing its work. During 2018, 534 CSOs were dissolved or suspended, 316 of which were dissolved by official request and 218 by decisions of the CSOs’ executive bodies.

Although CSOs can generally act freely, talk about issues of public interest, and express criticism without fear of sanctions, governmental authorities and political party representatives continue to threaten CSOs focused on corruption. CSOs such as Transparency International and Why Not and media that engage in investigative reporting, such as the Buka portal in Banja Luka, FENA in Sarajevo, and Dnevni List d.o.o. Mostar in Mostar, are increasingly threatened with defamation lawsuits. The USAID-funded Independent Media Empowerment Project (IMEP) provides support for legal representation for media organizations and journalists targeted by politically motivated defamation lawsuits. During 2018, in three cases, such claims were resolved in the media’s favor in first-instance proceedings.

The tax treatment of CSOs is defined by laws at the state and entity levels that are not always harmonized with one another. CSOs in RS do not have to pay income tax on grants received from the budget or other public funds, sponsorship, or donations in cash or in kind. Donors in the RS receive deductions up to 3 percent of their total income for donations to organizations offering humanitarian, cultural, sports, and social service activities, and 2 percent for sponsorship expenses. In FBiH, in-kind, material, and financial donations for cultural, educational, scientific, health, humanitarian, sports, and religious purposes are deductible up to 0.5 percent of income earned in the previous year, but only for individuals who are self-employed.

Under BiH laws, most CSOs must pay value-added tax (VAT) on the declared value of donations, although there are some exceptions. For example, CSOs receiving funds from the US government or the European Instrument for Democracy and Human Rights (EiDHR) of the European Union (EU) must first pay VAT, but can then apply for refunds. EU funds from the Instrument for Pre-accession Assistance (IPA), on the other hand, are fully exempt from VAT.

Registered CSOs, regardless of the entity with which they register, are allowed to engage in income-generating activities that are related to their statutory activities. CSOs are exempt from paying taxes on the first BAM 50,000 (approximately $30,000) of annual income from all sources. In 2018, only 242 registered CSOs in FBiH and 543 registered CSOs in RS had income exceeding this amount. In January 2018, the government of RS adopted the Platform for Development of Social Entrepreneurship, which provides a rationale for the development, promotion, and
support of social entrepreneurship. CSOs are also legally permitted to compete for government contracts at all state and entity levels.

There is still a dearth of free legal advice and nonprofit attorneys. Although CSOs can obtain some free legal advice from the Smart Resource Center of the Center for Civil Society Promotion (CCSP) and Vaša prava – Legal Aid Network, this is insufficient to meet the sector’s needs.

**ORGANIZATIONAL CAPACITY: 3.9**

Organizational capacity remained largely stable in 2018. Despite significant investments by donors in capacity-building programs over the past two decades, CSOs still have limited organizational capacities.

Many CSOs have clearly defined missions and target groups, such as disabled people, war veterans, or marginalized groups, in their statutes. However, because of their reliance on donor funding—both domestic and foreign—the focus of their work is often determined by the availability of funding, as opposed to their missions or the problems faced by their target groups.

During 2018, CSOs supported the first massive civic mobilizations in several years. Informal and influential movements arose in Sarajevo and Banja Luka following the deaths of two young men, Dženan Memić in Sarajevo in 2016 and David Đragićević in Banja Luka in 2018. Activists claimed the two men were murdered and that related evidence was concealed or sabotaged. The movements received mass support. Some 40,000 people joined a protest in Banja Luka on a single day in October, with others participating in parallel protests in Sarajevo. By the end of 2018, social media pages supporting the protests had over 200,000 followers. Gatherings took place in Banja Luka’s main square and other places throughout the year and at least once ended in violent police action, including the arrest and detention of activists.

A limited number of CSOs engage in strategic planning. Most small CSOs lack the capacity or motivation to plan and implement activities on the basis of strategic plans, as their reliance on donor funding means that donors’ priorities drive most of their work.

Most CSOs lack the functional structures and procedures needed to make their operations more transparent and accountable. For example, few CSOs have rulebooks governing their internal procedures. In addition, few CSOs have boards of directors. When boards do exist, they focus on approving reports for the CSOs’ annual assemblies instead of playing an active role in organizational operations.

According to the entity-level Institutes for Statistics, CSOs employed 1,895 people in FBiH and 1,044 in RS in 2018. Small CSOs generally have no permanent staff, medium-sized organizations have one or two permanent staff, and large CSOs employ five people or more. CSOs experience significant fluctuations in staff because of their reliance on project-based funding. In addition, CSOs generally have limited resources for training new staff, as scarce resources mostly go to project implementation.

Many CSOs engage volunteers, either to carry out all of the organization’s activities or to bolster staff on specific projects. According to a survey by CCSP and other partners within the USAID-funded Civil Society Sustainability Program (CSSP), a large number of small CSOs operate exclusively on a voluntary basis and do not have enough capacity to apply for foreign funding opportunities. The Law on Associations and Foundations sets guidelines on

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1 The Organizational Capacity score was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score does not reflect a deterioration in Organizational Capacity, which remained largely the same in 2018 as in 2017.
The use of volunteers, but the extent of compliance with the law is unknown. According to the 2018 World Giving Index, only 7 percent of respondents reported that they participated in voluntary action in 2017, compared to 6 percent in 2016 and 4 percent in 2015. In 2018, the Ministry of Justice in FBiH registered thirty long-term contracts for volunteering, which provide volunteers with official work experience, while twenty-six long-term contracts were notified in the Voluntary Service of RS.

CSOs generally lack the means to purchase new equipment, because most donors do not allow funds for this purpose. Almost all CSOs use the internet, and a smaller number of CSOs have their own websites. The Smart Resource Center database contains 5,624 organizations, of which 35.1 percent have websites; 40 percent of these organizations are in Sarajevo Canton.

**FINANCIAL VIABILITY: 5.0**

The financial viability of CSOs deteriorated slightly in 2018, as financial support decreased and became less accessible for many CSOs. Several organizations either shuttered or effectively stopped operating in 2018. For example, Women to Women (Žene Ženama) stopped work in 2018 after twenty years of operations. Foreign Policy Initiative BiH, a distinguished organization that had a long-term focus on European integration and international relations, was also struggling not to close due to a lack of funding.

Most CSOs have difficulty securing the financial resources they need. Only a small number of CSOs have the capacity to respond to calls for proposals, especially from international donors, or to offer services that generate direct revenue and thus help fund activities.

Various international donors, including the EU, USAID, the Swedish International Development Cooperation Agency (Sida), and several embassies continue to provide financial support to CSOs in BiH for programs in areas such as democratization, gender equality, the rights of lesbian, gay, bisexual, transgender, intersex, and queer (LGBTIQ) people, organizational capacity building, anti-corruption efforts, and environmental protection.

International donors commonly place unrealistic limits on the amount of grants that can be used to cover salaries and operating costs, which presents a significant problem for CSOs. Big international organizations such as the Organization for Security and Co-operation in Europe (OSCE), United Nations Development Program (UNDP), and United Nations Children’s Fund (UNICEF) still receive funds directly from donors and then disburse them to local CSOs. Their fees consume a large part of the total funding, and their involvement reduces the sense of ownership among local CSOs. USAID, the EU, and Sida continue to engage domestic CSOs to manage foreign-funded projects that include sub-grant schemes. For example, CCSP administers small grants under IMEP to media and individuals who produce professional and independent reporting.

Domestic public funding far exceeds the level of foreign funding. However, most funds are earmarked for sports clubs and organizations founded as a consequence of the 1992-95 war. In 2018, some 10,000 demobilized soldiers in FBiH protested the allocation of government funds to 1,608 war veterans CSOs, saying that these associations, many of which have close ties to political parties, do not distribute benefits in an equitable fashion and that they want the government to make payments directly to individual veterans instead.

Transparency of public financing is limited. Funds are often distributed at the discretion of various ministries or do not follow strategic objectives or annual work plans. Local authorities, which account for approximately 50 percent of domestic public funding, often do not publish public calls for grants or apply adequate selection procedures for public calls. Sometimes they do not disburse grant funds after signing contracts or when activities are carried out. Local authorities do not implement monitoring and evaluation plans, require reports for spent funds, or assess the results of activities they have funded.
CCSP, with support from USAID, continued work begun in 2017 to create a website that lists and analyzes domestic funding opportunities. Although government officials hampered data collection, the website has been constructed. At the time of writing, CCSP was collecting data for 2018.

Philanthropy is underdeveloped and would benefit from a more conducive legal framework and more favorable tax policy. Some large companies, such as Telekom BiH, Elektroprivreda, Mtel, Coca-Cola, ASA Prevent, Microsoft BiH, and Philip Morris, award grants to CSOs. Some state companies also provide funds to CSOs, but they generally limit their support to organizations with close connections to governing structures. There is no systematic and transparent mechanism for people to support CSOs, but some CSOs request money from individuals or ask them to sponsor discrete activities. For example, some CSOs collect donations through humanitarian phone lines, particularly for the medical treatment of ill children. Many individuals donate food to soup kitchens. During emergencies or natural disasters, individuals regularly donate money, materials, and other in-kind support.

Few CSOs supplement their income by selling products, providing services, or renting their property, and the level of income received from such endeavors is usually minimal. Membership fees are token amounts and not always collected, therefore their contribution to CSOs’ budgets is also minor. Social entrepreneurship is starting to develop. Some CSOs received funding from the EU-funded regional Smart Start programs for social entrepreneurship projects in 2018. In addition, in 2018, Mozaik launched an online and offline community to support activism and social entrepreneurship. Through this initiative, entrepreneurs can access accounting, legal, marketing, and sales support, as well as mentors for specific aspects of their business.

Most CSOs do not have sound financial management systems or operate in a transparent manner. The law requires all CSOs to submit annual financial statements to APIF in RS, and to FIA in FBiH. However, many CSOs do not meet these requirements. When competent authorities carry out checks, CSOs that fail to submit these statements may be forced to close if they lack the capacity to produce the statements and the money to pay the fines imposed. For 2018, 14,911 organizations, including 9,210 in FBiH and 5,701 in RS, submitted such statements. Most CSOs do not have funds for independent financial audits, although some funded projects allocate resources for this purpose.

ADVOCA CY: 3.2

CSO advocacy in BiH did not change significantly in 2018.

All state-level draft laws must be posted on the e-consultation platform, allowing any interested member of the public to provide input on these drafts. By the end of 2018, fifty-one state institutions (up from thirty-eight in 2017) on the level of the Council of Ministers of BiH had registered on the platform, 191 public consultations had been held, and 151 reports had been published. Over 1,000 individuals and organizations actively used the platform during 2018. A similar platform is being built in FBiH, which is expected to become functional in 2019. In RS, there is no proactive system of consultation, although draft laws are posted in the official gazette and people can submit their comments in writing. At the lower administrative levels, cantons and municipalities organize public debates on budgets and other legal documents; these forums, however, do not allow people to freely comment or for their remarks to be recorded.

During the period leading up to the October 2018 general elections, there was a mismatch between CSO initiatives and government and parliamentary interests. Officials tended to respond only to CSO initiatives that were required by the EU, that helped them fulfill some obligation, or that the ruling party backed.
Despite this, CSOs had several advocacy achievements in 2018. On June 6, 2018, the Council of Ministers of BiH adopted the Platform for Peace, which promotes peace building and reconciliation among BiH’s ethnic and religious communities. The document resulted from three years of efforts by CSOs, who worked with other stakeholders through roundtables, focus groups, and conferences to build a sustainable peace in BiH.

As discussed above, CSOs supported massive civic mobilizations in response to the deaths of Dženan Memić in Sarajevo in 2016 and David Dragičević in Banja Luka in 2018. As a result of the protests, some investigations were conducted that pointed to the involvement of circles close to the ruling parties. In Memić’s case, investigations resulted in criminal charges against the chief prosecutor of the Cantonal Prosecutor’s Office in Sarajevo Canton for abuse of office and obstruction of justice. Investigations were still ongoing at the end of the year.

The government of Sarajevo Canton adopted its first Draft Strategy for Youth in 2018. This strategic document was created with the support of representatives of the competent ministries, assembly bodies, the City of Sarajevo, and several CSOs, including the University of Sarajevo Students Parliament, the Association of Secondary School Students in BiH, and the Youth Council of Sarajevo Canton. Young people were also involved in the large civil movements in Sarajevo and Banja Luka triggered by the deaths of Memić and Dragičević.

Following advocacy efforts begun by CSOs—mainly Transparency International, Analitika, and the Center for Investigative Reporting (CIN)—in 2015, the Council of Ministers of BiH adopted policies and standards to increase governmental transparency and public access to information on December 5, 2018. These standards go a step further than the Freedom of Access to Information Act (FOIA), which was adopted in 2000, by requiring administrative bodies to proactively publish information on their work. However, Bosnia’s status in the Open Government Partnership (OGP) was declared inactive in December 2018 due to the lack of agreement among all stakeholders and incomplete action in RS.

The Network for Elimination of Violence against Children (NEVAC), supported by the Human Rights Office Tuzla (HRO Tuzla) and the CSSP, led a campaign to amend and supplement the Family Law in FBiH and in RS by prohibiting corporal punishment of children and imposing stricter actions against people who beat children. More than 16,000 citizens signed petitions supporting these initiatives, both of which are expected to be adopted during 2019. Sarajevo Open Center (SOC) began an intensive campaign to uphold the Law on Gender Equality in BiH and promote adequate representation of women in governmental office following the 2018 general elections. This is also expected to be on the legislative agenda in 2019.

Lobbying skills in BiH are at a nascent level, and there are few examples of concrete and successful lobbying efforts by CSOs.

The process of establishing the advisory body of the Council of Ministers of BiH for civil society was initiated in 2018, as required by the 2017 Agreement on Cooperation with Civil Society in BiH. This body, which will include five CSO representatives, will be involved in all of the Council of Ministers’ activities related to civil society. One of the first tasks of this body will be continuing work on the Rulebook on the Criteria and Conditions for Financing and Co-financing of Programs and Projects of Public Interest Implemented by Associations and Foundations, one of the key documents envisioned by the Strategy for Civil Society in BiH.

With support from the USAID-funded CSSP, more than ninety CSOs continued to advocate in 2018 for amendments to the Profit and Tax Law on Income in both FBiH and RS to increase tax benefits for donors. Although formal presentations were made to both parliaments during the year, neither parliament included the issue of promoting philanthropy on their agendas. Similarly, many initiatives led by the Coalition of Marginalized Groups (KOMA) and KULT focused on improving the process of receiving VAT refunds.
The level of service provision by CSOs did not change significantly in 2018. CSOs continue to provide mostly social services including safe houses, daycare centers for persons with mental disabilities and abandoned children, and training for youth and the elderly. CSO services are driven by the limited funding available, which is often focused on areas determined by government strategies and decisions rather than local needs and priorities. Some CSOs offer services to international organizations in an effort to ensure their sustainability. For example, CCSP has a service contract with the Council of Europe to organize conferences. CSOs make the majority of their surveys, studies, and analyses widely available to other CSOs, state bodies, and the public on their web pages.

CSOs provide donor-funded services to beneficiaries for free. CSOs that provide commercial services are subject to the same regulations as any other legal entity engaged in the same kind of activity.

In 2018, the regional EU-funded Smart Start program awarded several grants to CSOs for social entrepreneurship projects. Grantees include A Smile for a Smile, which provides activities for youth in smaller communities; Agora Center for Lifelong Learning, which provides non-formal education focused on personal and community development; Social and Educational Center (SEC), which trains adults in the care of the needy such as the elderly, children with disabilities, and abandoned children; Eko Element (Eko Element), which offers educational activities on the environment; Creativo Center, which offers video production, campaign management, and training services to businesses, government institutions, CSOs, and individuals; and Intrag d.o.o., which offers professional rehabilitation services and employment to persons with disabilities.

The government generally does not appreciate CSOs' contributions, including service provision in areas that government agencies fail to reach, engagement of individuals who are considered hard to employ or who belong to marginalized groups, and commercial activities in remote rural areas. Municipal and cantonal governments occasionally contract with CSOs, however, support is often distributed based on political connections.

The infrastructure supporting the CSO sector did not change notably during 2018. The lack of funding continues to limit the strength of the sectoral infrastructure. For example, free training opportunities for CSOs from international groups continue to be sporadic at best and there was still no support to CSOs from local grant-making groups in 2018.

CCSP’s Smart Resource Center is the only center of its type supporting civil society in BiH. The center shares information and provides trainings, free legal advice, and event management services. While it continued to operate in 2018, it had to curtail some of its services due to a shortage of funding. Smart Resource Center maintains a database of sixty-five individual trainers and provides information regarding civil society to a large number of individuals, organizations, companies, and public institutions. During 2018, Smart Resource Center’s
website had more than 4 million visits and more than 7,000 followers contacted Smart Resource Center through different social networks.

The Network for Building Peace’s website presents important information on funding opportunities for CSOs, as well as other important civil society topics. CSOs actively used the site, which had more than 3 million visits in 2018, to search for funding opportunities.

As in 2017, there were no funds available from local grant-making organizations to help CSOs meet local needs in 2018.

Networks and coalitions continued to depend primarily on funded projects. The USAID-financed coalition Under a Magnifying Glass made a major contribution to the 2018 general elections process by highlighting many irregularities and educating voters on how to exercise their democratic rights. The Network for Building Peace, Justice Network, Women BiH - The Safe Network, KOMA, Stronger Voice for Children, and NEVAC all continued to operate in 2018. These networks also increased their sustainability, resilience, and influence by building their fundraising capacities and streamlining their collective operations by combining individual programs.

As donors, EU, Sida, and USAID have taken a consistent approach to building local CSO capacity for obtaining grant funds. However, donors have reduced their support for training. In 2018, CSOs only benefited from trainings as part of funded projects. Trainings covered various topics such as proposal writing, EU funding applications, fundraising, financial management, and project-cycle management. Most trainings are offered in major cities.

CSOs engaged in partnerships with the government in 2018. For example, CSOs and the government cooperated to form an advisory board of the Council of Ministers of BiH for civil society, pursuant to the 2017 Agreement on Cooperation with Civil Society in BiH. CSOs and public servants also worked together to learn how to use the e-consultation platform. The relationship between CSOs and the for-profit sector remained weak in 2018 due to CSOs’ limited capacities and the poor economic situation the for-profit sector continued to face.

PUBLIC IMAGE: 3.5

The public image of CSOs remained unchanged in 2018. CSOs continue to be highly engaged in public life and to receive significant media attention.

As a rule, in 2018 public and private electronic and print media asked CSO representatives to comment on current events and offered space for CSOs to present their analyses, studies, and monitoring and evaluation findings. The media paid great attention to the role of the Under a Magnifying Glass coalition during elections in 2018. CSOs also garnered media attention for their work on a range of projects focused on energy efficiency, air and water pollution, environmental threats, and the construction of mini-hydropower plants. For example, there was significant media coverage of the efforts of the so-called Brave Women of Kruščica to stop the damming of the River Kruščica for a hydropower plant. The protests in Sarajevo and Banja Luka also received significant media coverage, showing the media’s recognition of the role it can play in social activism.

With USAID funding, IMEP supported efforts to create a positive image and raise public awareness of the importance of civil society, civil activism, and courage as important elements of a democratic society. For example, Media Lab is a multimedia space hosted by CCSP, which serves as a place for learning, informing, and gathering young creative persons. It offers technical support to grant recipients and anyone else who wants to engage in citizen journalism. In addition, IMEP supported a website and mobile application that allowed interested individuals to create their own news and information focused on civic activism and local problems.
The public does not always have a clear understanding of the role of civil society in a democratic society. In general, people are more interested in activities directly related to their personal interests than they are in other efforts, however valuable and useful they may be. The Centers for Civic Initiatives (CCI) presents the results of its monitoring of governmental work at the state, entity, and cantonal levels, which strengthen citizens’ trust in CSOs and their work.

Executive and legislative authorities, especially at the municipal and cantonal levels, continued to have a positive perception of CSOs, especially those they cooperate with on joint projects and initiatives. This perception of CSOs is evidenced in the engagement of CSOs in local government working groups in 2018 and, increasingly, the provision of services to state structures by distinguished civil society activists serving as advisors or authors of policy documents. Civil servants must meet yearly continuing education requirements, and CSO representatives often serve as trainers in their areas of specialty.

CSOs actively use social networks, mostly Facebook and Twitter, to promote their work. However, CSOs often do not have the skills to make high-quality presentations of their results in public, which partly explains why the public does not always have a clear understanding of the role civil society plays.

Self-regulation is a developing area for CSOs in BiH. The Code of Ethics for CSOs in BiH, which was developed and promoted in 2017, had approximately 115 subscribers at the end of 2018. A small number of associations publish their annual program and financial reports on their web pages; these publications help build public trust and the increasingly positive image of CSOs.
According to Eurostat, 38.9 percent of Bulgaria’s population is at risk from poverty or social exclusion, the highest rate among all member states of the European Union (EU). Moreover, 30 percent of the country’s population suffers from severe material deprivation, meaning that they cannot cover their bills or pay for heating.

During the first half of 2018, Bulgaria held the presidency of the EU. At the same time, with the approach of elections—both EU and local—in 2019, politicians were in pre-election mode and began to take positions in order to attract voters. This influenced CSOs’ advocacy strategies and politicized some of the debates in which CSOs were engaged, including the debate around the ratification of the Council of Europe Convention on preventing and combating violence against women and domestic violence—popularly called the Istanbul Convention.

CSOs organized or supported several big protests during the year that had great public outreach. The Save Pirin initiative aimed to stop construction on Pirin mountain and demonstrated the divide between some environmental organizations and activists on one hand and the government, investors, and local businesses on the other. Mothers of children with disabilities organized protests in Sofia demanding more funding, which received significant public support.

Overall CSO sustainability worsened slightly in Bulgaria during the year. Financial viability deteriorated because of the continued lack of funding opportunities for CSOs, while public image decreased as a result of the ongoing negative campaigns against CSOs. The constant attacks against CSOs have prompted them to start discussing how to counteract the negative rhetoric, leading to a minor improvement in sectoral infrastructure. Organizational capacity also improved slightly during the year as new social movements created during the year attracted public attention and received public support.

At the end of 2017, there were almost 50,000 registered CSOs in the country. On January 1, 2018, CSO registration was moved to the Registry Agency. CSOs must transfer their registration from district courts to the Agency by the end of 2020. More than 8,000 CSOs transferred their registration in 2018. In addition, almost 1,400 new CSOs were registered with the Agency during the year. According to the National Statistical Institute, 13,441 CSOs submitted annual reports for 2017.
LEGAL ENVIRONMENT: 2.5

Bulgarian CSOs continue to enjoy basic freedoms of association, expression, and assembly. While the legal environment score remained unchanged, a great deal of legislative activity affected the sector in 2018.

On January 1, 2018, amendments to the Law on Non-Profit Legal Entities (hereinafter the CSO Law) entered into force. According to these amendments, all new associations and foundations seeking legal entity status now register with the Registry Agency, instead of the district courts as they did previously. Registration processes should be completed in three days. Documents can now be submitted electronically. In addition, what used to be three different registration processes—the court registry, registration in the Bulstat agency (to get a unique entity number), and registration in the Central Registry (for public benefit organizations)—is now a single process. The amendments also terminated the Central Registry for Public Benefit Organizations, which was part of the Ministry of Justice, and transferred its functions to the new registration authority.

Existing organizations have three years to transfer their registration from the courts to the new registration authority. There were some problems with this process in 2018, including delays in receiving documents needed for the transfer from the courts. In addition, there was some confusion as to where organizations that have not yet transferred their registrations should submit their annual reports. This led to the adoption of changes in the law in November 2018 to clarify the deadlines for CSO reporting and to confirm that CSOs should submit their financial reports to the Registry Agency only after they transfer their registration.

On March 27, 2018, parliament adopted the new Law on Prevention of Money Laundering in response to a new EU anti-money laundering directive. In line with the previous anti-money laundering regulation, the law designates CSOs as reporting entities. According to the legislation, all CSOs must identify their beneficial owners, organize trainings for their employees, and monitor their operations. CSOs with a turnover of EUR 10,000 or more must also prepare individual risk assessments and adopt internal regulations against money laundering. At the same time, the law exempts CSOs from many of the requirements other obliged entities are subjected to, such as identifying the beneficial owners of their clients and verifying the source of their funds—an improvement from the previous system achieved after a campaign by CSOs. However, it remains to be seen if the treatment of CSOs in practice will be better than under the previous law.

In May 2018, the EU’s General Data Protection Regulation (GDPR) entered into force. While its objective is to protect the right to privacy, its implementation has placed substantial administrative burdens on CSOs by requiring them to review their practices related to data protection, adopt new policies, and re-assess their relationships with beneficiaries and donors. In addition, the preparations for complying with GDPR involve additional costs for trainings and legal services.

State oversight of CSOs is regulated by law. There are legal requirements for the internal governance of CSOs, but organizations have substantial freedom to adapt these basic requirements to their needs. There is also court oversight and CSOs have the right to appeal decisions that affect them. However, according to amendments to the Administrative Procedural Code adopted in 2018, some cases—including access to information cases—can only be appealed in one instance. In addition, the fees for appeals may increase more than seventy-fold, although they were quite low prior to the amendments.

There were no known cases of CSOs being dissolved for political reasons in 2018. However, the stigmatization of CSOs peaked during the year. Debates around the Council of Europe Convention on preventing and combating violence against women and domestic violence—popularly called the Istanbul Convention—has created a negative meaning of the term “gender,” either referring to a third gender that is different from male or female gender or in the context of lesbian, gay, bisexual, transgender, and intersexed (LGBTI). As a result, CSOs engaged in this area faced serious obstacles working with schools during the year. The Ministry of Education stopped promoting a
program called School without Gender-Based Violence and Stereotypes that it had supported for the last five years in partnership with Gender Education, Research, and Technologies (GERT), a Bulgarian CSO. The Ministry of Education also refused to support a project promoting gender-balanced models in school implemented by one of the institutes of the Bulgarian Academy of Sciences.

Other CSOs also faced pressure during the year for criticizing the government. The National Youth Forum had problems communicating with the Ministry of Youth and Sport after criticizing the organization of the European Youth Conference, while a number of environmental organizations were the subject of negative statements by public officials because of their active positions against construction in nature reserves.

CSOs are exempt from taxes on their income from nonprofit sources, including donations, grants, and membership fees, but pay corporate income taxes on any profit from economic activities. Donors to public benefit organizations enjoy tax deductions for their donations up to 5 percent of the annual income for individuals and 10 percent of the net profit for corporations.

CSOs can receive funding from abroad, take part in public procurements, sell goods and services, and engage in fundraising. In September 2018, the municipality of Sofia issued a new regulation that places some limits on CSOs’ access to resources. Among many other issues, it regulates public fundraising campaigns and introduces a permission regime in order for a CSO to engage in public fundraising on public spaces in the Bulgarian capital. Moreover, only public benefit organizations can obtain such permission. At the end of the year, the municipality was considering revising this regulation to ensure that it does not violate the rights of CSOs.

The Law on the Enterprises of Social and Solidarity Economy, which was adopted in October 2018, may also negatively affect CSOs. While the law provides benefits to social enterprises, it defines social enterprises in a manner that may exclude many smaller CSOs, stating that a social enterprise needs to reinvest at least EUR 3,750 of its profit back into its social purpose or to employ at least three people from vulnerable groups.

Local legal capacity outside of the capital is limited. There are lawyers that can support CSOs in the process of transferring their registration, but in some cases their knowledge of CSO specificities is limited or the services might not be affordable, especially for small, volunteer-based organizations.

ORGANIZATIONAL CAPACITY: 4.0

Organizational capacity in the sector improved slightly in 2018 as new social movements created during the year attracted public attention and received public support. For example, a group of mothers of children with disabilities started protests demanding more funds from the national budget. As described in more detail below, these efforts received a significant amount of positive media attention, and attracted the support of the Ombudsperson and a great deal of public sympathy, which eventually helped them achieve their objectives.

Despite this positive trend, CSOs continue to face a tough period in their development and many CSOs struggle to survive. For example, according to the National Alliance for Voluntary Action, 27 percent of their members are not operational.

Constituency-building efforts were difficult, particularly for CSOs that struggled with their financial sustainability, which faced problems engaging in outreach activities. CSOs that were portrayed negatively in the media also found it more difficult to attract constituents or explain the important role they play. Small, local organizations struggle to attract young people as youth often move to bigger cities. Environmental organizations are generally the best known organizations in the country and have larger constituencies.

According to research commissioned by the Bulgarian Center for Not-for-Profit Law (BCNL) and carried out by Alpha Research in October 2018, only 9 percent of people have had contacts with CSOs and only 3 percent are
members of a CSO. The research also found that 60 percent of respondents had not participated in any civic activity (including donating) over the previous year.

CSOs have missions but some of them undertake projects in other areas in order to survive. A few donors support the organizational development of CSOs, including strategic planning, but without long-term support many of the strategic plans developed remain on paper and are not fully implemented.

Most CSOs do not have permanent staff and experience high turnover of personnel. The majority of organizations depend on the efforts of one or two key people. Many organizations also lack clear divisions of responsibilities between their board members and staff. According to data for 2017 from the National Statistical Institute, the number of paid people engaged in CSOs increased slightly, while the number of volunteers decreased from around 85,000 people to 82,000. According to the Charities Aid Foundation’s 2018 World Giving Index, Bulgaria ranks second to last in the world on the level of volunteering, with only 5 percent of respondents in the country reporting that they volunteered for a CSO during the reporting period in 2017, the same percentage as in the previous year. The low level of volunteering in the country was confirmed by the Alpha Research survey, in which only 7.3 percent of people stated that they volunteered.

Most CSOs have basic information technology (IT) infrastructure, including computers and cell phones. However, few organizations consider more advanced issues such as IT security and data protection. Internet access is readily available and CSOs use social media, including Facebook, on a regular basis.

**FINANCIAL VIABILITY: 4.6**

The financial viability of CSOs declined in 2018, largely because of the ongoing lack of funding opportunities. As there have been almost no large donors in the country for several years now, CSOs have not had access to regular funding and have experienced long periods without funding, forcing some CSOs, primarily smaller organizations, to close down.

Most CSOs do not have diversified sources of funding. Certain types of organizations, such as human rights CSOs, have particularly limited access to funding. One of the few donors that still funds human rights groups is the America for Bulgaria Foundation (ABF). In 2018, ABF provided nearly $20 million in grants, more than all other foundations in Bulgaria combined. More than half of this amount was provided to CSOs, with the remainder going to entities such as schools and municipalities.

The prolonged lack of grants from previously important donors continues to affect the sustainability of CSOs. After two years without any calls for projects, the European Economic Area (EEA) Financial Mechanism 2014-2020 launched the Active Citizens Fund in October 2018 with total funding of EUR 15.5 million. The first grants are expected to be awarded in the second quarter of 2019. The EU Operational Program for Good Governance finally announced its first project competition in July 2018 after almost four years without any calls. In December, it announced that approximately BGN 10 million (approximately $5.8 million) will be provided to 118 CSOs for projects supporting citizen participation. These positive developments, however, will only have an effect on CSO financial viability in 2019.

At the same time, CSOs continue to have limited access to other funding programs. For example, the program for social entrepreneurship under the EU Operational Program for Human Resources Development announced the results of its last call for proposals, under which only 20 percent of the 270 supported projects were awarded to CSOs. The EU Operational Program on Environment did not support any CSO projects in 2017 or 2018 while previously it was a significant source of support for environmental organizations. The so-called de minimis rule for state aid—which limits the amount an organization can receive to EUR 200,000 over a three-year period—still applies to all EU programs.
The State Budget Law for 2018 allocated BGN 68 million (approximately $40 million) for CSOs, but a large portion of this money was designated for sports clubs and religious organizations or monasteries. The government still has not established the Civil Society Development Council which was supposed to develop a transparent and competitive mechanism for distributing state funds to CSOs. Therefore, the BGN 1 million (approximately $580,000) planned for this mechanism in the budget remained unspent. The only positive step taken during the year was that the draft regulation of the Council was released for public consultation in October, almost eight months after it was developed by a working group composed predominantly of CSOs. The Official Development Assistance (ODA) Law, which will create mechanisms to support development projects, including by CSOs, has been under discussion since 2017, but no steps were taken to develop it further in 2018.

There are some positive examples of government funding mechanisms for CSOs at the local level, but the amounts are limited in smaller municipalities. Sofia Municipality continued to support CSOs under its two existing programs in 2018, distributing more than BGN 280,000 (approximately $163,000) under its Europe program and BGN 1.4 million (approximately $810,000) under its Culture program, much but not all of which goes to CSOs. In addition, in early 2019, Sofia Municipality will launch a new BGN 100,000 (approximately $58,000) fund for social innovations. The AGORA Platform has successfully advocated for the creation of small municipal funds to support local civic initiatives in nine towns. The funds will total more than BGN 157,000 (approximately $91,000), with approximately half of the funding coming from municipal budgets and the other half coming from AGORA.

An analysis by the Bulgarian Donors Forum shows that the level of donations increased slightly in 2017, the last year for which data is available. Companies donated more than BGN 38 million (approximately $22 million), compared to approximately BGN 34 million in 2016 and well below the BGN 46 million donated in 2015, although no information is available about how much of these donations went to CSOs. Still less than 1 percent of companies that submitted tax declarations donated funds to CSOs. Individuals donated almost BGN 9 million (approximately $5.2 million) in 2017, a slight increase from BGN 8.5 million in 2016. The most common ways of donating are through SMS or donation boxes. According to the 2018 World Giving Index, 18 percent of people reported that they donated money to charity in 2017, compared to 17 percent in the previous year.

Fundraising is still a relatively new phenomenon for Bulgarian CSOs, but there are organizations that attempt to raise funds in this way. Some large organizations, such as For Our Children Foundation, WWF, SOS Children’s Villages, and the Bulgarian Red Cross, have fundraising strategies and employ a variety of fundraising methods, such as online appeals, charitable events, charitable sales, and regular donations through SMS. The National Youth Forum collected BGN 12,000 (approximately $7,000) in just twelve days through platformata.bg, a Bulgarian crowdfunding website. At the end of 2018, thirty-one Bulgarian CSOs were raising funds through the Global Giving crowdfunding platform.

CSOs try to diversify their funding by offering paid services or selling products that they produce. For example, Maria’s World Foundation provides catering services, and Concordia Foundation produces candles. However, these efforts are still in the nascent stage. Membership fees are not a significant source of funding for membership-based organizations.

CSOs are legally required to publish financial reports and active organizations adhere to these requirements. While large organizations have their own financial personnel, small ones usually use the services of external accountants.

**ADVOCACY: 2.6**

Advocacy did not change significantly in 2018.

While the law requires public consultations, there are cases in which the government or parliamentarians avoid using these. For example, in 2018, the Fund for Medical Treatment of Children was transferred to the National Health Insurance Fund, thereby essentially terminating its work, through a provision in the State Budget Law for 2019, which is exempt from public consultation requirements. In addition, while public consultations must be organized on draft laws before they are introduced in parliament, members of parliament often insert substantial changes to laws between the first and second readings in parliament, thereby avoiding these requirements.
Various bodies, such as the Public Council with the Parliamentary Committee for Interaction with CSOs and Citizen Complaints, facilitate cooperation between CSOs and public institutions. However, some public councils exist only on paper. For example, the Public Council of the Ministry of Youth and Sports only met once in 2018. Others—such as the Public Council of the Fund for Medical Treatment of Children—have been terminated because the host institutions do not see the benefits of their existence.

One of the biggest public debates in 2018 focused on the Istanbul Convention. A number of CSOs fighting for women’s and LGBTI rights advocated for the convention’s ratification, while conservative civic groups, the Orthodox Church, and some political parties, including the Bulgarian Socialist Party and the United Patriots, opposed ratification of the treaty, arguing that it would introduce a third gender that contradicts biological sex and that Bulgaria would give up its sovereignty to a body established under the Convention. The government asked the Constitutional Court to review the Convention, and the Court found that the Convention contradicts the Bulgarian Constitution. Following the decision, the ratification proposal by parliament was withdrawn. As a result of the debate, the word “gender” essentially became an insult, and progressive CSOs that supported ratification were labelled as traitors or “genders.”

The protest of mothers of children with disabilities was also among the most visible advocacy and lobbying campaigns in 2018. Mass protests were organized for several months under the slogan The System Kills Us. As a result of this campaign, a new Law on Personal Assistance was adopted, which allocates an additional BGN 150 million (approximately $87 million) to provide social assistants to people with disabilities, including children. In addition, the vice prime minister had to resign as a result of the negative statements he made about the mothers and their aims.

CSOs have been able to work in partnership with the government to bring results in the social area. The new Draft Law on Social Services was developed through the joint efforts of CSOs and the authorities. By the end of 2018, the draft had been approved by the government and submitted to parliament. In the process of consultation, the Ministry of Labor and Social Policy even engaged an independent moderator.

Some campaigns were unable to achieve positive results in 2018. Fifty CSOs advocated against amendments to the Administrative Procedural Code that affect citizens’ right to appeal government decisions and the fees for these appeals. The president agreed with the arguments and imposed a veto; however, the veto was overridden by parliament and the amendments were ultimately approved.

Under the auspices of the Public Council in Parliament, CSOs organized a meeting with the Ministry of Justice and the Registry Agency to discuss problems with the implementation of amendments to the CSO Law, leading to amendments related to CSO reporting (described in the legal environment section). On the other hand, no progress was made on the Law on Volunteerism, which was introduced in parliament in 2017. Similarly, the creation of the Civil Society Development Council within the Council of Ministers was postponed despite the active participation of CSOs in the working group established by the government to prepare the draft regulation.

**SERVICE PROVISION: 3.1**

CSO service provision did not change significantly in 2018. CSOs continue to provide a diverse range of services in areas such as education, sports, culture, social needs, and environmental protection.

CSOs provide many services free of charge. For example, WWF provides advice to people about what to do if they witness illegal cutting of trees. A growing number of organizations sell their services on the market to generate funds to further their missions. Most CSO services target a much wider audience than their members.
although CSOs need to develop their marketing capacity as they traditionally have access to a narrow group of potential clients.

Some organizations also sell products, including online. For example, Olemale.bg is an online shop that sells products made by mothers of children with disabilities. However, CSOs’ production capacity is generally limited and they have problems regularly supplying bigger commercial chains. For example, there was an idea to set up a special stall to sell CSO products in a big retail chain, but it turned out that CSOs could not produce inventory in the scale necessary to satisfy demand.

The concept of social entrepreneurship is developing and more CSOs see themselves as potential social enterprises. However, it remains to be seen how the newly adopted Law on the Enterprises of the Social and Solidarity Economy will affect CSOs, especially smaller organizations.

The government recognizes the added value of CSOs and awards contracts in some areas, such as the social arena. For example, the State Agency for Child Protection outsources the management of the national telephone hotline for children to the Animus Association. However, many state institutions still do not recognize CSO expertise in areas such as analysis or drafting documents as services that they need to pay for. Legislative developments from 2015 in the Law on Pre-School and School Education and the Law on Healthcare Institutions, which were expected to facilitate contracting in the educational and healthcare areas, have not been implemented in practice, so the number of contracted services has not increased. In addition, some conditions related to social contracting have worsened. For example, there have been examples of newly contracted CSOs being required to maintain the municipal personnel instead of using their own experts.

Even when there are already established partnerships, such as in the area of HIV prevention, the government is unwilling to decentralize or delegate these services. For example, the Global Fund to Fight AIDS, Tuberculosis and Malaria, which closed its programs in Bulgaria in 2018, wanted the state to establish a mechanism to finance CSOs to continue to provide prevention and awareness raising services. The Ministry of Healthcare, however, had still not set up such a mechanism at the time of writing this report.

The infrastructure supporting the CSO sector improved slightly in 2018 as the constant attacks against CSOs over the past few years have prompted CSOs to start discussing how to counteract the negative rhetoric. In October 2018, the Citizen Participation Forum, BCNL, WWF, the Red House for Culture and Debate, the NGO Informational Portal (www.ngobg.info), the Bulgarian Donors Forum, the AGORA Platform, and the National Network for Children organized the Future Search Conference, which brought together more than eighty organizations from all over Bulgaria. A joint strategic plan that identified common needs and measures was developed as an outcome of the conference. A CSO coalition coordinated by the Citizen Participation Forum will be responsible for implementing the plan.

Existing CSO coalitions, such as the National Network for Children, the Citizen Participation Forum, and the Bulgarian Donors Forum, continue to be the main source of expertise and capacity-building support for CSOs.
These groups provide trainings, consultations, and information to their members. In addition, specialized CSOs, such as BCNL and the Access to Information Program, provide assistance in their areas of operation, such as CSO legal requirements or access to information.

There are several experienced grantmakers in Bulgaria, including the Open Society Institute, Tulip Foundation, Workshop for Civic Initiatives Foundation, Trust for Social Achievement, and BCause Foundation. There are also several community foundations. In addition, a consortium of three Bulgarian organizations manages the Active Citizens Fund of the EEA Financial Mechanism.

The campaign against the ratification of the Istanbul Convention brought together a large group of CSOs that defended the rights of victims of violence. Another large ad hoc initiative called 7000, which was supported by several CSOs of people with disabilities, members of the Bulgarian Association of People with Intellectual Disabilities, the Global Initiative on Psychiatry, and BCNL, aimed to stop people with intellectual disabilities or mental health problems from losing their legal capacity to exercise their rights by adopting a new Law on Physical Persons and Support Measures. The 7000 initiative collected more than 12,000 signatures which helped put this issue on the floor of parliament.

Experienced CSO trainers offer CSOs training in a wide range of topics, including accounting, legal issues, GDPR, and how to work with social media. Trainings are widely available in Sofia but are rarer outside of the capital.

Corporations are very open to establishing long-term partnerships with CSOs. For example, Reach for Change and Nova TV jointly develop a program on social entrepreneurship; Lidl (a grocery chain) and the Workshop for Civic Initiatives Foundation work together to provide grants to CSOs; and BCNL and Vivacom (mobile operator) have partnered to carry out the Regional Grant program. There are also examples of partnerships between state authorities and CSOs. For example, Sofia Municipality signed a partnership agreement with CSOs providing social services. Diversity Pays Off brings together CSOs, companies, and state institutions to support diversity in the corporate sector and help people from disadvantaged groups to find a job.

**PUBLIC IMAGE: 3.7**

The sector’s public image deteriorated moderately in 2018. The Human and Social Studies Foundation monitored anti-democratic propaganda in the media in 2017. According to its report, published in 2018, one of the leading propaganda messages was about corrupt elites in Bulgaria. The propaganda grouped together representatives of opposition political parties, businesspeople, and CSOs, all of which were labelled as “grant-eaters,” “sorosoids,” and “puppets.” Such propaganda aims to discredit any criticism or alternative ideas by CSOs. The report further stated that the publications that disseminate this propaganda “violate all standards of professional journalism.” Research conducted by the NGO Information Portal in September 2018 found that more than 46 percent of surveyed CSOs state that the anti-CSO campaign has affected their organizations very strongly or strongly. At the same time, there are still media outlets that show the CSO perspective and publish positive CSO stories. At the local level, media is particularly open and actively seeks news from CSOs.

In 2018, public officials made a number of negative statements towards CSOs and liberal values. For example, the head of the press center of the Ministry of Defense attacked Sofia University, the Bulgarian Donors Forum, and several of its member companies for spreading “gender ideology” during the debate about the Istanbul Convention. The Minister of Education officially stated that he will terminate any courses in schools that spread “gender ideology.” Even the President of Bulgaria, when speaking about the ratification of the Istanbul Convention, stated that: “the Convention takes powers from the state and gives them to CSOs. They will become the main
source of information and will transform them into control bodies. This will not lead to decrease of the violence against women and children but will more likely stimulate lawsuits against the state.”

Environmental organizations are constantly attacked for their opposition to government investment plans in protected nature areas. The minister of environment and waters contracted an independent company to estimate the losses due to court appeals of investment proposals. The report claims that over a period of eleven years, unrealized gains from the disputed investment projects exceed the losses from natural disasters by BGN 900 million (approximately $523 million). As a result, the minister declared that “natural disasters have caused less damage than environmental activists.”

The public has limited awareness of CSOs. According to the survey carried out by Alpha Research in October 2018, more than 50 percent of surveyed people have no opinion about CSOs and only 49 percent of respondents could identify at least one CSO. Only five organizations were named by more than 2 percent of people. While the level of trust in CSOs is limited, there is also a general lack of trust in Bulgarian society, with 80 percent of Bulgarian respondents in the European Values Survey 2017/2018 saying that you cannot trust other people.

While the government has a mixed attitude towards CSOs, the business sector looks at CSOs as potential partners and there are visible examples of partnerships, as described above.

CSOs understand the importance of media coverage. Television is still the main source of information for people in Bulgaria, but it is difficult for smaller organizations to access this medium. While CSOs lack capacity on how to engage media and journalists, they actively use social media, such as Facebook.

CSOs have no common code of ethics although they understand the value of observing high standards in their work.
CROATIA

OVERALL CSO SUSTAINABILITY: 3.4

Croatia experienced significant economic and political turmoil in 2018. The first part of the year was marked by a liquidity crisis at Agrokor, the country’s largest company. Mid-year, Agrokor was saved by a lender agreement in which Russian banks, US funds, and bond holders became the new owners. The financial rescue of Agrokor gave rise to the so-called Hotmail affair, in which emails and documents uncovered by the press seemed to indicate that Martina Dalić, then deputy prime minister and minister of economy and entrepreneurship, had withheld information about the situation in Agrokor for her own personal benefit. Although she denied any wrongdoing, Dalić resigned in May. The political coalition remained in power in the face of this scandal and generally ruled in harmony for the rest of the year.

The Croatian Parliament ratified the Council of Europe Convention on preventing and combating violence against women and domestic violence (known as the Istanbul Convention) in April 2018, following a year of fierce conflicts between its supporters and opponents. Claims that the Convention introduces the concept of gender ideology triggered multilateral hearings in the parliament, as well as protests both for and against it across the country. Conservative CSOs made an effort to collect signatures for a referendum against the Convention, but did not collect enough signatures. Similar tensions were visible during the year between socially liberal and conservative CSOs and their supporters in relation to revisionist narratives about World War II and the Croatian War of Independence (1991-1995) and specifically the use of the phrase Za Dom Spremni (Ready for [the defense] of the home), a salute used by the fascist powers in Croatia during World War II.

CSO sustainability did not change significantly in 2018, although both sectoral infrastructure and public image deteriorated. The infrastructure declined because the National Foundation for Civil Society (NFCSD) ended its long-standing partnership with the regional support centers, while public image worsened with an increase in negative rhetoric towards liberal civil society during the year. All other dimensions of sustainability remained the same.

1 The score for the Organizational Capacity dimensions was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region, rather than based on change from the previous years. This resulted in a change in the overall CSO sustainability score, while in reality CSO sustainability did not change from the previous year.
According to the Registry of Associations of the Republic of Croatia, there were 52,276 registered associations in Croatia in 2018. Almost half of these are passive, meaning that they have not held a meeting of their general assembly in over eight years. In addition, there were 250 foundations and 146 foreign CSOs in Croatia at the end of 2018.

LEGAL ENVIRONMENT: 3.1

The legal environment governing CSOs did not change in 2018.

There continued to be a delay in adopting the National Strategy for the Creation of an Enabling Environment for Civil Society Development 2017-2021. Despite repeated requests, the Ministry of Labor and Pension System only provided an estimate of the strategy’s fiscal impact, a mandatory part of the participatory process of developing the strategy, to the Office for Cooperation with NGOs towards the end of 2018. Therefore, the draft document had still not been sent to governmental procedure by the end of the year.

CSO registration procedures did not change in 2018. CSOs can register and operate without problems. In contrast to previous years, CSOs no longer complain about difficulties in the application of the 2014 Law on Associations, which primarily related to delays in getting government approval of new statutes that were harmonized with the law’s provisions.

A new Law on Foundations was passed at the end of 2018 and will come into force on March 1, 2019. The new law simplifies and shortens the procedure for establishing and registering foundations, and ensures greater transparency in the operation of foundations. In the meantime, the registration process for foundations continues to be more bureaucratic than that for associations, and can take several months.

Two other new laws that contribute to the development of civil society in Croatia were also adopted in 2018: the Law on Islands and the Law on Hilly and Mountainous Areas. Both laws came into force on January 1, 2019. According to the Law on Islands, the Ministry of Regional Development will work to create a positive environment for civil society development on the islands. The Law on Hilly and Mountainous Areas, for the first time, identifies civil society as a factor of vital importance for the economic development of hilly and mountainous regions in Croatia.

The legal framework clearly defines the rules for internal management, the scope of allowed activities, financial reporting requirements, and the procedure for terminating associations. CSOs are protected from the possibility of being closed down by the state for political or arbitrary reasons and CSOs and their representatives can act freely within the law. The law is enforced in accordance with its stipulations. CSOs still consider the legal framework and administrative obligations imposed by it to be too normative.

In 2018, some CSOs faced consequences for expressing criticism of the government. Throughout 2017 and 2018, the Center for Peace Studies criticized the Ministry of the Interior’s actions towards migrants. Although the Center was named as a partner in implementing the measures outlined in the Action Plan for the integration of refugees and had provided support in reception centers for asylum seekers for fifteen years, its cooperation agreement with the Ministry of the Interior was not extended in 2018, forcing it to cease its activities in both reception centers in Zagreb and Kutina. In 2018, the Ministry of the Interior also asked the court to ban the work of the association Are You Syrious?, charging that a volunteer with the association was helping migrants to cross the border illegally. In October, the volunteer was found guilty and fined HRK 60,000 (approximately $9,000). CSOs view such incidents as political decisions aiming to intimidate, marginalize, and eliminate associations that publicly speak out on the problems faced by refugees, as well as illegal actions taken by the Ministry of the Interior’s employees towards refugees. The Ministry of the Interior reacted to such accusations by issuing a notification declaring the statements made by CSOs to be untrue. It further explained that the cooperation...
agreement with the Center for Peace Studies was not extended because the Center was conducting activities that were conceptually the same or similar to those already carried out by other associations in the reception centers.

CSOs can legally generate revenue through the provision of services and can receive contracts from government bodies. CSOs can also organize fundraising campaigns, although the legislation in this area is still not well-regulated or precisely defined. CSOs are free to receive funds from foreign donors without legal restrictions.

All CSO income, including income from economic activity, is exempt from taxation under the Law on Financial Operation and Accounting of Nonprofit Organizations. Additionally, humanitarian organizations are exempt from value-added tax (VAT) for purchases for humanitarian purposes, and all CSOs are exempt from VAT while using income from European Union (EU) sources, regardless of their area of activity. Individual and corporate taxpayers have the right to income tax deductions of up to 2 percent for charitable contributions to CSOs.

Most lawyers show 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: 3.5**

CSO organizational capacity did not change in 2018. CSOs continue to struggle to actively develop support among their constituents due to a shortage of staff coupled with increasing administrative demands. Administrative demands are especially high for projects funded by the EU, putting CSOs that rely on these sources at particular risk of losing contact with their support base. Smaller CSOs that are mainly funded by local and national sources tend to have better connections with local communities, and thus the trust of the local communities in which they work.

CSOs’ strategic planning practices did not change significantly in 2018. CSOs in Croatia are legally required to have strategic plans, but often do not adhere to these plans. Serious strategic planning is mostly done by CSOs with greater organizational capacities and diverse funding sources. Smaller, local organizations formally undergo strategic planning processes, but they frequently shift their activities without reflecting these changes in their strategic documents. CSOs continue to list areas of work unrelated to their activities in their statutes, as this allows them to apply for future tenders in various areas. Very few CSOs monitor their impact. Proposals to include the topic of assessing CSOs’ success in the National Strategy for the Creation of an Enabling Environment for Civil Society Development have been presented to the Council for Development of Civil Society, but at the time of writing, the status of these proposals was unclear.

Larger organizations with domestic and foreign sources of funding have structured internal management systems, including skilled workers with specialized tasks and hierarchical structures. In small organizations, individuals often perform multiple roles. While CSOs may not have written policies, they generally take appropriate steps to avoid conflicts of interest in order to meet funding conditions.

The sector continues to be plagued by unstable working conditions. Staff tends to be employed primarily on a project basis and staff turnover is high. In addition, salaries are low. These conditions make it difficult for CSOs to recruit and retain professionals and educated young people. Larger CSOs with multiple employees generally have

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2 The Organizational Capacity score was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score does not reflect a deterioration in Organizational Capacity, which remained largely the same in 2018 as in 2017.
sound human resource practices, such as contracts, job descriptions, and personnel policies, as well as systems to record volunteer contributions, while developing such documents is too demanding for most smaller organizations.

There is no strategy for employment in the civil sector, and the education system does not promote an orientation towards employment in the civil sector. Nonetheless, in 2018 a program supported by the European Social Fund (ESF) and implemented by NFCSD offered support for the development of partnerships between CSOs and higher education institutions for the implementation of service learning programs. Twenty-four partnership projects were funded and began to be implemented in 2018. The funded projects will strengthen cooperation between the civil sector and academic community and, as students will be cooperating actively with CSOs in local communities, are also expected to increase the interest of students in working for CSOs.

The level of volunteering in Croatia is generally low. According to the Charities Aid Foundation’s 2018 World Giving Index, 11 percent of respondents in Croatia reported participating in voluntary action, compared to 12 percent the previous year. CSOs’ capacity to manage volunteers effectively is also limited. The Volunteer Center in Zagreb provides CSOs with training on volunteer management and promotes the value of volunteering in CSOs.

CSOs increasingly use information and communications technologies (ICT), social networks, collaborative platforms, and web portals. Smaller CSOs from rural areas still lack the knowledge and capacities to keep up with new technologies.

**FINANCIAL VIABILITY: 4.4**

CSO financial viability did not change significantly in 2018. Larger CSOs continue to have access to diverse sources of funding, including the national government, EU, and foreign donors, including embassies and other international sources. Smaller CSOs are mainly financed by local self-governments, but also rely heavily on the support of volunteers and individuals in the local communities they serve. Most CSOs do not have a developed cadre of faithful and permanent financial supporters, and there continues to be significant competition among CSOs for all sources of funding.

No data is available on the level of foreign funding. EU grants are larger and enable CSOs to be viable in the short-term. However, administering EU projects places a great burden on CSOs. Public authorities act as intermediary bodies and issue tenders financed by the EU. Several tenders were issued in 2018 that CSOs could apply for, including programs focused on culture, strengthening the capacities of CSOs and social dialogue, and social services. The intermediary bodies adopt and announce annual tender calendars, but due to insufficient capacity, they often do not adhere to the schedules, which makes it difficult for CSOs to make appropriate plans.

The level of government funding for CSOs did not change significantly in 2018. CSOs could apply for government funding in thirteen different areas, ranging from sports and culture to human rights protection and international development cooperation. Local self-government units try to provide financial support to as many CSOs as possible with their limited budgets, which results in small grants that are insufficient for more concrete activities.

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. NFCSD’s budget for 2018 was approximately HRK 44 million (approximately $6.7 million, down from over HRK 51 million (approximately $7.8 million) in 2017.

The development of a philanthropic culture continues to be impeded by the obsolete Law on Foundations and Funds, a tax system that fails to sufficiently incentivize charitable work and philanthropy, and public authorities’ lack of interest in a systematic approach to the promotion and development of philanthropy. In 2018, however, there were a few initiatives to develop foundations and philanthropy. The Foundation for Human Rights and Solidarity Solidarna continued to seek donations from individuals and companies for its programs; this provides it with a flexible source of funding for its advocacy work and solidarity actions, cultural production, and social innovations.
In April 2018, Solidarna launched the Desa and Jerko Baković Fund to support education for children living in poverty. With an initial donation of HRK 600,000 (approximately $91,000), the fund provided scholarships to twenty-nine children from twenty different underdeveloped communities. Along with financial support, the Desa and Jerko Baković Fund provides donated equipment, books, clothing, and additional forms of instruction and psychosocial support in accordance with the needs of particular children, and will organize thematic workshops to enhance knowledge exchange and develop social skills for all scholarship recipients.

Companies support CSOs in order to improve the environment in which they operate and to help certain people solve their problems. According to research by Zaklada Slagalica conducted in 2017, tax incentives are not a significant motivator for corporate donations. Indeed, companies that are motivated to give primarily by tax relief give the least. Some of the most prominent companies engaged in corporate philanthropy include Adris Group, Atlantic Grupa, and Zagrebačka bank. The Adris Group has established the Adris Foundation, the leading philanthropic organization in Croatia. The Adris Foundation supports projects focused on the development of science, provides scholarships to students, and encourages the use of new technologies and the promotion of interdisciplinary research, as well as projects to improve health and disease prevention. Adris Group allocates 1 percent of its annual income to the Adris Foundation, which in 2018 amounted to just over HRK 3 million (approximately $458,000). Through its sponsorships and donations, Atlantic Grupa supports initiatives in the fields of sports, culture, and knowledge and humanitarian activities. Since 2013, Zagrebačka bank has been operating the My Zaba Start program, which provides financial support for entrepreneurial and socially useful ideas and projects.

CSOs continue to be aware of new models for raising funds, such as crowdfunding. There were some successful examples of crowdfunding in 2018. For example, Common Zone (K-zona) Expanse of Gender and Media Culture raised more than $30,000 through a crowdfunding campaign, surpassing its initial goal of $25,000. The funds were used to produce Fierce Women – All the Right Cards, a card game with illustrated portraits of women who have made important contributions in the fields of science, art, culture, feminism, politics, and human rights throughout history.

Nonprofit media continued to struggle to access financing in 2018. In January 2018, about twenty nonprofit media outlets sent an open letter to the government, parliament, Ministry of Culture, Public Ombudswoman, Parliamentary Committee on Information, Computerization and Media, Council for the Development of Civil Society, and Electronic Media Council, in which they warned about their dire financial situation. The minister of culture noted on several occasions during the year that a media strategy would be adopted and that applications from community media would be invited, but this did not happen by the end of the year. In the meantime, the Fund for the Promotion of Pluralism and Diversity of Electronic Media run by the Agency for Electronic Media is the only remaining source of funding for nonprofit media. In 2018, this Fund provided programmatic funding to approximately twenty nonprofit electronic media outlets totaling HRK 3 million (approximately $458,000).

A few CSOs—mostly organizations that are focused on specific populations, like children with developmental disabilities or rare diseases—earn income by charging fees for the services they provide. Social entrepreneurship is still underdeveloped. While a strategy to develop social entrepreneurship was adopted several years ago, there is no action plan or law on social entrepreneurship that would stimulate the development of social enterprises by providing them with tax breaks and other benefits.

CSOs advocate for the government to award them long-term contracts to deliver services, but most contracts are still just for one-year periods, which greatly affects the sustainability of CSOs’ services.

CSOs generally have established financial management systems, in part to meet the conditions of various tenders. CSOs with EU funding increasingly undergo independent audits, while other CSOs rarely do.

**ADVOCACY: 3.2**

CSO advocacy did not change notably in 2018 and continues to be strong.

In May 2018, the Declaration on the Cooperation of Counties and CSOs in the Republic of Croatia was signed. The aim of the Declaration is to increase cooperation and the development of partnerships between counties and CSOs. By signing the Declaration, counties commit themselves to developing different models to involve CSOs in their work, including the planning and development of social services and a social welfare system. To do so, counties will consider and develop forms of cooperation and partnership with CSOs and sign charters on
cooperation with CSOs at the county level. They will also establish transparent and efficient systems to finance and support CSO projects and programs that benefit the public. While the signing of the Declaration is an important step, it is too early to see any direct impact yet.

The e-Consultation system, a central portal for consultations with the interested public, has now been in operation for three years. During that period, more than 39,000 comments on draft bills, other regulations, and acts have been submitted through 1,737 public consultation sessions published by fifty-one state and public bodies. The number of registered users reached 17,000 by the end of 2017, out of which 14,000 are individuals, 1,072 are companies, 689 are associations, and 263 are sole proprietorships. According to data from the Office for Cooperation with NGOs, in 2017 a total of 706 consultations were conducted, a 10 percent increase from 2016.

In 2018, several prominent CSO activists left the sector to join various political movements, including the Social Democratic Party (SDP), the START party, and We Can! Their involvement in politics and history in civil society has allowed them to build relationships between the two sectors and facilitated greater discussion of the role of CSOs in future political programs and guidelines.

In 2018, the Council for Civil Society Development met four times, compared to six times in 2017. One of the Council’s aims during the year was to promote transparency and include CSOs in the process of passing the Regulation on Criteria for Determining the Users and Allocation of a Part of Income from Games of Chance. In mid-2018, members of the Council met with representatives of the state administration to advocate for the government to conduct sector analyses to identify priority areas for funding earlier, and to consult CSOs in the drafting process. Various methods of public consultation were suggested. For example, the Office for Drug Abuse Prevention announced the implementation of an e-consultation for its sector analyses.

In 2018, the Office for Cooperation with NGOs conducted a project with the government of the Republic of Macedonia which is using the Croatian model as a basis for the establishment of the Macedonian Council for Civil Society Development.

Since 2014, Croatia has been a member of the Open Government Partnership, a multilateral initiative aimed at making governments more open, accountable, and responsive to citizens. CSO representatives make up about half of the Council of the Partnership for Open Government Initiative. In mid-2018, a public consultation on the draft action plan for the period 2018-2020 was held; the action plan was adopted in December.

The Croatian Parliament ratified the Council of Europe Convention on preventing and combating violence against women and domestic violence (known as the Istanbul Convention) in April 2018, following a year of fierce conflicts between its supporters and opponents. Heated debates took place across society, with some arguing that the convention would provide women with additional protections from domestic violence, while conservative segments of society argued that the convention would impose gender ideology and introduce the concept of “gender” into legislation, and would thereby erode tradition and family values. The initiative Truth about Istanbul Convention collected signatures in favor of organizing a referendum to withdraw Croatia from the Convention. However, the initiative failed to collect a sufficient number of signatures. It then lodged complaints with the Constitutional Court to challenge the convention’s constitutionality, which were dismissed at the end of the year. To counter the protests and petitions against the Istanbul Convention, some CSOs, including the Center for Women’s Studies, Solidarna, GONG, and the Croatian Women’s Network, organized protests to support ratification.

Meanwhile, the People Decides initiative collected signatures for a referendum to change the country’s election laws to reduce the number of members of national minorities in parliament. The initiative was subject to numerous claims of discrimination and also failed to receive sufficient signatures.
RODA-Parents in Action organized a prominent advocacy initiative called Let Us Stop the Silence, which was aimed at collecting testimonies from women about their treatment in hospitals when giving birth or having abortions. The public response to the action was significant and led the Ministry of Health to respond that every complaint would be examined in detail. The campaign also spread to Bosnia and Herzegovina, where it also gained significant public interest.

In April 2018, the Croatian Health Insurance Fund announced that it would only cover the drug Spinraza for patients with spinal muscular atrophy that are under the age of eighteen and not on respirators. Hummingbirds, an association of parents of children suffering from spinal muscular atrophy, responded to this decision by organizing a protest called Spinraza for All, in which they called on the government to reverse the decision and approve the medicine for all with the disease. The policy remained in force at the end of the year.

There is no legal regulation of lobbying or a register of lobbyists in Croatia, and the concept of lobbying is still not a recognized advocacy method among CSOs.

### SERVICE PROVISION: 3.1

In 2018, CSOs continued to provide a wide range of services and products to the public, with the most common including services focused on increasing the quality of life, cultural activities, psychosocial support, counselling for diverse population groups, as well as education services, including training and lifelong learning.

According to CSOs, the instability of project funding and the lack of continuity in announcing tenders are the greatest obstacles to quality service provision. There is also a great discrepancy between the level of services offered in different areas of the country. In addition, most social services are still provided by public institutions under monopoly conditions, leaving little room for CSOs to provide services.

There is not enough recognition—either at the local or national levels—of the fact that social contracts from the government would allow CSOs to provide continuous and high-quality services. However, progress was made in this area towards the end of 2018 with the announcement of a call for project proposals, with funding from the ESF, to increase the scope of CSOs’ services to improve the quality of life in local communities. No grants had been awarded by the end of 2018.

In 2018, CSOs largely relied on the ESF for funding for service provision. In October 2018, the Minister of Regional Development and EU Funds and the head of the Central Finance and Contracting Agency for EU Projects and Programs signed nine contracts in the area of social welfare in the total amount of HRK 66.9 million (approximately $10.2 million). Through these contracts, existing social welfare homes and community centers will be renewed and new ones will be built, all with the aim of reducing the number of institutionalized persons with disabilities, as well as children and young people without adequate parental care. This will also contribute to the process of community inclusion and help alleviate institutionalization of new users of these institutions.

CSOs generally recognize and respond to the needs and priorities of their local communities, which they identify primarily through regular communication and interaction with their stakeholders.

In 2018, the Association of Women Suffering and Treated from Cancer organized the You are Not Alone – You are Coming with Us initiative. In the first two months of the campaign, it raised HRK 125,120.55 (approximately $19,000) to provide approximately 1,000 free taxi rides to and from hospitals in Zagreb to women with cancer.

Although most CSOs have little knowledge about market conditions, a growing number of CSOs provide their services, such as workshops, education, and publications, at market prices, thereby enhancing their financial sustainability. For example, Volunteer Center Zagreb provides education and training for volunteer management to companies and CSOs; the Game Association offers certified education for professionals working with
disadvantaged groups; and ACT Group from Čakovec provides graphic services, workshops, education, and publications. CSOs do not openly or visibly discriminate when providing their goods and services.

CSOs generally feel that the government does not sufficiently recognize their potential or treat them as experts and associates. At the local level, where the outcomes of CSOs are more concrete and visible, authorities are more likely to recognize the role and potential of CSOs, but they lack the funding to provide meaningful support to the work of CSOs.

SECTORAL INFRASTRUCTURE: 2.9

The infrastructure supporting the CSO sector deteriorated slightly in 2018. From 2007 to 2017, NFCSD carried out a program in partnership with five regional support centers to support the development of CSOs and other legal entities in the regions of Dalmatia, central Croatia, northwestern Croatia, and western and eastern Croatia. Although NFCSD ended its partnership with the regional support centers on December 31, 2017, it continued to cooperate with them in 2018 through an agreement focused on the implementation of training related to the ESF, with very limited resources. NFCSD’s support of regional foundations (Zamah, Slagalica, and Kajo Dadić) that allocated funds under a decentralized system also came to an end at the end of 2017. In 2018, NFCSD began to centralize its support of civil society development, including by establishing offices in Split, Rijeka, and Osijek. CSOs view this centralization of support as a negative development.

The development of foundations and philanthropy is still not recognized as a strategic issue in Croatia and there are very few grant-making foundations or programs that support the development of foundations.

CSOs increasingly exchange information, promote their interests, and advocate for changes in society on the local, national, and international levels through various networks, platforms, and associations. The Center for Civil Initiatives strives to improve the work of existing networks and to create new models of networking in Croatia. The Croatian Network for Rural Development is the initiator of the Croatian Rural Parliament, a biennial event and year-round movement engaging rural development organizations, professional and scientific organizations, ministries and governmental bodies, and other rural development stakeholders. It promotes cross-sectoral cooperation and provides support to governance and decision-making mechanisms that derive from the needs of citizens.

CSOs have access to sufficient trainings on CSO management, but these are not accessible equally throughout the country. There is a shortage of trainings related to financial and strategic project management. Training materials are generally available in the Croatian language. Larger CSOs increasingly provide trainings to other CSOs in order to contribute to their sustainability and enhance civic engagement in the sector. One of the more prominent CSOs that provides such training courses is ACT Group from Čakovec. In addition to training on project management and fundraising, in 2018 ACT Group founded the Academy of Business Skills, which offers free education for managers of social enterprises and nonprofit organizations. The training is provided by corporate experts, thus enabling an exchange of knowledge between the private and nonprofit sectors.

The Office for Cooperation with NGOs continues to focus on enhancing cooperation and partnership between the government and CSOs. The Office provides information and assistance to individuals and CSO representatives and offers training programs on developing cooperation with civil society through a partnership with the State School for Public Administration and a number of local and regional self-government units.

In February, BRODOTO and ACT Group organized the conference Impact 2018 to connect all actors who create positive changes in society. Representatives of the civil sector, private companies, investors, funds, and social enterprises all participated in this event.
In May 2018, a tender called Thematic Networks was announced with funding from ESF. The program is aimed at strengthening civil society’s capacity to engage in efficient dialogue with public administration, social partners, and higher education institutions in the preparation and implementation of reforms, and to strengthen social dialogue to create better working conditions with a focus on seasonal jobs.

**PUBLIC IMAGE: 3.3**

The sector’s public image deteriorated slightly in 2018. Tensions between socially conservative and liberal CSOs increased during the year with liberal CSOs subject to an increasing number of verbal threats and intimidation by other CSOs and their followers, especially through social networks and websites. Organizations dealing with deeply politicized issues such as gender and family issues, the rights of refugees and asylum seekers, and transitional justice issues have been particularly targeted by such threats. For example, a van owned by the Are you Syrious? association was damaged by a brick and then, a few months later, the doors of its integration center were broken in September 2018. These acts of aggression happened during periods when the media was focused on problems related to refugees. Such threats and attacks are rarely condemned in public and in some cases supported by public figures, sending the message that such behavior is tolerated.

At the same time, CSO representatives received fewer invitations to participate as interlocutors on public television programs. The media continues to be motivated by scandals, and thus coverage of CSOs continues to be dominated by negative stories. For example, the media paid significant attention to the fact that representatives of the association Brave Child were convicted of theft for spending some of the money raised in a humanitarian action for its operations. Stories about this scandal were accompanied by numerous negative comments. In addition, the media’s coverage of this story furthered the image of people employed in the sector as living well on taxpayers’ money. Similarly, several articles were published during the year pointing to nepotism by public institutions in charge of the civil sector after several individuals associated with a CSO that had ties to the minister of labor and pension systems were assigned to an intermediary body which then awarded funds to the CSO.

Civil Alphabet continues to provide positive coverage of the sector by regularly hosting civil society actors and raising problems related to CSO activity. CSOs receive less media coverage in larger cities than in smaller towns.

CSOs’ relationship with the government did not change in 2018. CSOs continue to feel marginalized by the government, as indicated by the fact that state bodies do not respond to requests from the Council of Civil Society Development in a timely manner, or sometimes at all. The prevailing opinion among CSOs is that the government only tolerates their involvement when it benefits from it. Members of the Croatian Parliament made somewhat fewer negative comments about CSOs in 2018.

Companies generally do not see CSOs as possible partners and associates, but as aid workers and activists. Socially responsible businesses cooperate with CSOs, primarily through philanthropic activities.

In October 2018, a roundtable on the topic Civil Society in Croatia – What Do We Really Want? was organized in the Croatian Parliament to analyze CSOs’ contributions to society and examine the values that this vision rests upon. The roundtable presented the day-to-day problems CSO face, including the fact that plans for using funds from EU sources are often not adhered to, making it difficult for CSOs to make appropriate plans. The roundtable received significant publicity.

CSOs increasingly present their activities and the results of their work. For example, CSOs organize regular exhibitions including photographs, publications, posters, memorabilia, and audiovisual works in order to mark their anniversaries and other significant initiatives. Some CSOs, mainly more developed organizations with strong human
and financial resources, recognize the importance of public relations experts and investing in the promotion of their public image on social networks, yet generally lack the financial resources to cover these costs.

CSOs strive to be transparent by making their annual reports available on their websites. CSOs submit financial statements that are available in the Registry of Associations run by the Ministry of Finance. Larger CSOs also publish their financial reports. CSOs have not formally adopted a code of ethics, but many CSOs adhere to principles of ethical conduct in their work.
Presidental elections were held in the Czech Republic at the beginning of 2018, in which Miloš Zeman, the incumbent president, was reelected. During his campaign, Zeman attacked CSOs helping migrants. Other government representatives accused CSOs of being parasites or enemies of the state. CSOs were also the targets of threats and accusations on social media. This negative rhetoric had a considerable impact on the public’s opinion of the sector as many people do not have a clear understanding of the role of CSOs in society or the principles of their work. At the same time, CSOs have limited media reach, making it difficult for them to counter these attacks. Although some associations and informal initiatives organized campaigns defending civil society, these had limited impact, especially outside of larger cities.

Overall CSO sustainability did not change in 2018 as the decrease in the sector’s public image was balanced out by improvements in service provision. The government provided CSOs with a record level of support during the year, which CSOs used to expand and stabilize their services, particularly social and other services that raise the standard of living in the country.

According to the Czech Statistical Office, as of March 2019, there were 99,558 associations and 26,497 subsidiary associations; 2,810 public benefit corporations; 1,083 institutes; 556 foundations; 2,017 endowment funds; and 4,138 church organizations registered in the Czech Republic. Approximately 50,000 CSOs have not updated their data in the register since 2014. In 2018, working groups in the Ministry of Justice began contacting them to clarify if they are active or not, but this process may take up to four years.

LEGAL ENVIRONMENT: 2.8

The legal environment governing the CSO sector did not change in 2018 and continues to protect CSOs from growing political pressure and interference from populist politicians.

1Thank you to the Department of Civil Society Studies at Charles University in Prague for their review and contributions to the 2018 CSOSI report for the Czech Republic.
The registration process for CSOs did not change in 2018. All legal forms of CSOs, with the exception of church organizations, must be registered in the public CSO registry. CSOs register and report relevant changes through an online system. The large number of inactive associations in the CSO registry continues to be an issue. During the year, the Ministry of Justice and the Governmental Council for Non-Governmental Non-Profit Organizations (RVNNO) began preparing a set of legislative and non-legislative measures to address this problem, although nothing had been adopted by the end of the year.

The legal environment does not impede CSOs’ operations. The state can only interfere in CSOs’ operations to protect third parties. CSOs face some redundant administrative and reporting requirements associated with state and European regulations, including the EU’s General Data Protection Regulation (GDPR); the CSO accounting system; the Public Collection Act; and the existence of two different systems to report evidence of the cost of social services.

Although existing laws guarantee the freedom of association, the atmosphere towards CSOs has become more unfavorable as negative rhetoric from the president, government officials, deputies, senators, and other politicians has increased significantly. While no new legal restrictions on CSOs were introduced in 2018, CSOs, including social and health service providers and organizations focused on integrating foreigners into Czech society, have been subjected to an increasing number of controls, especially financial inspections. For example, the organization Diecézni charita Brno, which provides social and humanitarian assistance in the Czech Republic and abroad, was subject to 256 inspections in 2018 alone. Only a few CSOs have initiated legal procedures to resist these controls. Most CSOs are deterred from doing so because of the high costs and length of legal proceedings. CSOs have also started to engage in self-censorship for fear of repercussions. In particular, service-providing organizations that are dependent on public funding are afraid of speaking out against the government.

The taxation of CSOs did not change in 2018. CSOs receive exemptions from income tax, road tax, and real estate tax when purchases are related to their organizational purpose. Donors, both natural and legal persons, can deduct the amount of donations from their income tax base, up to 10 percent for legal entities and 15 percent for natural persons. Donors must pay value-added tax (VAT) on donated goods and services, with the exception of supermarkets that donate food that would otherwise need to be disposed of to food banks.

CSOs are legally allowed to raise funds through their activities. Discussions were initiated during the year on the importance of incorporating social impact, and not just price, as a criterion in public procurements, which could increase access to these procurements by social enterprises and other CSOs. However, many government offices still consider price to be the easiest criterion to consider. In September 2018, the Ministry of Labor and Social Affairs, Ministry of Agriculture, and the Czech National Bank organized a conference on responsible public procurement and social impact.

CSOs can also legally engage in fundraising. In 2018, the Legislative and Financing Committee of RVNNO proposed amendments to simplify the Public Collection Act. For example, one proposal would remove the obligation to seal and open collection boxes in the presence of an official, which imposed a financial and administrative burden on CSOs as well as the state.

Few lawyers and law firms specialize in legal issues affecting CSOs. Most of those that do are based in large cities. Although some of them provide legal services to CSOs free of charge, many organizations try to avoid using professional services in an effort to save money and instead attempt to deal with legal issues on their own.
ORGANIZATIONAL CAPACITY: 2.8

The sector’s organizational capacity did not change significantly in 2018.

CSOs have varying degrees of success in terms of building constituencies. For example, CSOs that work with certain marginalized groups that are not perceived positively, such as homeless people, drug addicts, and gamblers, find it difficult to obtain public support. CSOs with strong communication skills and those that respond to their target groups’ problems and provide services flexibly are more successful at building strong constituencies. In the past year, CSOs increasingly tried to mobilize supporters, both to raise funds and to defend their reputation and activities. In 2018, some CSOs organized protests against particular politicians and political parties, such as Million Moments for Democracy (Milion chvilek pro demokracii) and Thanks that we can (Díky, že můžem), which involved tens of thousands of people. CSOs also participated in celebrations of the 100th birthday of the Republic (former Czechoslovakia), including by organizing concerts for democracy throughout the Czech Republic within the so-called Freedom Festival. These events attracted the participation of many people, thereby allowing CSOs to promote their work and build constituencies.

CSOs must define their missions in their registration documents. In general, only organizations with higher levels of professionalism engage in strategic planning. Instead, most CSOs plan their activities and finances on an annual basis.

The Civil Code specifies requirements for certain management structures for each legal form of CSO. Simple forms like associations are only required to have a supreme body and a statutory body; the existence and roles of other governing bodies are left up to their founders and members. On the other hand, the law specifies the complete structure of governing bodies that legal forms such as foundations or registered institutes must have. Mandatory governing structures often exist only formally; their functions are instead often performed by the organization’s executive management, which sometimes leads to conflicts of interest.

According to the most recent data available from the Czech Statistical Office, in 2016 the Czech nonprofit sector employed over 104,000 full-time employees, or 2.01 percent of all employees in the country, roughly the same number as in 2015. Service-providing and larger organizations are more likely to have permanent employees and administrative staff. Salaries in the CSO sector are often below the average wage in the national economy. In some cases, CSO employees even work for less than minimum wage. Given the current economic boom, CSOs have found it very difficult to maintain or attract employees; the situation is especially critical in the social services field.

Many CSOs, including voluntary fire brigades, as well as sports, hobby, and environmental organizations and groups working with children and youth, widely use volunteer labor. According to the Czech Statistical Office, 26,661 volunteers (converted to full-time equivalents) worked for the Czech nonprofit sector in 2016. The number of hours provided by volunteers increased by 2.1 percent between 2015 and 2016, reaching 46.1 million hours. The value of the voluntary work reported was CZK 6.4 billion (approximately $278 million), an increase of 7.5 percent over the past year. According to the Charities Aid Foundation’s 2018 World Giving Index, 19 percent of respondents in the Czech Republic stated that they had engaged in voluntary action in 2017, an increase from 14 percent in 2015 and 2016.

CSOs have sufficient access to technology and office equipment, although the quality of technology lags behind that in the commercial sector. CSOs often acquire older technology from corporate donors, some of which donate this equipment just to avoid paying to dispose of it in an ecological manner. Internet access is readily available, and a number of organizations and initiatives are very active on social media.
FSthe 2018 CSO Sustainability Index
for The Czech Republic

**FINANCIAL VIABILITY:** 3.0

Financial viability in the CSO sector did not change significantly in 2018. According to the Czech Statistical Office, in 2016 CSOs received a total of CZK 19.4 billion (approximately $843 million) from governmental institutions (a significant increase from CZK 16.9 billion in 2015); CZK 11 billion (approximately $478 million) from individual donors, including voluntary work (an increase from CZK 10.3 billion in 2015); and CZK 2.9 billion (approximately $126 million) from corporate donors (down significantly from CZK 4.25 billion in 2015).

The lack of financial diversification is one of the biggest problems facing Czech CSOs. As the above figures indicate, CSOs are highly dependent on public resources. In 2018, CSOs received a record high level of government support. Government funding is primarily distributed through transparent open calls for proposals.

Most CSOs have a limited amount of reserve funding, as most public and private financial support is designated for specific projects and does not allow savings to be generated. This makes it difficult for CSOs to maintain staff and provide services in a stable manner. In particular, many CSOs have difficulties at the beginning of the year as there is a gap between when the previous year’s projects end and the new ones begin.

The prime minister, who is also the Chairman of the RVNNO, and other government ministers, have long questioned the amount and focus of subsidies for CSOs. In 2018, the government canceled a contract for an independent analysis of CSOs’ subsidies that it had been using for over a decade. The government generally uses subsidies, which gives it more control over recipients, rather than contracts to support CSO services. Given the current political environment, CSOs are increasingly aware of the need to diversify their funding sources. CSOs are particularly interested in reaching out to private donors, but lack the resources to invest in fundraising efforts.

Corporate social responsibility (CSR) is practiced mainly by large and foreign companies, although smaller companies support regional projects with smaller amounts of money. Some CSOs have noted the danger of CSR being used for public relations purposes rather than ensuring real impact.

Foreign support is not a major source of funding for Czech CSOs. According to the Czech Statistical Office, in 2016 CSOs received foreign resources worth CZK 1.98 billion (approximately $86 million), about 5.6 percent of their total resources. This was a dramatic increase from 2015, when these resources amounted to CZK 223 million (approximately $10 million).

Only approximately 2 percent of CSOs receive funding from the European Structural and Investment Funds (ESIF). In addition, very few CSOs benefit from the EU community programs, which are administered directly by the European Commission or specialized executive agencies. Other CSOs do not have the capacities to manage the administrative requirements associated with these funds. The European Economic Area (EEA) and Norway financial instruments, which have budgeted approximately CZK 5 billion (approximately $217 million) for the Czech Republic, will be accessible to a broader range of CSOs. These funds will begin to be distributed in 2019 through selected foundations.

CSOs organize charity events, such as runs, concerts, auctions, and exhibitions, to raise funds. Larger organizations organize successful fundraising campaigns supported by national media. Some of the most notable fundraising campaigns in 2018 include Charita ČR’s Three-Kings Collection; People in Need’s Real Gift; the Civil Society Development Foundation’s (NROS) Help the Children; and Paraple Center’s Stardance. At the national level, people primarily support humanitarian projects, health care, education, and the environment, while at the regional level, they are more likely to support regional and community development and leisure activities. According to the General Financial Directorate, the level of support from private individuals who deducted donations from their tax base on their tax return is increasing slightly each year. Many small donors, however, are not captured in these
statistics. According to the World Giving Index, 21 percent of respondents in the Czech Republic stated they had donated to charity in 2017, a decrease from 23 percent in the previous year.

In 2018, Giving Tuesday was organized for the third time in the Czech Republic. The event’s ambassador is the Association of Corporate Social Responsibility (Asociace CSR). Over CZK 31 million ($1.3 million) was raised in 2018, approximately four times more than in 2017. Nearly 250 donor challenges were registered, a 50 percent increase from 2017. Individual charity projects generally supported children, disabled individuals, and abandoned animals. More companies also participated in Giving Tuesday in 2018 than in the previous year.

According to a survey by the Donors Forum, in recent years fundraising efforts have shifted from street collections to online platforms. While the use of crowdfunding is growing, projects that are concrete or aimed at supporting individuals have had more success raising funds in this manner than projects requiring significant investments over longer periods of time.

Membership-based organizations collect membership dues, but the amounts collected are generally minimal and do not cover a substantial part of organizational budgets.

CSOs offer a substantial part of their goods and services below market prices or for free. According to the latest data provided by the Czech Statistical Office, in 2016 the Czech nonprofit sector provided 55 percent of their products for free and another 16 percent below market prices; these figures are similar to the previous year. For some CSOs, including those that offer catering services, such as POHODA and ENVIRA, however, revenue from the sale of their own products is quite crucial. Social entrepreneurship continues to be on the rise and is expected to develop more in the coming years. CSOs have few contracts with the government or local authorities.

Generally, only larger organizations and those that receive public resources have professional financial managers. The quality of financial management in other organizations is weak. In many organizations, financial management responsibilities are held by individuals who are not experts in this field.

CSOs are required to publish their financial statements in public registers. Depending on their legal form and the amount of public funds they receive, some CSOs are required to publish annual reports and undergo audits; CSOs meet these obligations to varying degrees. Associations do not have to publish annual reports and audits, but some choose to do so as promotional materials. Many, however, do not issue annual reports at all.

**ADVOCACY: 1.8**

CSO advocacy did not change significantly in 2018.

CSOs have opportunities to comment on laws and participate in the work of advisory bodies, working groups, and other bodies, and their comments are considered in the same way as those from other participants. However, only a small portion of the CSO sector—mainly those with greater capacities or whose missions explicitly include such activities—participates in these processes.

Various initiatives use social media and other modern forms of communication to mobilize their supporters and the public. CSOs have developed several apps that provide individuals with the opportunity to share information with authorities. For example, ZmapujTo.cz (Map it Out) allows people to report illegal dumping sites, car wrecks, or clutter, while Prázdné domy (Empty Houses) tracks buildings falling into disrepair. The app Bez Andreje (Without Andrej) allows individuals to easily identify companies that are part of the trust fund of Prime Minister Andrej Babiš so that they can avoid buying goods from them.

Over the past year, informal initiatives were particularly active at reacting to current political topics. For example, Milión chvilek pro demokracii (Million Moments for Democracy) gathered 331,032 signatures on a petition calling for the resignation of the prime minister, while Mantinely demokracie (Democracy Mantinels) collected over 7,000
signatures on a petition calling for politicians to respect the right to information and the freedom of the public media as the foundations of a functioning democracy. During the year, Milión chvilek pro demokracii became a formal CSO focused on supporting and cultivating democratic culture, civic engagement, and public debate in the Czech Republic. Other initiatives such as Bezdomovci - lidé jako my (Homeless people - people like us) continued to defend the interests of narrower target groups.

Some CSOs regularly take part in legislative processes. In 2018, however, no major laws were passed as the political situation slowed down the legislative process. A draft bill on lobbying under consideration during the year defines lobbying and lobbyists and assigns some responsibilities to groups engaged in lobbying. CSOs were divided in their reaction to this bill. Some of them see it as a tool to reduce corruption and clientelism, while organizations that engage professionally in lobbying point out that this is an area that is very difficult to regulate from the top. Comments to the law were submitted at the end of 2018.

Many CSOs are active at the local level, where they monitor and engage in the activities of local authorities. Many CSOs are also involved in local planning processes. In 2018, CSOs advocated to stop the practice of handing out plastic bags for free, to increase environmental standards for new buildings, and to simplify debt relief.

Only a relatively small group of organizations are involved in advocacy activities focused on the CSO legal environment.

**SERVICE PROVISION: 2.3**

CSO service provision improved in 2018 as the government provided a record amount of support for CSO services. In addition, in response to the negative rhetoric towards the sector, CSOs have made more efforts to explain what they do and to market their services.

CSOs continue to provide a wide range of services covering virtually all areas. CSO services respond to real needs and are generally of a high quality. Social services and services improving the quality of life of the population (for example, promoting a healthy lifestyle, as well as cultural and leisure activities, including sports and other activities for children and youth) are among the most common services provided by CSOs.

CSOs respond effectively to the needs of society. In addition, they are generally more flexible, innovative, and willing to take risks than public administration institutions. CSOs identify needs through a variety of techniques ranging from personal experience and individual feedback to relatively sophisticated quantitative and qualitative surveys.

CSOs generally provide their products and services in a non-discriminatory manner. Most service providers provide their services to a broad array of clients beyond their members. CSOs cooperate with universities and other educational institutions to a limited degree. The government also uses the expertise of CSOs in fields like debt elimination, the environment, and social fields.

While CSOs are legally allowed to charge fees, they often provide their services and products for free or at below-market prices.

The government provided a record amount of support for CSO services in 2018. Despite this positive development, the state continues to “buy” CSO services at prices significantly below market value. This is possible for several reasons, including the disproportionately low wages of employees in social services. Government funding places significant burdens on CSOs, including subjecting them to significant administration and controls to avoid the misuse of funds, even though there have been few examples of fraudulent use of funds by CSOs in recent years.
SECTORAL INFRASTRUCTURE: 2.7

The infrastructure supporting the CSO sector remained unchanged in 2018.

Associations of CSOs, resource centers, foundations, and some academic centers and institutions established jointly by CSOs and commercial enterprises (such as Impact HUB and TechSoup) provide information, training, and consultations to CSOs. In some cases, they provide support for free, and in others they charge fees that are significantly lower than in the commercial sector. In general, these support institutions are unable to operate only on the basis of payments from CSOs and therefore rely on other forms of income including donations from public and private sources.

According to the Donors Forum, in 2018 there were 2,296 foundations and endowment funds in the Czech Republic, an increase of eighty-three compared to 2017. In 2017, these foundations and endowment funds distributed nearly 1.6 billion CZK (approximately $70 million) in accordance with their missions and focus. Of this amount, corporate foundations and endowment funds distributed a total of more than CZK 677 million (approximately $29 million) in 2017, an increase of CZK 33 million in comparison to the previous year. The largest corporate donor is the CEZ Foundation, which distributed almost CZK 186 million (approximately $8 million) in 2017. Non-corporate foundations and endowment funds invested more than CZK 917 million (approximately $40 million) in public benefit projects in 2017, CZK 172 million more than in the previous year. Dobrý anděl (Good Angels Foundation) distributed the largest amount of money in 2017 (CZK 193 million, approximately $8.4 million). Most foundations and endowment funds are based in Prague (919), the South Moravian Region (253), and the Region of Central Bohemia (162). The topics most supported by foundations and endowment funds are education and research (24 percent), culture and cultural monuments (15 percent), children, youth, and family (12 percent), and help for the ill and people with disabilities (12 percent). There are four community foundations in the Czech Republic that distribute grants to other organizations or run their own projects.

There are approximately eighty umbrella organizations of CSOs, most of which focus on specific fields of activity, such as social services, environmental education, or volunteer mentoring programs. Czech CSOs compete for resources and have different approaches and ideas for addressing issues, and therefore share a limited amount of information amongst themselves. The Office of the Government continued its support of multidisciplinary networks that operate nationally in 2018; this support will also continue in 2019. CSOs can promote their joint interests through RVNNO. While umbrella organizations play an important role in promoting CSOs’ interests, none of them aim to represent the entire sector.

CSOs have access to a sufficient number of training courses. 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, NROS, and Econnect, provide education and advisory services for CSOs in the Czech Republic. 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. Learning materials are available in Czech and are easily accessible. Most training courses are offered in Prague and other big towns. There are also online trainings and webinars. In addition, several institutes of higher education offer programs or concentrations related to civil society.

CSOs have partnerships with the public administration. Although there are examples of cause-related marketing campaigns implemented jointly by larger companies and CSOs, commercial entities generally continue to view CSOs as beneficiaries of their support, hindering the development of true partnerships between the sectors.
PUBLIC IMAGE: 2.6

The CSO sector’s public image deteriorated slightly in 2018, driven largely by negative statements by top politicians and an increasing problem with so-called fake news.

The media is primarily interested in criticizing CSOs, often in a very unprofessional manner. Negative information about civil society is particularly prevalent in commercial media. Most CSOs are unable to afford custom commercial presentations in media. CSOs receive better coverage in public media, but political pressure is also increasing on the public media and support for civil society is becoming a target for criticism.

Public Image in the Czech Republic

Most of the public does not understand the role or importance of CSOs in society. People often do not realize that CSOs provide many of the services on which they depend. As a result, trust in CSOs is generally low. However, the situation has improved slightly since the fall of 2017. According to the Public Opinion Research Center, 37 percent of respondents trusted nonprofit organizations in November 2018, up from 32 percent in October 2017.

The public has varying opinions on different parts of the sector. For example, support for children, elderly people, and animals is viewed positively, while activities focused on helping refugees, gender issues, or supporting minorities are generally perceived negatively. There is an increasing number of incidents of hate speech and cyber-bullying, not only towards these organizations, but all nonprofit organizations. In November 2018, in a landmark case, an online perpetrator was convicted for threatening the director of the human rights organization In Iustitia. This decision marks the first time a Czech court convicted someone of committing a hate crime because the assault was directed against a human rights defender for performing such work. The term "nonprofit" evokes negative feelings of dishonesty in society.

The government and business sector often fail to appreciate civil society’s contributions to society. Some members of the business community perceive CSOs positively. However, businesspeople often do not know that CSOs provide the expertise or services they use. The situation is worse in the field of politics. While politicians often use CSOs’ expertise, they rarely express any appreciation of this expertise or the sector’s role in society in general. Many— including the president and prime minister— consider CSOs to be parasites that depend on public money. Local authorities are often aware of the important role CSOs play, but they still consider themselves in a superior position, for example when negotiating funding.

CSOs recognize that they need to take steps to reverse the current low level of public trust. Recently, several campaigns involving well-known personalities have been organized to support the civil society sector. For example, Spiralis, an educational and advisory organization, and the Platform for Development of NGOs launched an initiative called Posilujeme Česko (We Strengthen the Czech Republic) with the aim of raising awareness of the importance and contribution of CSOs to society. Among other activities, Posilujeme Česko created a video that has been viewed by more than 200,000 people on social media. Only a few CSOs have the capacity to establish productive relations with the media. CSOs widely use social media to publish information about their work and make videos to describe the impact of their work. However, CSOs are more effective at using social media to strengthen their relations with their current supporters or reach out to similarly-minded people than they are at addressing other groups.

Transparency of CSOs has increased and a growing number of CSOs now publish annual reports. There are several self-regulatory projects in the sector. For example, AVPO ČR administers the Seal of Reliability to provide potential donors and the public with confidence that public benefit organizations uses their funds transparently to fulfill their stated missions and the Via Foundation verifies users of the Darujme.cz donation portal. There are also awards for CSOs, corporate and private donors, and employees and volunteers of nonprofit organizations. For example, NROS awards Neziskovka roku (NGO of the Year); Business pro společnost awards TOP odpovědná firma (TOP Responsible Firm) to companies with long-term, strategic focus on issues including environmental
impact reduction; and HESTIA - Centrum pro dobrovolnictví and other local organizations give the Křesadlo award to outstanding volunteers.
In 2018, Estonia celebrated its 100th anniversary as a republic. The mood in the country was generally festive and positive. At the same time, populist rhetoric and the far-right movement spread during the year. Two right-wing conservative parties and their youth organizations publicly smeared CSOs focused on minorities, human rights, and the development of an open society. The public was increasingly polarized politically, particularly in response to several controversial issues. For example, after the president decided to sign the Global Compact for Migration, the UN’s agreement on international migration, several demonstrations were organized to express opposition to it. Another contentious issue in 2018 was the plan to construct a pulp mill near Tartu, which was eventually cancelled after widespread public opposition. A positive large-scale civic initiative in 2018 was World Cleanup Day on September 15, in which approximately 10,000 people participated in Estonia.

The Estonian CSO sector was stable in 2018, with no notable changes noted in any dimension of sustainability. Two new strategic philanthropy funds—the Impact Fund and the Education Fund—were created. However, CSOs continue to identify financial viability as a major concern. Staffing shortcomings continued to challenge CSOs’ organizational capacity. Advocacy work was strong, and pop-up activism continued to grow in popularity. Attacks by right-wing groups undermined CSOs’ public image, which otherwise was largely positive. CSO service provision was stable, although ongoing smear campaigns undermined CSOs’ ability to work in schools. The infrastructure supporting the CSO sector continued to be robust.

The number of registered CSOs did not change significantly in 2018. According to the e-Business Register of the Center of Registers and Information Systems, there were 22,000 associations and 800 foundations in Estonia as of December 2018. The number of associations decreased from over 33,000 in 2017, mainly because apartment associations were re-classified to a separate registry.
The legal environment for CSOs in Estonia was stable in 2018. In general, the legal framework is flexible and enables civic activism. CSOs can register easily under the Nonprofit Associations Act. However, dissolving a CSO is a complicated and time-consuming process that can take up to six months. For this reason, organizations sometimes choose to remain dormant rather than formally dissolve. CSOs can operate freely and address matters of public debate without fear of harassment or repercussion.

Several legal changes in 2018 had a bearing on CSOs. First, changes were adopted to the Gambling Tax Act that aim to reduce political influence in funding decisions. Previously, a committee consisting mainly of politicians was responsible for deciding how funding would be distributed to CSOs. The changes abolish this committee and delegate the responsibility for distributing funding to the ministries, which have more transparent decision-making processes. This will also allow ministries to establish longer term strategic partnerships with CSOs.

Second, the Money Laundering and Terrorist Financing Prevention Act, which entered into force in September 2018, requires CSOs to collect and retain data on their so-called beneficial owners. Implementation of the requirement caused confusion among CSOs as the guidance indicated that a CSO should list its executive directors as its beneficial owner, rather than the people benefiting from the CSO’s operations.

Finally, in December 2018, the parliament passed a national data protection law to complement the European Union’s (EU’s) General Data Protection Regulation (GDPR), which came into effect in May. The GDPR requires entities with access to personal data to establish appropriate technical and organizational controls. The lack of public explanation about the new requirement created confusion and disrupted CSOs’ operations. In addition, CSOs lacked the resources needed to analyze and implement the new law.

CSOs are free to accept foreign funds, earn income, and compete for government contracts. As of January 1, 2018, CSOs that earn income must register as taxable bodies if their taxable turnover exceeds EUR 40,000 annually. As the threshold for taxable income was previously just EUR 16,000, CSOs regard the change as a positive development, especially for smaller social enterprises.

CSOs that engage in charitable work may apply for inclusion in the list of public benefit associations and foundations, which makes them eligible for income tax breaks. Currently, there are approximately 2,500 entities on this list. Political parties, professional organizations, and business associations are not eligible for this status.

Existing tax incentives do not encourage large donations to CSOs. Individuals may deduct donations to public benefit organizations of up to EUR 1,200, and legal entities may make tax-free donations to public benefit CSOs of up to 10 percent of the previous year’s profit or up to 3 percent of personnel costs during the current year.

CSOs in Estonia lack sufficient access to legal resources. Few people have specific knowledge about the laws affecting CSOs and are therefore able to provide legal support or consultations. The Network of Estonian Nonprofit Organizations (NENO) provides some legal support, but CSOs in regional centers find it difficult to access legal counsel.
ORGANIZATIONAL CAPACITY: 2.5

The organizational capacity of CSOs did not change significantly in 2018, although the gap in capacity between professional CSOs and smaller organizations that are unable to invest in their own development continued to increase. Organizations that have received funding from the National Foundation of Civil Society (NFCS) are generally more developed and able to identify their weaknesses, enabling them to submit higher quality applications. These CSOs tend to be located mainly in the major cities of Tallinn, Pärnu, and Tartu. Elsewhere CSOs tend to be less sustainable and operate more irregularly.

Estonian CSOs are usually able to reach their target groups and constituencies. Advocacy CSOs, however, often lack the ability or ambition to mobilize constituents around their issues.

Most organizations have mission statements and strategies, but they do not always effectively implement them. In addition, only a limited number of organizations are able to evaluate their impact and plan their future work according to those evaluations. Instead, CSOs often make programmatic decisions based on tradition or funding opportunities.

Larger CSOs have clearly defined management structures, including a recognized division of responsibilities between the board of directors, staff, and members, and other written policies and procedures to guide organizational operations. As the majority of CSOs are quite small, they do not feel that it is necessary to have clearly defined structures.

CSOs often struggle to advocate and provide services at the same time. Service-providing CSOs find it particularly difficult to advocate for change because they depend on their service provision activities to generate funding and lack the resources to pursue other activities. Conversely, advocacy organizations may provide services to earn income, but as services are not their main purpose, they are often of poor quality and underfunded.

Estonian CSOs are challenged by a lack of human resources. According to an impact evaluation of the civil society strategy carried out by Tallinn University, the Institute of Baltic Studies, and Turu-Uuringute AS, 23 percent of CSOs had paid staff in 2018, a slight increase from 21 percent in 2014. A major challenge is the fact that salaries and other costs continue to increase while funding opportunities remain stable. CSOs often rely on project-based funding, which inhibits organizational development since they are unable to retain staff members when projects end. Staff burnout is also a challenge for organizational sustainability.

According to the Charities Aid Foundation’s 2018 World Giving Index, 16 percent of respondents in Estonia reported participating in voluntary actions during the previous month in 2017, a decline of 6 percent from the previous year. At the same time, according to the survey Participation in Volunteer Work carried out in 2018 by the Institute of Baltic Studies and Turu-Uuringute AS, 49 percent of the population volunteered during 2017, compared to 31 percent in 2013. While volunteerism in Estonia is generally increasing, the number of permanent volunteers is decreasing as volunteers are more interested in ad hoc civic activism.

Estonian CSOs have regular access to information and communications technologies (ICT) that they use in their day-to-day work. According to the European Commission, however, innovation is relatively weak in Estonia, including among CSOs. For example, CSOs fail to use ICT to develop new interventions to benefit their target groups or solve issues in society. CSOs’ capacity to use data and technology for advocacy purposes is also low.
CSOs’ financial viability was stable in 2018, as it was affected by both positive and negative developments. On the one hand, cooperation between CSOs and the private sector grew, leading to the launch of new funding opportunities. The Impact Fund and the Education Fund, funded by entrepreneurs and managed by the Good Deed Foundation, were both created in 2018. The Impact Fund is the first venture philanthropy fund in Estonia and will support impactful initiatives that solve pressing problems in Estonian society. As of the time of writing, the Impact Fund had supported three organizations. The Education Fund will support initiatives that solve acute problems in the education sector beginning in 2019.

On the other hand, the primary sources and levels of funding have been unchanged for years. NFC, for example, has had approximately the same budget for ten years, and funds for development cooperation from the Ministry of Foreign Affairs have also remained the same. Despite the fact that the consumer price index increased by 3.4 percent and salaries increased by approximately 7 percent in 2018, organizations had the same level of resources and therefore found it harder to sustain their operations.

Most Estonian CSOs have multiple sources of local funding, including individual and corporate philanthropy, public funding, and earned income. Individual donations to CSOs have grown steadily and amounted to EUR 35 million in 2017, according to the Tax and Customs Board. According to the 2018 World Giving Index, 27 percent of Estonians reported donating to charities in 2017, compared to 22 percent the previous year. CSOs increasingly raise funds through crowdfunding as well. More than 17,000 individuals have contributed approximately EUR 600,000 to 136 CSO projects over the past six years through the local crowdfunding portal Hooandja.

The level of public funding for CSOs did not change significantly in 2018. NFC’s core budget continues to be approximately EUR 2.3 million. While some additional public funds were made available to CSOs organizing celebrations of the hundredth anniversary of the founding of an independent Estonia, these were short-term mechanisms and did not create sustainable change.

Public funding is distributed through projects and procurements, and, less often, strategic partnership contracts. Procurements give CSOs more flexibility in managing their funds but emphasize low price over the quality of services. As a result, CSOs often provide services at prices below their net value. In addition, organizations are unable to invest in service quality and staff burnout is common. CSOs are often reluctant to accept longer-term procurement contracts because of terms that make terminating contracts costly and their inability to cover costs if they exceed the contract’s net value.

Changes to the Gambling Tax Act, which were long advocated by NENO and other CSOs, were implemented in 2018. However, the rollout of the changes was confusing, because the ministries distributing the funds did not have clear systems in place. As a result, the 600 to 700 CSOs that receive funding through the gambling tax each year were not certain if they would receive funding for 2019.

International funding opportunities are limited and tend to be project-based, therefore contributing relatively little to organizational sustainability. Funding from the European Economic Area (EEA) and Norway Grants was still not available in 2018. International strategic partnerships are almost non-existent.

According to the Ministry of Interior, earned income from service provision increased from EUR 133 million in 2016 to EUR 145 million in 2017.

Estonian CSOs follow clear accounting requirements as all CSOs need to submit annual reports approved by boards of directors. The majority of CSOs submit these reports on time. CSOs are not legally required to undergo audits, although some larger funding programs require them and some CSOs choose to be audited. The majority of CSOs operate in an open and transparent manner, including allowing contributors and supporters to verify the appropriate use of funds. The majority of public funders have their own reporting mechanisms, which
tend to be quite thorough. For instance, even with local municipality funding, CSOs need to prove that they used funds appropriately.

**ADVOCACY: 1.8**

Estonian CSOs continued to demonstrate strong advocacy capacity in 2018. Formal mechanisms ensure that the government’s policy development process is open and accessible to CSOs. For example, every ministry has a coordinator charged with engaging CSOs in decision-making processes. However, CSO involvement in government decision making does not always function properly. In a study conducted in 2018, Estonia’s Government Office concluded that there were problems ensuring stakeholder involvement. For example, participation is often formal and marked by a lack of trust. Improving the quality of involvement is a continuous goal of the Government Office and NENO. The government’s e-Consultation system provides a mechanism for inter-ministerial coordination of documents, the submission of documentation to the government and parliament, and for public consultations. The Government Office started to renew the system in 2018.

The Citizen Initiative Portal rahvaalgatus.ee, coordinated by the Estonian Cooperation Assembly, enables individuals to write proposals, organize discussions, and compose and submit digitally-signed initiatives to parliament, which must consider proposals that receive at least 1,000 signatures. In 2018, for example, the volunteer lifesaving service initiated an effort to tax fireworks and use the resultant revenue to fund its operations. However, even large CSOs may fail to collect the number of signatures needed to initiate legislative processes in the parliament. In 2017 and 2018, for example, an initiative to improve mobility conditions for people with disabilities collected fewer than 200 signatures, even though the organization that initiated it has more members than that, and a proposal to increase the stipend for people caring for their relatives collected less than 120 signatures.

In 2018, the government supported more activities aimed at Russian-speaking people throughout Estonia. The president and other public servants worked in Narva for a period in 2018 to increase cooperation between local activists, local municipalities, and government officials. Narva also applied to be a European culture capital in 2024. The selection committee praised Narva for the involvement of CSOs during the election process.

CSOs conducted several successful advocacy initiatives in 2018. NENO collected the 1,000 signatures needed to begin the legislative process to end the practice of pork barrel spending. The petition was sent to the parliament, where the relevant committee will discuss the issue in 2019. As discussed elsewhere in this report, the Gambling Tax Act, which NENO had advocated in favor of for years, was changed in 2018. Several environmental and animal rights initiatives—including the Estonian Fund for Nature’s campaign to manage forests in a sustainable manner and Invisible Animals’ efforts to ban fur farms—gained a lot of attention in the media and public, although they did not bring about any changes in official regulations during the year. The Estonian Chamber of Disabled People issued a shadow report on the implementation of the UN Convention on the Rights of Persons with Disabilities regarding the well-being of people with disabilities in Estonia. As a result of this report, the Chamber announced plans to develop a mechanism to continuously monitor the well-being of people with disabilities through the office of the Chancellor of Justice.

While CSO advocacy is strong in Estonia, there are a limited number of strong and sustainable advocacy organizations. Advocacy in some sectors, such as health, is weak, while advocacy initiatives focused on education are fragmented because there is no umbrella organization focused broadly on education. CSOs’ advocacy initiatives also suffer from a lack of staff and funding. In addition, advocacy organizations’ capacity to use data and research is fairly limited, and their advocacy initiatives are often based instead on case studies and opinions. Another challenge
is that the public and politicians often see civic initiatives as voluntary actions rather than expressions of stakeholder positions, which can make it difficult for CSOs to push for regulatory changes.

Pop-up activism, in which people engage in activism without ties to formal organizations, continued to grow in popularity in 2018. For example, clean-up initiatives and volunteering at festivals like the Black Nights Film Festival and Tallinn Music Week and sporting events are increasingly popular.

A review of Estonia’s development strategy, known as Estonia 2035, began in 2018. The Ministry of Interior organized two visioning seminars that were followed by working group meetings focused on constructing a new strategy for civil society development. The review process gave CSOs a chance to be included in discussions about Estonia’s future.

SERVICE PROVISION: 2.3

CSO service provision was stable in 2018. CSOs continued to provide a wide range of goods and services in a variety of fields, including basic social services, such as health, education, welfare, and culture, as well as youth employment, sports, and other recreational activities. The volume of services provided in areas such as rehabilitation for people with impaired mobility continued to grow. However, the need for services is often greater than CSOs’ capacity to provide them. For example, CSOs are unable to provide sufficient services in areas such as employment guidance for people who are unable to work under regular conditions because of disability or illness.

With the spread of populist rhetoric and far-right ideology, schools have been the targets of smear campaigns and, as a result, were more cautious about cooperating with youth organizations in 2018. For example, the Estonian Youth Council and its member organizations found it more challenging to organize trainings and other events for youth in schools during the year.

Many CSOs in sectors such as environmental protection and democratic governance provide their products and services to broad audiences. For example, in addition to its advocacy work, the Estonian Fund for Nature conducts research and provides expert analyses and opinions to generate income. Several stronger CSOs like the Estonian Refugee Council and the Estonian Women’s Studies and Resource Center, share their expertise by providing mentoring services, trainings, and materials to CSOs in other countries, primarily Eastern Partnership countries, with funding from the Ministry of Foreign Affairs.

CSOs have strong knowledge of the market demand for their services. CSOs often generate income by providing training and expert analyses to other CSOs and government offices. For example, the network of social enterprises provides trainings to local municipalities on outsourcing services. However, CSOs often have limited resources to market their services. Smaller CSOs, in particular, struggle in this regard and as a result can be relatively unknown, including on the local level. The knowledge of local municipalities about the services that local CSOs provide and the areas in which CSOs work effectively with local communities is generally fairly low. This problem was exacerbated after the municipality reform of 2017, which resulted in the reorganization of several municipalities, requiring CSOs to form partnerships with new local government officials.

Some CSOs—including charitable and advocacy organizations—see service provision as a means to earn additional income, but not as an important objective on its own. As a result, only a limited number of CSOs provide income-generating services as their principle mission and secondary services can suffer from poor quality and lack of resources.
SECTORAL INFRASTRUCTURE: 1.6

The infrastructure supporting the CSO sector was stable in 2018. Regional development centers throughout the country offer information, training, technical assistance, advice, and opportunities for cooperation with other local organizations. NFCS coordinates a network of CSO consultants who work in regional development centers. Consultants provide CSOs with information on funding and other issues.

On the national level, NFCS is the only grant-making organization focused specifically on building the capacity of the sector. CSOs in rural areas have access to funding opportunities through the EU-funded Estonian LEADER and Local Self-Initiative programs.

CSOs had access to many workshops and capacity-building programs in 2018. The Good Deed Foundation continued to implement the NULA program, which functions as an incubator for new social initiatives, with funding from corporations and NFCS. In 2018, the Government Office offered training on topics such as stakeholder involvement, advocacy, and data analysis to more than 600 participants from public offices, local municipalities, and CSOs. Co-creation and design were also popular training topics. Trainers travel to all regions of the country, and trainings are often available in both Estonian and Russian. However, while there are many opportunities to increase organizational knowledge and specific skills, CSOs have few opportunities to implement the new skills in their daily activities.

CSOs work together and share information through a large number of networks and coalitions. NENO, for example, manages networks of advocacy organizations and organizations collecting donations. Other coalitions focus on topics like civic education, sustainability, and human rights. These coalitions, however, can be difficult to sustain, particularly if they involve organizations of differing sizes, budgets, and degrees of professionalism. Often these partnerships end when funding for their coordination runs out. For example, a coalition focused on innovation and civic education had very limited activities in 2018 because of funding shortages.

Sectoral interests are largely promoted by umbrella organizations like the Youth Council, Estonian Union for Child Welfare, and the Estonian Chamber of Disabled People, which have defined rules for consulting with their members and constituencies on policy issues. Umbrella organizations also empower their networks by providing financial or legal advice. Some larger umbrella organizations, such as NENO, the Social Enterprise Network, and the Estonian Village Movement Kodukant, also have strategic partnerships with ministries.

CSOs continued to establish and maintain intersectoral partnerships in 2018. Popular intersectoral campaigns during the year included opportunities to buy coffee at gas stations in special cups to make a donation to the cancer treatment fund Gift of Life; buying local designer t-shirts to donate to the Human Rights Center; and buying gloves to donate to Clean the World initiative. In a sign of growing cooperation between CSOs and the private sector, companies constructing the Tallinn Airport and Harbor consulted with the Estonian Union of Persons with Mobility Impairment for advice on the project. Other positive examples of the growing cooperation between CSOs and private corporations included the establishment of the Sustainable Development Coalition, in which both CSOs and corporations participate. CSOs also continue to work in strategic partnerships with the government on initiatives such as the Open Government Partnership (OGP).
The sector’s public image was stable in 2018. CSOs benefited from relatively good media coverage, with local advocacy CSOs, in particular, finding it easy to gain coverage. Several of the initiatives mentioned above—including those to ban fur farms and improve forest management—gained a lot of public and media attention. Additionally, private media outlets provided significant coverage of pork barrel spending after parliament published the list of organizations and local municipalities that receive money, with most pointing out the relationships between party members and CSOs, local municipalities, congregations, and other groups receiving money. Organizations providing services usually find it harder to gain coverage than advocacy organizations.

Local and central government officials have a relatively positive perception of CSOs, as demonstrated by the active inclusion of CSOs in the process of developing Estonia 2035 and other strategies in areas such as education and culture. However, members of the right-wing conservative party in parliament along with conservative CSO representatives continued to publicly attack CSOs representing minorities, primarily for their financial dependence on state institutions. During the pre-election campaign for the parliamentary elections in March 2019, several conservative party representatives stated that funding for CSOs is too high and should be cut. Right-wing conservative party youth groups also visited events organized by lesbian, gay, bisexual, transgender, and intersex (LGBTI) and feminist organizations to incite turmoil. After such incidents, CSOs sometimes organized events secretly or even cancelled them.

Despite the efforts of the right-wing conservative party, the public attitude towards CSOs and civic activities is generally positive. According to the 2018 survey Participation in Volunteer Work carried out by the Institute of Baltic Studies and Turu-Uuringute AS, 66 percent of people say volunteering has a positive reputation. In addition, public knowledge about the role of civic activism, although perhaps not specifically CSOs, is growing. For example, the World Cleanup Day initiative gained substantial attention during the year. However, some members of the public continue to believe that civic initiatives should be based on voluntary action and do not understand the role of CSOs or the reasons to support the CSO sector.

The launch of the Impact Fund and Education Fund in 2018 demonstrates the improving attitude and cooperation between the private sector and CSOs.

CSOs regularly strive to publicize their activities and promote their public image. Some organizations see the media as a partner and have developed successful relationships with journalists or effectively approach the media in a professional manner. For example, in 2018, the Estonian Chamber of Environmental Associations presented an award to the local newspaper Sirp in recognition of its help in a debate about foresting policy. Private media outlets also made an effort to include more youth during the year; for example, larger media companies established youth councils to incorporate the opinions of youth and youth organizations in their published materials.

Despite these efforts, there are still few CSOs that have strong public relations capacities. CSOs’ lack of communication skills makes it hard to attract media attention for their topics, especially positive success stories. CSOs often use social media for public outreach rather than traditional media such as television and radio.

CSOs are fairly transparent. A code of ethics for CSOs has existed since 2002. CSOs also can sign onto the Good Practice of Fundraising, a self-regulatory tool for improving transparency in fundraising. By the end of 2018, 101 organizations had subscribed to this tool. Annual reports on funding are available on organizations’ websites or may be requested from the business registry for a small fee.
In 2018, Georgia elected its first female president, Salome Zurabishvili. Zurabishvili, the ruling party-backed candidate, failed to secure a victory in the first round of elections, but won the popular majority in the run-off after an even more heated round of campaigning. CSOs actively scrutinized every step of the election process. Overall, international observers assessed the elections as free and competitive, although the Organization for Security and Cooperation in Europe (OSCE) noted that “one side enjoyed an undue advantage” and the “increased misuse of administrative resources further blurred the line between party and state.” According to controversial constitutional amendments adopted in 2017 that were heavily criticized by CSOs, Zurabishvili will be Georgia’s last directly elected president.

CSOs were at the center of almost every major national debate in 2018. Throughout the year, CSOs continued to advocate against some of the most critical policy and legislative issues, including harsh drug laws, contentious judicial appointments, and controversial constitutional reform. Georgia’s international development partners often supported CSOs’ concerns. For example, the US Embassy also voiced its concerns over “the lack of consensus on constitutional amendments.” As CSO criticism of government policies and practices grew, confrontations between the two sectors significantly escalated. In October, thirteen CSOs, including principal watchdogs such as Transparency International Georgia (TI), the Georgian Young Lawyers Association (GYLA), and the International Society for Fair Elections and Democracy (ISFED), released a joint statement on the “severe crisis in the governance system, clear signs of high level corruption and informal, clan rule.” In response, the ruling party lashed out at CSOs with an orchestrated broadside alleging partisan leadership and self-serving objectives among CSOs. Both the government and the ruling party used similar narratives in response to harsh CSO criticism of the selection of controversial judicial candidates for the Supreme Court in December 2018.

Overall CSO sustainability did not change significantly in 2018, and local CSOs continue to point to persisting challenges with access to funding, institutional capacities, public image, and constituency building. Only a few CSOs, most of which are concentrated in Tbilisi and several large municipal centers in the regions, are able to attract...

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1 The score for Organizational Capacity was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. This resulted in an apparent improvement in the overall CSO sustainability score, while in reality CSO sustainability did not change from the previous year.
train, and retain qualified staff, while regional CSOs continue to struggle to secure adequate human and financial resources.

The number of registered CSOs continues to grow, and exceeded 27,000 by the end of 2018. Liquidation procedures remain lengthy and complicated; as a result, the vast majority of defunct CSOs never officially close down.

**LEGAL ENVIRONMENT: 3.3**

The legal environment governing CSOs did not change significantly in 2018. Georgian legislation governing CSOs generally provides favorable conditions for starting and operating CSOs, but minimal support for CSO sustainability, despite years of lobbying by CSOs and donor agencies.

Registration procedures are easy, quick, and affordable and can be completed at Public Service Halls run by the Ministry of Justice. All documents necessary for registration, including the templates for organizational statutes, are available and easily accessible. Public Service Halls also provide general instructions on registration procedures, if requested. The most expensive option is for same-day registration, which costs GEL 200 (approximately $75) for either a business or a CSO.

Legislation does not set a minimum number of founders for registering a CSO.

CSOs generally operate freely under the law in Georgia. Although CSOs did not report any cases of administrative harassment in 2018, the government and ruling party representatives repeatedly attempted to delegitimize the work of CSOs in the media. While these efforts had little immediate impact on the ability of CSOs to do their work, CSOs began to discuss the need to counter these attacks in order to minimize the long-term damage to public trust in CSOs.

CSOs face no legal restrictions on their access to financial resources. CSOs can engage in economic activities. While there are no legal or technical impediments to CSOs competing for government funding, CSOs increasingly question the transparency and fairness of these grant programs.

While Georgian CSOs receive a handful of important tax exemptions on charity, grant, and membership revenues, they are still taxed similarly to businesses on non-grant revenues and expenses. In 2017, Georgia passed reforms to the profit tax, now popularly referred to as the “Estonian Tax Model,” under which only distributed profits—instead of net gains—are taxed. This tax reform has had a significant effect on CSO non-grant income, which previously was subject to profit tax if not spent during the fiscal year in which it was received.

Businesses are eligible for deductions up to 10 percent of their net profits from the previous calendar year for donations to charities. CSOs are required to get separate registration as charity organizations in order to be eligible to receive these donations, however, and must provide annual activity reports to the government, which many CSOs try to avoid. Individual donors do not receive any deductions for charitable donations.

CSOs are eligible for refunds on value-added tax (VAT), but donor procedures on their use vary. Only a few donors allow CSOs to retain the VAT refunds for internal use. Most grant funds from the European Union (EU) and the US government are released from VAT altogether based on agreements with the government.

The overall legal capacity of the CSO sector, both in Tbilisi and the regions, remains limited. A handful of local CSOs provide free legal services to people and organizations, generally with funding from foreign donors. CSOs can also access free legal services through the state legal aid service.
Organizational capacity did not change significantly in 2018. CSOs strive to develop their organizational capacities and to become sustainable. However, they remain critically dependent on foreign donor support, which commonly favors project-based funding with limited contributions to institutional development, making it difficult for CSOs to invest in their internal capacities. Some donors have started to acknowledge this problem. For example, beginning in 2019, the Open Society Georgia Foundation (OSGF) plans to add a fixed 10 percent amount to awarded grants as unrestricted funding for institutional development and capacity-building needs. There continues to be a significant discrepancy in capacities between the larger Tbilisi-based CSOs, which have advanced capacities and management systems, and those that operate in the regions, which find it more difficult to access sustainable sources of funding.

Constituency building still remains a challenge for CSOs. Most CSOs continue to move from one thematic topic to another in response to changes in donor priorities and the availability of funding. Only a few organizations have been able to develop long-term services that allow them to build lasting relationships with local communities. CSOs’ reach also remains limited. According to an EU-funded study implemented by Konrad Adenauer Stiftung in 2018 and titled Public Attitudes Towards CSOs, only 4 percent of Georgians are members of any formal association and just 16 percent (24 percent in the 18 to 24 age group) have directly interacted with a CSO, including by going to their office, attending an event, or being visited at home by a CSO representative.

CSOs rarely engage in strategic planning because they lack the resources, skills, and incentives to do so, as their operations continue to be donor-driven.

Only a few successful CSOs in Tbilisi and the regions are able to minimize the gaps in project funding in order to retain staff. In 2018, Georgia’s controversial pension reform was adopted, according to which both employers and employees contribute 2 percent of salaries to the pension scheme, while the government adds 2 percent, for a total of 6 percent of income. The new policy went into effect on January 1, 2019. Mandatory for employees under the age of forty as of August 6, 2018, when the law was adopted, the pension reform was criticized heavily, including by CSOs, because of the added costs it imposes on both employers and employees. CSOs were specifically concerned that they would be unable to cover the additional costs in ongoing project budgets, thereby affecting their staffing capacities. Many CSOs report, however, that donors have been generally flexible with budget modifications, so the new policy has had limited effect on staffing and budgeting to date.

The majority of CSOs, especially in the regions, remain one-person organizations in which institutional viability is directly linked with their founders. CSOs are not legally required to have boards. When they exist, boards of directors are generally a formality created to meet donor requirements. Only a few organizations have functioning boards that actively participate in decision making.

While the culture of volunteerism is still underdeveloped, many CSOs recruit volunteers. Volunteers are primarily engaged in one-off activities, however, as CSOs are not able to provide avenues for more sustained volunteer engagement. According to the 2017 Caucasus Barometer, 23 percent of respondents volunteered in the past six months, up from 19 percent in 2013. According to the Charities Aid Foundation’s 2018 World Giving Index, 17 percent of respondents in Georgia reported participating in voluntary action during the reporting period in 2017, a significant increase from 9 percent the previous year. The EU-funded Public Attitudes Towards CSOs research

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2 The Organizational Capacity score was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score does not reflect an improvement in Organizational Capacity, which remained largely the same in 2018 as in 2017.
The 2018 CSO Sustainability Index for Georgia reports that 53 percent of respondents said that life in Georgia would be better if people joined and supported the work of CSOs. Interestingly, according to the same study, volunteerism is less common among youth (aged 18 to 24).

The majority of CSOs rely on outdated hardware and software. While there are some opportunities to receive software donations, including through Tech Soup, most CSOs are unaware of them.

FINANCIAL VIABILITY: 5.0

CSO financial viability remains weak and did not change significantly in 2018. Local sources of income remain limited. The government offers several grant opportunities for CSOs, but the scope and scale of these programs are insufficient to impact the sector’s financial stability. The Central Election Commission’s Electoral Systems Development, Reforms and Training Center, for example, continues to be among the largest government donors in Georgia. According to public information shared by the Center, in three rounds of funding in 2018, it supported a total of sixty-eight projects, with a combined budget of GEL 2,381,571 (about $900,000. Fifty-two of these projects, however, had budgets less than GEL 30,000 ($11,500).

Despite this being an election year, this funding level is roughly equivalent with those in previous years. Two other government offices that award a significant amount of grants to CSOs—the Ministry of Sports and Youth Affairs and the Ministry of Internally Displaced Persons, Accommodation and Refugees—were both restructured and merged into other ministries in 2018. It is still unclear if their grants programs will be continued. Larger municipal governments generally provide funds to CSOs for projects focused on issues such as youth, culture, education, and awareness raising, but their scopes are very limited and have little impact on the sector’s financial sustainability.

CSOs frequently criticize the transparency and fairness of state funding and selection processes, including the lack of uniform standards. Additionally, many CSOs fear the potential politicization of accepting state funding, as well as the possibility of the government using funding as a leverage for influence.

While CSOs are successfully exploring new avenues for partnerships with local businesses, cooperation between the two sectors remains limited, in part because Georgian legislation fails to provide meaningful incentives for philanthropy. According to the EU Roadmap for Civil Society Engagement, 2018-2020, only 8 percent of 568 surveyed businesses have collaborated with CSOs in some way and only 20 out of 282 surveyed CSOs have received donations from businesses. The main obstacles to more active collaboration between the sectors are the continued disinformation about CSO projects and agendas, corporate preference for one-off charity campaigns, and the limited capacity of local CSOs to invest in building lasting relationships with businesses.

Individual philanthropy is not common in Georgia. Georgia ranked 118th out of the 144 countries covered in the 2018 World Giving Index. Only 6 percent of respondents in Georgia reported that they donated money to a charity during the reporting period in 2017, placing it in the bottom five in the world in this indicator.

Foreign government donors, most notably the EU and the US, provide the overwhelming majority of funding for local CSOs. Funding levels did not change significantly in 2018. Donors commonly solicit CSO input when determining funding priorities and strategic frameworks, but it is unclear to CSOs to what extent their contributions actually shape the focus of available funding. Many international CSOs operate in Georgia and they often outcompete local CSOs for larger grant opportunities. As a partial mitigation measure, donors, especially the EU, often explicitly require applicants to recruit Georgian CSOs, often those based in the regions, as co-applicants. Funds that are channeled through such umbrella partnerships, however, are rarely substantial enough to have a sustainable impact on the recipient CSOs.
Alternative sources of funding remain largely unexplored. Some government agencies outsource services to CSOs, mainly in the health and education sectors. The overall scope of these partnerships, however, is limited, and does not impact CSOs’ sustainability. Social entrepreneurship, viewed by many CSOs as one of the more viable avenues for achieving a basic degree of financial sustainability, has not yet developed in Georgia. According to local CSOs, lack of staff with business experience and limited access to unrestricted income are the principal reasons behind their failure to generate income or succeed in entrepreneurial efforts. Only a handful of organizations are membership based, and these collect only symbolic fees. GYLA’s membership fee, for example, is just GEL 12 (less than $5) a year, so while the association has up to 400 members, the collected funds make little to no contribution to the organization’s budget.

Developed organizations have financial management systems and control procedures in place, and use advanced accounting software. Others generally lack the skills and resources needed to implement software solutions, despite this being a primary concern for major donor agencies in Georgia. Only a few CSOs can afford external organizational audits. It has become common for grant awards to include costs for project-funded or donor-commissioned audits.

**ADVOCACY: 3.7**

CSO advocacy did not change significantly in 2018. Although CSOs initiated or participated in almost every important national debate during the year, these efforts were often met with angry responses from the government and had limited influence on some of the most critical issues during the year, including the controversial constitutional amendments and judicial appointments.

CSOs were focused on key policy and human rights issues throughout the year, such as the controversial constitutional reforms, alleged use of administrative resources in the pre-election campaign, the abduction of Azerbaijani journalist Afgan Mukhtarli from Tbilisi, contentious judicial appointments, repressive drug laws, and alleged cases of fraud or obstruction of justice by government officials. For example, ISFED, GYLA, and TI, the principal election watchdogs in the country, issued a stern statement accusing the government of an “unprecedented case of vote-bribing,” after the prime minister announced a scheme to write off the small debts of more than 600,000 individuals before the presidential elections. In another example of a showdown between CSOs and the government, seventeen Georgian CSOs, including leading human rights watchdogs, expressed their “extreme concern” with the prosecutor’s pressure on CSOs to disclose a whistle-blower’s identity in an alleged plot to rig voting in presidential runoffs.

The government was less accepting of criticism from CSOs, and responded to the sector’s criticism with a coordinated broadside. As a result, CSOs were unable to contribute meaningfully to the work of the state constitutional commission or to affect controversial judicial appointments. CSOs were also unable to affect the investigations of some of the most high-profile law enforcement cases in 2018, including the abduction of Afgan Mukhtarli, an Azerbaijani journalist based in Georgia; the death of Temirlan Machalikashvili, an ethnically Chechen 19-year-old that was killed in a counter-terrorism operation in Pankisi Gorge; or the Khorava street incident, in which two school boys were stabbed to death.

The government continues to be generally open to partnerships with CSOs on less controversial issues, as shown in a host of ongoing large-scale joint programs. USAID’s Waste Management Project, for example, brings together the government, businesses, and civil society to improve the waste separation system in Tbilisi. Similar large-scale initiatives, including those funded by USAID, EU, and other donors, bring the sectors together in health, education, agriculture, and other areas. In addition, high-level government officials frequently meet with relevant CSOs to report on overall progress, present strategic directions, or discuss principal policy issues. However, it is difficult to
estimate the extent to which CSOs’ input influences policy making. There is less policy dialogue on the local level, largely because of the local governments’ limited independence from the central government.

Several well-established CSO coalitions in Georgia strive to contribute to policies and reforms. For example, the USAID-funded Coalition for Independent and Transparent Judiciary, coordinated by the East-West Management Institute, unites forty member CSOs and regularly produces reports, assessments, and joint statements that effectively raise public awareness about the key challenges and processes facing Georgia’s judiciary. According to the Central Election Commission, sixty-two CSOs were registered as election observers in 2018.

CSOs also continue to work in coalitions to counter anti-western propaganda. For example, the No-To-Phobia platform, a coalition of leading watchdog institutions in Georgia, targets the increasing incidents of racism, xenophobia, and hate speech in politics, media, and public life in general. In September 2018, amid the growing challenge of disinformation and anti-western propaganda in Georgia, sixteen CSOs issued a joint statement calling on the government to deploy a systematic and consistent “strategy against the Russian information war.” While the government has not yet demonstrated the political will to address this escalating issue, several CSOs implement media monitoring initiatives that track, report, and debunk disinformation in the media. These efforts and their reach, however, remain limited and have little impact against the coordinated propaganda campaigns.

Young people took grassroots activism to a new level in 2018. For example, activists with the White Noise Movement (WNM), a youth movement opposed to repressive drug policies in Georgia, spontaneously gathered in May for an impromptu dance-demonstration, referred to as a #raveolution, shutting down the center of Tbilisi for two days. The rallies, which were organized in response to a dramatic police raid on two nightclubs, were met with mass arrests of protesters. Leading civil society actors, including the Human Rights Education and Monitoring Center (EMC), GYLA, and OSGF, supported the movement. A counter-rally of conservative extremists congregated on an opposing site, creating imminent threat of a clash. The Minister of Interior personally intervened, ending the stalemate with concrete pledges to WNM activists, such as a thorough investigation into the alleged abuse of power by the police during the raid. While this increasing youth activism offers potentially wider opportunities for CSO advocacy efforts, youth have limited trust in CSOs, partially due to the government-fueled controversies over CSOs’ political motives and affiliations. At the same time, youth are also increasingly engaging in ultra-nationalist movements, including the aforementioned extremist group.

CSOs also achieved important accomplishments in other areas, such as successfully lobbying against the re-initiated legal amendments that would have made “insults to religious feelings” a criminal offense. The USAID-supported Tolerance Center under the Public Defender of Georgia, as well as the No-To-Phobia coalition, argued that the draft law would have served the interests of the dominant religion and limited the freedom of opinion; the draft law was subsequently revoked.

CSOs continue to lobby for legal amendments that would promote the sustainability of the sector, but did not achieve any tangible results in 2018. The most critical legal initiatives—such as the EU-backed efforts to extend a partnership between CSOs and the parliament—remain stalled. The Civil Society Institute is one of the few organizations focused on advocating for a more enabling environment for CSOs, including via improved legislation. Another local CSO, Georgian Democracy Initiative, initiated a challenge to the pension reform in the Constitutional Court.

**SERVICE PROVISION: 4.1**

CSO service provision did not change significantly in 2018. CSOs continue to provide a diverse range of services. The government and businesses, however, only solicit a limited number of services from CSOs, mostly related to health, education, and general welfare. Foreign donors commonly fund the delivery of CSO services in a wider range of areas, including promoting good governance, fair elections, human rights, economic development, and environmental protection. CSO investment in developing expertise in various areas is largely driven by the funding priorities of major development aid actors in Georgia.

CSO projects commonly include baseline studies, which help CSOs better adapt project activities to the changing context and needs of beneficiary communities. Large donor agencies often commission in-depth studies to inform their strategic decision making and funding priorities.
Many membership-based associations, mostly professional or business associations, cater to their members’ needs. Only a few CSOs, such as GYLA, are membership-based, but provide services beyond their own members.

CSO service provision relies largely on grant revenues, especially from foreign donors. Only a few CSOs have been able to make long-term investments in viable enterprises. One example is the highly popular co-working space The Impact Hub, which is co-owned by the Europe Foundation. The lack of enabling tax regulations, unrestricted income, and qualified staff hinders CSOs’ efforts to invest in developing competitive and marketable services.

While the government does outsource some services to CSOs, it does little to promote CSO services and contributions. In fact, the government’s persistent criticism of CSOs has significantly damaged the sector’s public image and subsequently CSOs’ ability to expand their markets and reach new clientele.

**SECTORAL INFRASTRUCTURE:** 4.3

The infrastructure supporting the CSO sector remains underdeveloped in Georgia. While a few organizations act as intermediary support organizations and CSO resource centers, no dedicated services provide such support on a sustainable basis. USAID-supported Civic Engagement Centers (CECs) are the single most important component of the limited infrastructure available to CSOs, providing meeting halls, conference rooms, computer labs, and library resources to regional CSOs without charge. CECs charge other clientele, including Tbilisi-based organizations, for the same services. The USAID-funded Advancing CSO Capacities and Engaging Society for Sustainability (ACCESS) program provides critical capacity-building support to local CSOs. There are several local grant-making organizations, such as the Women’s Fund, Europe Foundation, and OSGF, all of which depend on foreign funding for re-granting.

Local CSOs commonly collaborate and form networks. These partnerships, such as the USAID-supported Coalition for Independent Judiciary and the No-To-Phobia Platform, are generally issue-based and rarely address, at least sustainably, the common institutional needs of the sector.

Local CSOs have access to a vast range of paid training opportunities, including those provided by private companies and government agencies on CSO-related tax regulations, but only a few CSOs can afford them. Donors often commission training on financial management, accounting, reporting, monitoring and evaluation, and other disciplines for the benefit of local CSOs. USAID’s ACCESS project, for example, provides assessment-based, individually tailored training interventions via its local implementing partner, the Center for Training and Consultancy (CTC). In 2017, CTC also created a training program in nonprofit management in collaboration with Ilia State University, one of Georgia’s largest higher educational institutions.

Collaboration between CSOs and businesses is expanding and diversifying. The economy, environment, and education are among the areas on which the two sectors most actively interact. USAID has successfully linked, for example, the global chocolate manufacturer Ferrero, the Georgian Hazelnut Growers Association, and the
government of Georgia to work together to increase the quality and quantity of Georgian hazelnuts, one of Georgia’s top export products.

PUBLIC IMAGE: 3.9

CSOs’ public image deteriorated in 2018. As described above, CSOs were increasingly vocal in 2018 on election-related developments, the appointment of judges, and other high-profile processes and decisions, often engaging in fierce criticism and confrontations with the government. The government and the ruling party reacted to this criticism with a coordinated attack on CSOs, with the main narrative focusing on the alleged political bias and anti-national motives behind CSOs’ agendas. On October 8, 2018, eight leading Georgian CSOs released a joint statement condemning the Parliament Speaker’s “aggressive rhetoric” and his attempt to “delegitimize” and “discredit” the organizations and the wider CSO sector.

According to ISFED’s Social Media Monitoring report, during the presidential elections of 2018, certain Facebook pages worked to discredit those that were critical of the government, including electoral candidates, CSOs, civic activists, and opinion leaders alike. Patterns in content and the timing of distributed disinformation led ISFED to conclude that “a single organized group” was behind the campaign.

In 2018, allegations of repeated sexual harassment by a prominent CSO leader and active supporter of women’s rights shook the entire sector. As national media scrutinized the allegations and organized national discussions around them, the process gained a powerful, yet short-lived momentum in exposing the culture of harassment across the country. While critically important as a precedent against workplace harassment of women, these developments also damaged the public image and credibility of the wider CSO sector.

Generally, the national media is open to partnerships with CSOs and often invites CSO representatives and activists to discuss various issues, such as road safety, labor rights, animal rights, and the environment, in addition to the regularly covered watchdog and fact-finding activities of CSOs. In 2018, the national media actively covered CSO statements and conferences regarding the electoral process and the environment. Many online media resources, including Netgazeti.ge, Civil.ge, and Liberali.ge, actively support the values, campaigns, and advocacy efforts of CSOs. Their reach, however, remains limited compared to online resources on the opposite end of the value spectrum as well as mainstream media. According to a study commissioned by the EU and implemented by the research firm ACT, while TV continues to be the most popular and trusted source of information in Georgia (for 72 percent of the public), “diffusion of new media, such as Internet and social networks, has largely increased, surpassing a 50 percent penetration rate.”

Many local CSOs are realizing the impact that the recurring efforts to delegitimize CSOs have on their ability to work. In response, several CSOs began to discuss the need for coordinated awareness-raising campaigns to increase public understanding of the work of CSOs, as well as public trust in the sector. In addition, in 2018, USAID’s ACCESS program, under its Citizen Outreach Grants, funded nine projects supporting activities to increase citizen engagement with CSOs on some of the most pressing issues in the country. At the end of 2018, ACCESS announced another call for proposals for Citizen Outreach Grants.

According to a 2018 study published by CRRC titled Knowledge and Attitudes of the Population of Georgia towards Judiciary, 27 percent of respondents expressed trust towards CSOs in 2018. Although trust is still fairly low, it is higher than that enjoyed by the parliament (15 percent), prime minister (21 percent), and judges (19 percent). According to the 2018 EU-funded study Public Attitudes towards CSOs in Georgia, however, only 16 percent of the population “can be considered as informed about NGOs.” The same study reports that one-third of Georgians do not know what CSOs do and 13 percent said “they do nothing.”

Very few CSOs publish their financial statements. Only financially successful and stable organizations are able to afford annual audits, which they usually make publicly available. Most of these organizations also have internal policies and standards addressing workplace ethics, professionalism, and anti-corruption. In 2017, over 200 CSOs signed the Declaration of Key Principles of Civil Society Organizations of Georgia. It is difficult to estimate the extent and quality of implementation of these internal or external policies and declarations.
In general elections held in Hungary in April, the governing party Fidesz secured a two-thirds majority in the parliament for the third time in a row. During the campaign, public and pro-government private media engaged in reckless propaganda, not only promoting the government’s fearmongering anti-immigration messages, but also vilifying and spreading lies about leading opposition figures. In the present electoral system, the opposition’s best chance of defeating Fidesz was by nominating a single consensus candidate in each district. This forced opposition parties with strong ideological and personal differences to engage in negotiations, with mixed results. Mobilization efforts were successful, with the second highest voter turnout (69.7 percent) in the country’s history. While many analysts believed that high turnout would favor the opposition, Fidesz attracted more voters than expected, especially in small towns and villages in the countryside.

Dissatisfaction with the election results, especially among urban intelligentsia, drew tens of thousands of people to the streets after the elections. However, lacking clear goals and demands, the protests dispersed before summer. According to recent research on major developments in Hungary conducted by Policy Solutions and Friedrich-Ebert-Stiftung in 2018, those dissatisfied with the government have distanced themselves from public and political life as they no longer hold out hope for change.

The government continued to pursue its agenda after the elections. In July, another constitutional amendment with several troubling provisions was passed. One such provision introduced a new administrative high court and reorganized the judiciary’s administrative branch. Detailed legislation implementing these changes was submitted to parliament in October and passed in December. The legislation confirmed that the minister of justice will directly control the administrative branch of the judiciary and have the power to nominate judges. The law also provides that former public servants can become judges in administrative courts, which hear all cases involving the state and its institutions, including freedom of information cases and disputes with the tax authority. If it becomes operational, this change would seriously jeopardize the independence and impartiality of judicial proceedings, as plaintiffs may find themselves before judges who are former colleagues of the defendants. Another new clause in the constitution criminalizes living on the streets, effectively banning homelessness. After an implementing regulation entered into force in October, several homeless people were arrested and indicted. By the end of 2018, however, all of them had been exonerated by the courts, indicating that the judiciary still retains some degree of independence.

The international community noticed these—and earlier—breaches of democratic values and principles. In September, the European Parliament, in a unique move, voted with a two-thirds majority to launch the Article 7
process against Hungary in response to the country’s serious and systematic breaches of rule of law in twelve key areas, including attacks on civil society. This process could lead to suspension of Hungary’s voting rights in the European Parliament.

Following a speech by the prime minister about the new “epoch of culture” in the country, the government waged smear campaigns against artists and writers considered leftists, and complaints were published in the pro-government media about the alleged “dominance of liberal culture.” In a related move, the government announced plans to restructure and cut the funding of the Academy of Sciences’ network of research institutes. Members of the academy worried about the freedom of research clashed with the Ministry of Human Resources, while students protested against further decreases in enrollment numbers as well as the independence of universities. This also coincided with the decision of the Central European University (CEU) to move to Vienna after uncertainty about its future in Hungary over the past year.

The political atmosphere became more tense during the final weeks of the year after the government announced plans to modify the Labor Code. The changes would increase the ceiling for annual overtime hours from 250 to 400, meaning that employees could be obligated to work significantly more overtime hours, and give employers three years to pay for overtime. After initial protests by the trade unions, the parliamentary opposition—in a rare show of unity—tried to obstruct the changes by submitting an overwhelming number of amendments, which the governing majority promptly dismissed. On the date of the final vote in December, opposition members of parliament (MPs) occupied the speaker’s pulpit and tried to stop the session. Nevertheless, the majority passed the law, prompting thousands to demonstrate for several days. The protests reached a climax when over a dozen MPs from various opposition parties attempted to use their legal right to go into the public media building to broadcast their demands. Security stopped their efforts, while the leadership of the public media refused to engage with the MPs, who later were physically removed from the premises. These events also signaled a change in the nature of protests in the country and demonstrated the absence of any dialogue or reaction on the government’s side.

In the meantime, the economy is doing fairly well, with both growth and unemployment around 4 percent. Many sectors are experiencing a labor shortage. Real income is also on the rise, though it still lags behind neighboring countries. However, inequality did not decrease, and approximately 20 percent of the population still lives in or is on the verge of poverty.

CSO sustainability continued to deteriorate in 2018. Scores for the legal environment and public image dimensions declined due to new restrictive laws and continued government harassment. Increasing political bias and the lack of transparency in public funding, coupled with the increasing wariness of donors to offer and CSOs to accept foreign funding, resulted in a slight deterioration in financial viability. Traditional channels of advocacy and attempts to negotiate with state institutions remained ineffective, and became a growing issue at the local level as well, hindering CSOs’ advocacy efforts. The space for CSOs to provide services also seemed to have narrowed more in 2018. Organizational capacity and sectoral infrastructure did not change notably in 2018.

According to the most recent data from the Hungarian Central Statistical Office, in 2017 the number of CSOs, including both associations and foundations, stayed at approximately 61,000. CSOs pursuing cultural, sports, and leisure activities are the most prominent, each with a 15 percent share of the total, followed by education at 13 percent. Approximately 20 percent of all CSOs have public benefit status.

**LEGAL ENVIRONMENT: 3.9**

The legal environment continued to deteriorate in 2018, with the passage of several laws that negatively affect civil society. Uncertainty about how some of these laws will be implemented has had a chilling effect on the sector.

In January, the government announced a new legislative package dubbed “Stop Soros” that targeted, but failed to define, organizations “supporting immigration.” The first draft of the law threatened to deprive such organizations of their public benefit status and penalize them with other restrictions and sanctions. Leading CSOs immediately protested the proposal through a joint international press conference and other means. The law was eventually passed in July, but in a form that differed markedly from earlier versions (e.g., provisions related to public benefit status were dropped). The approved act criminalizes support to immigration (which includes providing legal aid to asylum seekers, as well as “propaganda” depicting immigration in a positive light), with the possibility of jail time for persons engaging in such activities. Another legislative package was enacted in summer that introduced a 25
percent tax on the income of organizations supporting immigration. The Council of Europe’s Venice Commission called on the government to withdraw both laws. These laws had no impact by the end of 2018, as not even the tax authority has been able to interpret how and to whom they should be applied.

The 2017 act on foreign-funded organizations obligates CSOs receiving more than HUF 7.2 million (approximately $25,500) from non-Hungarian sources to register and include the words “foreign funded” on their websites and publications. The register currently contains about 130 organizations, but none of the affected CSOs, including the dozen that boycotted registration, have yet been penalized. The law was challenged in both the Hungarian Constitutional Court and the Europe Court of Justice in 2017; the cases remained unresolved at the end of 2018.

State harassment in many forms continued to be a problem. In the spring, a pro-government weekly published lists of the staff of leading human rights and advocacy CSOs, identifying them as members of the “Soros network.” In the summer, a Fidesz spokesperson visited the buildings where Amnesty International-Hungary, the Hungarian Helsinki Committee, and Shelter Association for Migrants are headquartered, put up stickers reading “immigration supporting organizations,” and held impromptu press conferences. The affected CSOs were not given a chance to react. In a more peculiar case, foreign nationals later clearly linked to an Israeli private intelligence company attempted to discredit some organizations, including Migration Aid. The foreigners masqueraded as potential donors and offered money to the organizations if they would engage in legally questionable activities—which the organizations promptly refused. Edited recordings from these conversations received coverage in pro-government media, but it is still unclear who ordered the operation.

State harassment spread to the local level, as well. In the 8th district of Budapest, the local government unsuccessfully used various tactics to stop the work of the Aurora community center, which houses several CSOs and provides space for a variety of forums, debates, and events. In Pécs the municipality tried to deter local real estate owners from providing space to the With the Power of Humanity Foundation, which implements a regional project supported by OSF. In Debrecen, local MPs and the mayor called on the Association of Alternative Communities, another organization supported by OSF, to cease its activities. The Managing Authority also initiated an extraordinary inspection into the association’s European Structural Fund-supported projects, which was still open at the end of 2018.

Legislation covering CSO registration and operations did not change in 2018. CSOs are able to register quite easily, though the time it takes to register and the associated administrative demands vary among the regional registering courts. Public benefit organizations in particular must meet considerable administrative requirements. Liquidating and dissolving an organization, on the other hand, is a fairly complicated process.

In 2018, a new Act on Assembly governing public demonstrations and manifestations was passed, replacing the previous law from 1989. The new law, which entered into force on October 1, was met with mixed reactions. In many ways, it simply codifies existing practices, which guarantee the right to peaceful protest after appropriate notification to the police. However, it also provides the police more room to interpret some provisions and thereby ban demonstrations.

Legal access to financial resources did not change in 2018. CSOs are still allowed to raise funds freely, earn income, and enter into contracts. CSOs can accept funds from foreign donors, but this may lead to stigmatization according to the “foreign-funded” legislation.

General rules governing taxation, including the lack of deductions for donors and the possibility for taxpayers to assign 1 percent of their owed income tax to eligible CSOs, remained the same, with one notable exception. In October, the government suddenly abolished tax benefits that had previously been available to some CSOs working in the cultural field. Previously, nonprofit cultural organizations and institutions that had registered at the appropriate state body could enter into agreements with one or more companies to receive funding through the latter’s corporate tax obligations, up to a maximum of 70 percent of the organizations’ own income from ticket
sales. Although journalists discovered instances in which cultural agencies had abused this system, its wholesale elimination deprives smaller cultural organizations of a major source of income. The government promised to replace this system in 2019 with public funding through grants; however, no concrete details had been made public about this plan by the end of 2018.

The availability of legal support did not change significantly in 2018. As in the past, legal expertise is primarily provided by a few professional CSOs, including Global Network for Public Interest Law (PILnet) and the Hungarian Civil Liberties Union (HCLU), but their capacities are insufficient to cover the sector’s needs. This was clearly seen in 2018 when many CSOs desperately sought legal help in the weeks before the European Union’s (EU’s) General Data Protection Regulation (GDPR) entered into force on May 25.

**ORGANIZATIONAL CAPACITY: 3.6**

The CSO sector’s organizational capacity did not change significantly in 2018. As in previous years, only the most professional organizations in the country have effective strategies and management structures.

There are significant geographical differences when it comes to constituency building. While many CSOs, especially larger, Budapest-based groups, recognize the importance of constituency building and engage in it more now than in the past, CSOs in the countryside struggle to build constituencies, in part because smear campaigns have had a more chilling effect in rural areas. Local people can be mobilized for “good causes,” but fear or are cautious about taking any actions viewed as political. CSOs’ relationships with young people are generally weak.

CSOs increasingly understand the need to define missions and strategies, and more CSOs are developing these tools. Implementing them, however, is often problematic, in part because of the unpredictable environment in which CSOs operate. In 2018, several think tanks and resource organizations, including the Hungarian Donors Forum, started to focus on measuring CSOs’ impact. In addition, a group of individual experts launched a dedicated Impact Academy. However, these efforts are still at an initial stage.

Only the strongest organizations with considerable reserves are able to cultivate a stable team of staff members; others usually only hire people on a project basis. Many medium-sized CSOs operating in smaller towns that previously employed one or two staff members now operate on a fully voluntary basis. The public often believes that the only truly civic efforts are purely voluntary, an image enforced by the media; thus the institutionalization of CSOs is not necessarily viewed as positive. Widespread emigration and brain-drain has affected the sector, as well. Estimates put the number of people who have left the country over the past years at several hundred thousand, most of which are younger and better educated people. This has made it difficult for CSOs to find qualified staff. According to the Charities Aid Foundation’s 2018 World Giving Index, 12 percent of Hungarians reported volunteering in 2017, compared to the previous two years’ 9 percent.

Most CSOs have access to technology, though their equipment may not be updated. CSOs use the internet, but there are large differences in their levels of professionalism, as can be seen, for example, in the frequency with which they update their online presence. Organizations more exposed to smear campaigns are rigorous in their transparency and accountability. Others often only submit their annual accounts to the courts—the minimum reporting required by law—but these accounts offer scant explanations and details and therefore make it difficult to get a full picture of the organizations’ work.
The trends of the past years—an abundance of money for “loyal” organizations on the one hand and “starving” CSOs on the other—continued to have a negative impact on CSO financial viability in 2018. According to the Hungarian Central Statistical Office, the sector’s total income grew from around HUF 630 billion ($2.33 billion) to approximately HUF 700 billion ($2.5 billion) in 2017, an 11 percent increase. Of this total, 41 percent comes from public funding sources; 23 percent from private funding sources, including international donors; 26 percent from CSOs’ own income, including membership fees; and 8 percent from business activities. Despite this seeming increase, CSO financial viability deteriorated during the year due to the increasing political bias in the distribution of public funding and the increasing wariness of donors to offer and CSOs to accept foreign funding, as a result of which large parts of the sector remain underfunded.

Toward the end of the year, the government stated that funding for the National Cooperation Fund (NCF), the central vehicle that supports the operational costs of smaller CSOs, will increase, but the effects of this announcement were not seen in 2018. In the past, the level of funding provided by the NCF has been more or less constant at about HUF 5 billion ($17.5-18 million). Most ministries and local governments also give grants to CSOs, but at a much smaller scale. For example, the total support to environmental organizations by the Ministry of Agriculture has been HUF 70 million ($250,000) for several years. Municipal financing, or so-called local “civil funds,” rarely exceeds a few million HUF annually. As in previous years, critical and independent CSOs have virtually no access to public funding.

CSOs are usually not eligible to be the primary applicants for EU Structural Fund grants, which are distributed by the government, but can only participate as partners of local governments, churches, or state institutions. The EU’s Community-Led Local Development (CLLD) program is an exception to this rule. Under this program, public funding—managed and distributed by municipalities—is theoretically available for CSOs and community development. As the first calls were only launched late in 2018, this program’s success remains to be seen. Initial signs are mixed, as in some cities only loyal organizations received funding, while in others meaningful projects from new groups also received support. CSOs note a trend of local mayors and other persons of power establishing or leading associations or foundations with the sole goal of improving their chances of obtaining grants, thereby displacing authentic CSOs.

A growing number of CSOs are reaching out to individual donors through crowdfunding platforms and other modern means of fundraising, a trend enabled by the general increase in household income. According to 2018 World Giving Index, 22 percent of respondents in Hungary donated money in 2017 compared to 13 percent in 2016. In a quick poll conducted by Závecz Research before Christmas, more than half of respondents said they gave donations, though this included 1 percent income tax assignations and in-kind contributions. Still, individual donations represent a small share of the sector’s income. Furthermore, the remaining independent media outlets in the country have also started collecting donations, thereby competing with CSOs for public support.

The total amount of 1 percent personal income tax assignations grew in 2018 from HUF 7.5 to 8.28 billion (approximately $26.8 million to $29.5 million). However, the number of taxpayers using this opportunity decreased, most likely as a result of the “automatic” tax declaration system introduced in 2017. Under this system, the tax authority prepares the tax forms for taxpayers based on data employers submit, eliminating the need for taxpayers to make declarations themselves unless they want to check their accuracy or assign taxes to a CSO.

Membership fees continue to be negligible, with most CSOs that collect dues only asking for insignificant amounts. There is no concrete data on the overall level of corporate giving, but the number of companies providing support to communities through small-scale open grant programs continues to grow. In 2018, companies including Tesco, Auchan, dm, and Vodafone announced such calls.
Competition within Hungary for international funding is huge. CSOs are still legally allowed to receive funds from abroad, and organizations that have registered as foreign funded, including the Red Cross, various animal shelters, and the World Wild Fund for Nature (WWF), did not suffer any direct stigmatization. However, according to CSOs, some donors have become more reluctant to give or will only give anonymously as a result of the legislation on foreign-funded organizations. In addition, some CSOs, particularly smaller organizations, now hesitate to accept money from abroad.

Some international foundations that were active in the region until the early 2000s reappeared in Hungary in 2018 while a few other foundations started funding projects in the country for the first time. Notably, Civitates, a philanthropic initiative that began operations in 2018 under the umbrella of the Network of European Foundations, provides funding to civil society to play a role in shaping open European democracies. Civitates is a consortium of sixteen foundations, including well-known donors such as OSF and the Charles Stewart Mott Foundation, as well as lesser-known foundations such as Adessium, Luminate, Körber, and Mercator Stiftungs. OSF, the only stable international donor over the past few years, relocated its regional office from Budapest to Berlin in 2018 after being the target of continuous smear campaigns and harassment. CSOs can also apply for EU grants managed by the European Commission from Brussels, although Hungarian partners lead few supported projects. Hungary is now the only beneficiary country yet to conclude a memorandum of understanding with the donor countries of the European Economic Area (EEA) and Norway Grants due to disputes over the management of the fund for civil society.

Many donors and international organizations, including NESsT, Badur Foundation, and the EU Structural Funds, promote and make funds available for social entrepreneurship and innovation. Despite this, very few initiatives have proven themselves able to survive without external funding. Conditions for this funding are also difficult to meet.

In a positive development, a Hungarian owned bank, Magnet, now provides bridge loans to CSOs to pre-finance grants. Some CSOs also note the phenomenon of for-profit businesses creating nonprofit arms in order to win dedicated grants to cover their losses.

Generally, only the most professional organizations have effective financial management systems and practices. While these organizations have their books audited, smaller ones are unable to afford auditors’ fees.

**ADVOCACY: 4.4**

Although there were a few isolated advocacy successes in 2018, the year was largely characterized by a lack of cooperation between the state and CSOs.

Traditional channels of advocacy and attempts to negotiate with state institutions remain ineffective. While legislation provides for participation, the government frequently circumvents or otherwise fails to adhere to these requirements. For example, individual MPs, instead of the government, often submit major pieces of legislation to the parliament, thereby precluding public discussion. In other cases, affected parties are given just a few hours to submit their comments. This is increasingly the case at the local level as well, with local governments viewing local independent CSOs as potential threats to their power. Municipalities increasingly discourage participation by brushing away and ridiculing legitimate public concerns or holding public hearings at inconvenient times, for example, starting them early in the morning. Freedom of information requests must regularly be taken to court: this was the only way that HCLU was able to obtain information on the prevalence of hospital infections. The government often declares questionable measures and investments to be of “national strategic importance,” thereby exempting them from public oversight or control.
Some CSOs, such as environmental organizations, still have good connections with lower levels of the administration, such as department heads. In autumn, however, the government initiated another downsizing of the central administration, hitting sectors such as nature and heritage protection especially hard. As a result, CSOs lost their last remaining contacts in the ministries.

Important decisions are often made by governmental bodies without considering expert positions from CSOs. Instead, the government engages in one-way communication with the public through so-called national consultations—pseudo-surveys with leading questions or untrue statements—the latest of which was focused on family values. The government only communicates with certain organizations, generally those that follow the official line, such as family associations.

CSOs that still try to initiate dialogue with the government immediately find themselves the targets of smear campaigns. In spite of this, a few isolated campaigns achieved success and broad public mobilization during 2018, mainly on issues that are not central to the government or on which there is disagreement within the governing structures. For example, a campaign to increase the home-care benefits the state pays persons raising severely disabled children or taking care of relatives at home—a pittance far below the minimum wage—began five years ago by a group of mothers in the association Lépjünk, hogy léphessenek! with support from a broader coalition of various platforms. Using community organizing tactics, they stepped up their campaign in early 2017 and collected more than 50,000 signatures on- and offline, bombarded the Ministry of Human Resources with petitions, and staged several protests in front of the parliament. Despite being accused in pro-government press of being “Soros agents,” their perseverance eventually paid off and they achieved their primary goal in the fall of 2018, securing a dramatic increase in benefits. Another was the successful mobilization led by WWF-Hungary, which collected 60,000 signatures to stop the building of a narrow-gauge railroad in the pristine Csarna Valley. In a rare example of cooperation, members of the CSO Roundtable on Sustainable Development Goals (SDGs) successfully engaged in a dialogue with the Ministry of Foreign Affairs.

Under present circumstances, advocacy for CSO law reform is out of the question, though awareness about its need has increased slightly. The Civilization coalition, a platform for self-defense and exchange of know-how, plays a key role in defending civil society against further restrictions and promoting an enabling environment.

**SERVICE PROVISION:** 3.5

Although concrete data is not available, the space for CSOs to provide services seems to have narrowed more in 2018.

Service-providing organizations comprise two-thirds of the sector. Centralization and nationalization of key service areas continue to affect service provision. Absent outsourcing and funding contracts, CSOs have few opportunities to provide meaningful services in their traditional areas of expertise, including social benefits, education, and inclusion of Roma. Practically all resources needed to perform services—including money, but also buildings and land—are controlled by the state and, to a lesser extent, churches. In this situation, CSOs can only contribute in fields the government ignores or underfunds, such as poverty relief in marginalized regions, homelessness, and some disability services. CSOs often rely on volunteers and crowdsourcing to support these efforts. Refugee integration services were completely eliminated in 2018, as the Ministry of Interior did not renew EU-funded contracts with CSOs working in this field. Indeed, as described in the legal environment section above, services to asylum seekers were practically made illegal.

Although there is no tangible data on the topic, experts believe that, as in previous years, service-providing CSOs working locally usually have a fairly clear picture of their constituents’ needs, though they do not conduct systematic research. National CSOs do not always adapt their services to local circumstances. This trend was demonstrated by the limited audiences in some locations of the nationwide training series offered by Transparency
International-Hungary on combatting corruption. CSOs normally provide services to clients beyond their membership without discrimination. However, only a few really committed organizations make efforts to involve hard-to-reach groups, such as marginalized Roma communities in remote villages or hardcore drug users; with shrinking capacities, most CSOs tend to work with easier targets.

CSOs struggle to recover their costs as many service beneficiaries belong to marginalized groups that cannot afford to pay. Even most social enterprises cannot rely solely on their service income. Users contribute fees only in a few instances, such as foundation-run private schools.

There is a wide gap between the government’s rhetoric and practices in relation to CSO services. The government views traditional charitable activity in a positive light. However, when service-providing CSOs speak up on behalf of their clients, they, like some other CSOs, immediately become the target of smear campaigns and are tagged as “Soros mercenaries.” Financial support accompanies recognition only in rare cases. For example, after many years of struggling, Tanodas—special after-school and extracurricular programs serving marginalized and Roma children, most of which CSOs operate—were promised more stable state funding at the end of 2018. At the same time, they will be obliged to obtain official accreditation, which will likely also mean increased state control. The government also suppresses civic monitoring and criticism of government services. For example, beginning in 2018, the EU-prescribed annual monitoring on Roma integration, an allegedly independent report, can only be submitted to the European Commission after receiving governmental approval.

**SECTORAL INFRASTRUCTURE: 3.1**

The state of the infrastructure supporting the sector remained unchanged in 2018.

Intermediary support organizations (ISOs) and resource centers serving CSOs take several forms in Hungary. The system of twenty government-appointed county Civil Information Centers continues to operate, but only a few, such as the Civil House in Pécs, have the expertise to provide meaningful services to CSOs. Most others limit their activities to occasional newsletters and information days. In the southwest and northeast of the country, programs initiated and supported by OSF were able to partially fill gaps in services to CSOs by providing small grants to local CSOs and communities coupled with trainings and by encouraging networking. Other, long-standing support organizations, such as Non-profit Information and Training Center (NIOK), NÉSS, and Ashoka, still operate to the extent that their funding allows.

Training is theoretically available in a broad range of subjects, though such opportunities often fail to reach beyond the regional centers. In addition, according to some trainers, CSOs need other types of assistance, such as problem mapping and intensive mentoring, than what are offered to develop their capacities. Furthermore, CSOs do not necessarily take advantage of these opportunities—either for lack of interest or time to participate, or because they cannot afford to pay the associated fees. CSOs are usually unable to pay for trainings and other assistance. For example, Civil Support, whose business model is based on CSOs paying for services, experiences less and less demand. NIOK, on the other hand, has made the crowdsourcing platform adyosszu.hu and its related services self-sustaining.

The four community foundations established earlier continue to work effectively. For instance, Ferencváros Community Foundation ran a program called Our New Neighbors to learn about migrants and support their participation in public life. The Roots and Wings Foundation advertised a call in 2018 to help establish new community foundations. Four applications were received in October and their work was subsequently launched. Two of OSF’s regional programs, managed by With the Power of Humanity in Pécs and the Association of Alternative Communities in Debrecen, also provide grantmaking services.
The Civilization coalition, established as a platform to defend the sector and exchange know-how in the face of attacks, continued to operate in 2018, though with fewer spectacular actions than in 2017. During the year, its thirty-plus members created an efficient mode and structure of operations and continued to remain in regular contact with a broad circle of about 330 organizations. However, the coalition’s nationwide constituency did not grow significantly. As a series of interviews and events organized by Ókotárs Foundation in the fall showed, local CSOs, especially in the more well-to-do western regions, are hard to reach and motivate to join wide networks. In the summer, Civilization and two other recently initiated partnerships received grants from Civitates aimed at supporting their development in 2019. Besides these, there are functioning networks in some sub-sectors— including the environment and issues affecting lesbian, gay, bisexual, transgender, and intersex (LGBTI) individuals—but these tend to work in isolation.

Collaboration between CSOs and businesses is growing, but is still not widespread. For example, Prezi and BAGázs Association work together to help Roma children do better in school and become better integrated in their communities. As described above, CSO collaboration with the government is very strongly influenced by the political environment and therefore quite limited.

The sector’s public image further deteriorated in 2018 as a result of the ongoing smear campaigns orchestrated by the dominant pro-government media and leading politicians. In November, nearly 500 outlets—print, online, radio, and TV—were formally consolidated under the umbrella of the Central European Press and Media Foundation, a nominally nonprofit organization, through “voluntary” donations from the owners of these outlets, primarily oligarchs and other prominent figures with ties to the ruling party. As a result, ownership of about 80 percent of the private media in the country, with virtually full coverage of the countryside, is now centralized and fueled by income from government advertising. In response to this situation, one of the key demands of the protests in mid-December was to “free the public media” and return it to balanced reporting. The few remaining independent outlets—mostly online ones—struggle to survive. Under these circumstances, smear campaigns against CSOs critical of the government are efficiently orchestrated. Organizations dealing with refugees and asylum seekers were the main targets in 2018. The Hungarian Helsinki Committee won several slander cases in 2018 concerning public statements by leading state figures.

CSOs have limited options to defend themselves, as pro-government media do not cover CSO positions and views. Independent media pay increasing attention to independent CSOs, and try to encourage public support, but their reach is minute compared to the ubiquity of government propaganda and vilification. CSOs therefore largely rely on peer-to-peer communication and social media (mainly Facebook) to promote their work. While the more established organizations have succeeded in building their brands through these channels, many smaller groups have limited online presence. Many have outdated webpages, or lack them altogether. Some CSOs’ online presence is limited to badly maintained Facebook pages, with rare posts and little activity. Hungarian Civils (Magyar Civilek or MACI), a joint campaign aimed at promoting a positive image of CSOs, continued to publish occasional videos with personal stories of CSOs’ members and clients in 2018.

The public perception of civil society is mixed and diverges along political lines. While several institutes conducted surveys about CSOs in 2017, they did not repeat these in 2018. Absent new data, experts can only rely on their impressions, according to which the government’s propaganda was in some ways counterproductive: while people do not necessarily have a clear understanding about what CSOs do and many distrust them, they also now pay more attention to CSOs. The business sector is generally positive towards CSOs, even if its support often remains quiet or focuses on non-controversial issues. However, businesses do not actively defend civil society.
While there is some awareness within the CSO sector about the need for a code of ethics, no attempts were made to create one during the year. The Body of Ethical Fundraising Organizations remains the only relevant actor, but has a relatively small membership (thirty-four CSOs at the time of writing) and thus limited influence on broader circles. Since 2016, the Civil Society Award initiated by NIOK and the Civil Compass Foundation has been awarded in eight categories that promote best practices; it has significantly helped CSOs gain visibility and standing in the public over the past three years. CSOs are legally obligated to submit annual reports to the court; however these are often of poor quality and lack relevant information. There were no organized efforts to improve the level of their quality and detail in 2018.
Kosovo experienced a period of high tensions and significant political uncertainty in 2018. As current events and high politics once again dominated the public domain, there was limited space for civic activism. The year began with the murder of Kosovo Serb political leader Oliver Ivanovic in North Mitrovica. Also in January, Vetevendosje!, the largest Kosovar Albanian opposition party, split, with twelve of its former members of parliament (MPs) uniting under the flag of the Kosovo Social-Democratic Party. Despite major divisions on virtually all major political matters, the broad governing coalition, which under Prime Minister Haradinaj had grown to include over 100 ministers and deputy ministers, remained intact. The government committed the country to long-term contractual arrangements and debt, while spending millions to pay for its increased staff and payroll. Civil society across Kosovo actively criticized this reckless government spending and oversized central government, and organized petitions and public protests calling on the government to address the situation.

Although both the European Commission and the European Union (EU) Parliament agreed that Kosovo had made progress in meeting the requirements for visa liberalization, the country was not granted visa-free access into the Schengen Area in 2018. Another blow in the international sphere came with Kosovo’s failure to join Interpol, largely as a result of aggressive counter-campaigning by Serbia. In response, the government of Kosovo imposed a 100 percent import tariff on all Serbian and Bosnian products, beginning an all-out trade war. This caused Serbia to refuse to engage in talks with Kosovo aimed at resolving their long-standing disputes until the tariffs are lifted.

CSO sustainability improved in 2018, with five out of seven dimensions recording slight improvements. Financial viability improved as a result of the increased number of local grantmaking entities in the country. While few topics outside those noted above made it into the public domain, some public advocacy campaigns did make significant impact. One such example was Be My Voice, which aimed to decrease stigmatization of survivors of sex crimes. The campaign began in June, and unparalleled attention and coverage was given to the first public testimony of a survivor of sex crimes during the 1999 war. The transparency, competition, and quality of the processes for the selection and award of public funds to CSOs improved, leading to advances in CSO service provision. The commencement of new grant schemes, which generally also include some capacity development and transfer of know-how, improved the infrastructure supporting the sector, while public trust in CSOs improved notably. The legal environment was the only dimension experiencing deterioration during the year. While the laws governing CSOs did not change, CSOs experienced operational difficulties in terms of opening and managing bank accounts. In addition, some CSOs lost their public benefit status as they were not informed of changes in reporting formats. Organizational capacity did not change.
The composition of the civil society sector did not change significantly in 2018. As of December 2018, there were 9,642 local NGOs—a term used in Kosovo to describe both associations and foundations—registered with the Department of NGOs (DNGO) in the Ministry of Public Administration, an increase of 500 over the past year, a figure in line with growth in previous years. Most of these organizations, however, are not active, but remain on the registry due to the lack of clarity in de-registration procedures.

**LEGAL ENVIRONMENT: 3.5**

The legal environment governing CSOs in Kosovo deteriorated slightly in 2018. While no changes were made to the laws governing the sector, several operational practices caused concern. First, in line with an anti-money laundering regulation issued by the Central Bank, CSOs were requested to provide information and statements verifying that they are not financing terrorism or laundering money. The statements had to be signed by their founders, who in some cases are no longer alive or in Kosovo. In addition, there were reports of commercial banks refusing to let CSOs open accounts, particularly sub-accounts, which donors often require to enable their funds to be monitored more easily. The rationale for these decisions was that CSOs are not profitable clients. Another problem affected public benefit CSOs, which must submit annual reports in order to renew their status. A few CSOs lost their status during 2018, primarily because of a change in the reporting templates, of which they were not informed.

The process of amending the 2011 Law on Freedom of Association (commonly referred to as the Law on NGOs) was ongoing, but not finalized, in 2018. Civil society opposed some proposed changes. In particular, CSOs objected to provisions that would allow NGOs to transform into private businesses, an issue that microfinance institutions, which would greatly benefit from such transformations, have promoted for several years.

The process of registering a CSO in Kosovo is easy, free, and can be completed online. Organizations are required to submit financial reports to the tax administration and narrative reports about their activities to DNGO.

CSOs in Kosovo experience little harassment, but there were isolated examples in 2018 of mild pressure on CSOs critical of the government. For example, although inspections are supposed to take place based on a random selection, some CSOs that are critical of the government were subject to inspections by the Labor Inspectorate for the third consecutive year, while most CSOs are never subjected to such inspections.

Individual and corporate donors are eligible for tax deductions. The 2017 Law on Sponsorship in the Field of Culture, Youth and Sport increased the threshold of tax-deductible sponsorship of sports and cultural activities. CSOs are exempt from VAT and income tax on grants received from international bilateral and multilateral organizations.

CSOs are allowed to compete for publicly funded contracts at the local and central levels. They can also engage in fundraising campaigns, and are permitted to accept donations from individuals and corporate donors, as well as funding from international sources. However, since an anti-terrorism package of measures was introduced a few years ago, international transfers have been subject to more scrutiny, particularly when they come from private sources. CSOs can legally earn income from goods and services, but are required to pay the applicable taxes on the income earned.

Local lawyers and law firms offer services to CSOs, particularly in the capital, although most CSOs cannot afford such services.
ORGANIZATIONAL CAPACITY: 3.8

Organizational capacity did not change significantly in 2018.

Constituency building remains one of the weakest aspects of civil society in Kosovo. CSOs are often criticized for not genuinely representing the views and interests of the constituencies on whose behalf they claim to speak.

While all CSOs are required to have defined missions, visions, and objectives when they register, in practice, most CSOs do not adhere to these. Instead, CSOs change these documents in response to donors’ priority areas and the availability of funding. This hinders CSOs’ abilities to build expertise and develop identifiable profiles. Most organizations in the sector only plan six months in advance, in line with the length of their funded projects.

Only a handful of well-developed organizations have clearly defined management structures and procedures, appropriate divisions of duties and responsibilities, and internal checks and balances in place. While all CSOs must formally establish decision-making structures and bodies during the registration process, in practice the divisions of responsibilities between boards and management are rarely clear, and the oversight systems described in statutes are often completely absent.

The vast majority of organizations depend on project-based grant funding, and are therefore unable to hire staff on permanent contracts, despite being required to by the Labor Law. CSOs—even women’s rights organizations—can rarely cover staff’s maternity benefits.

An increasing number of local organizations serve as primary contractors or implementing agencies for major bilateral or multilateral programs. These CSOs have detailed procedures and policies on contracting and human resources, which donors generally audit before signing contracts in order to ensure compliance with their procedures and processes. Other CSOs generally lack such policies and procedures.

The culture of volunteerism is underdeveloped in Kosovo. While many organizations engage volunteers in events and actions, few engage volunteers on a regular or ongoing basis. Even community-based CSOs generally fail to meaningfully engage volunteers in their work. There are, however, a few isolated examples of initiatives that are organized on a volunteer basis. For example, volunteers with animal rights groups advocate for local and national policies on animal treatment, such as the treatment of stray dogs.

CSOs rarely utilize professional services in fields such as IT, accounting, and legal advice, as they cannot afford them. Bigger organizations managing sub-grant schemes frequently offer free services and advice regarding compliance with both local and donor policies and regulations to their grantees.

The majority of CSOs have basic technology and office equipment, but this infrastructure is often outdated or deteriorated as fewer donors fund equipment purchases. Nevertheless, CSOs regularly use technology, including online resources and social media, to carry out and promote their activities.

FINANCIAL VIABILITY: 4.4

The CSO sector’s financial viability improved slightly in 2018 as a growing number of local organizations re-granted donor funding and new ministries initiated grant schemes. In addition, the process of awarding public funds became more transparent.

Most local CSOs continue to have multiple sources of funding, but rely on the support of one major donor for a significant portion of their total funding. Many CSOs, particularly think tank, watchdog, and other types of...
democracy and governance organizations, rely almost exclusively on foreign funding, while small local organizations often rely solely on financing from local governments or line ministries. Most CSOs have secured their financial viability over the short term; only a handful are able to secure funding for the mid-to-long term.

Major donors continue to include USAID, the EU, the Swiss Agency for Development and Cooperation (SDC), the Norwegian Foreign Ministry, Swedish International Development Cooperation Agency, and the government of Luxembourg. The funding levels of these donors did not change notably in 2018. While in the past, donors either awarded multiple smaller grants themselves, or utilized international implementing partners, they now increasingly turn to local organizations to manage sub-granting programs for smaller local CSOs. The European Commission introduced four new re-granting schemes for CSOs on different topics in 2018. These include grant programs by Kosovar Stability Initiative (IKS) for grassroots organizations; the Institute for Development Policy (INDEP) and Balkan Green Foundation for sustainable development; the Balkan Investigative Reporting Network (BIRN) for journalism; and Forum for Civic Initiative (FIQ) for entrepreneurship and local volunteerism initiatives. Each of these grant schemes finance projects ranging in size between EUR 5,000 and 20,000, with total combined funding of around EUR 2 million. No data was available at the time of writing regarding the level of funding distributed in 2018.

At the same time, an increasing number of donors, including most of the EU-financed schemes and the programs of bilateral European donors, have introduced requirements for co-financing in recent years. Those without formal co-financing requirements also favor projects jointly financed by other sources. With little to no income of their own, CSO rely on pledges from public institutions to cover the co-financing requirements; these pledges are often not met, forcing CSOs to identify other sources of funding to meet these requirements. CSOs advocate for the creation of a government fund similar to that in Northern Macedonia to help them meet donors’ co-financing requirements and protect them against the risk of non-delivery of promised co-financing by public institutions, including ministries and municipalities.

Two newly created ministries—the Ministry of Innovation and Entrepreneurship and the Ministry of Regional Development—introduced grant schemes for CSOs in 2018. The Ministry of Regional Development funded eleven projects valued at a total of EUR 64,000. As of the time of writing, no public information was available about the grants awarded by the Ministry of Innovation and Entrepreneurship.

In addition, the process of awarding public funding for CSOs became more transparent as public institutions appeared to broadly apply the Ministry of Finance’s Regulation No. 04/2017 on Criteria, Standards and Procedures on Public Funding of NGOs, which requires the introduction of public competitive processes, external members on evaluation committees, transparent evaluation criteria, and monitoring and accountability measures.

A limited number of CSOs successfully raise funds for their activities from both individuals and corporate sources. These efforts are most successful when focused on charity, sports, and cultural events. The Law on Sponsorship, adopted in 2017, increased the tax exemption thresholds for both individuals and corporations sponsoring sports and cultural events; however, there is no reliable data on the extent to which this has impacted the actual level of sponsorships. The Kosovo CSR Network is the only major initiative supporting corporate social responsibility (CSR) efforts. Among other activities, its members have engaged in initiatives to promote volunteerism and support CSO initiatives. They have also offered internships and paid positions to persons with special needs. Some individuals, primarily from the diaspora, channel their support directly to beneficiaries instead of supporting CSOs. For example, Halil Kastrati, an Albanian philanthropist, builds houses for poor people directly through Balkan Orphans (Jetimat e Ballkanit), the foundation he established.

Member-based organizations, including chambers of trade and commerce and other professional business associations, collect dues from their members, but other organizations rarely do so. CSOs engage in fundraising campaigns both online and through traditional means, but these rarely represent a significant portion of their funding.
A very limited number of CSOs in Kosovo earn a significant portion of their funding by charging for their services or products, or renting out their assets. Cultural and sports clubs registered as NGOs often generate income from participants in the form of payments, as well as sponsors. The Ministry of Labor and Social Welfare awards contracts to CSOs to provide fourteen different kinds of social and family services. Government institutions often hire specialized CSOs for their expertise—including in education, environment, rule of law, social services, and training—but these contracts rarely account for considerable percentages of these organizations’ budgets.

Most CSOs in Kosovo do not have reliable financial management systems. The vast majority of CSOs maintain their finances in Excel, with a limited number of organizations utilizing more advanced financial and accounting software such as QuickBooks. Financial management services exist, but very few organizations have the financial means to utilize them. Only CSOs with annual budgets over EUR 50,000 are legally required to carry out independent financial audits. As a rule, CSOs only undergo such audits to meet donor requirements. A very small number of organizations—generally larger grantmaking foundations and organizations partnering with major bilateral and multilateral programs to re-distribute CSO funding and manage large-scale programs—publish their annual financial reports and statements on their websites.

ADVOCACY: 3.7

Advocacy improved slightly in 2018. Although public discourse was dominated by daily politics, some public campaigns did have significant impact. Most notably, survivors of sex crimes recorded their biggest successes in two decades. The Committee for Verification of Status of Survivors of Sexual Violence began accepting applications in February and had reviewed over 700 applications by the end of the year, granting this status, which provides access to certain legal benefits, to over 150 individuals, predominantly women. In addition, the My Voice campaign aimed to decrease stigmatization of survivors of sex crimes. The campaign began with the testimony of Ms. Vasfije Krasniqi Goodman, one of the first sex crimes survivor to speak publicly of her bitter experience in the two decades since the war.

Several CSO advocacy campaigns also resulted in policy changes in 2018. For example, women’s organizations successfully advocated for the inclusion of provisions in the new Penal Code that introduce penalties of up to three years of jail time and fines for perpetrators of domestic violence. The Code was enacted in January 2019. CSO advocacy, primarily by minority CSOs, led to the issuance of an Administrative Instruction by the Ministry of Education on Establishment and Functioning of Education Centers. Another effective campaign advocated for fines to be imposed on political parties engaging children in their campaigns during the last election, in order to prevent this from happening in the future. Despite the fact that the Election Code does not have specific provisions prohibiting the use of children in electoral or campaign materials, the Election Complaint and Appeal Panel instituted fines based on violations of the Code of Conduct for Audio-Visual Services.

Sectoral leaders have established relations with local and central governments, but generally rely on their personal networks rather than a systemic or systematic approach. Civil society frequently responds to major events and processes in the country, either through actions such as protests or declarative endorsements or disapprovals, but rarely engages in advocacy in a proactive manner.

According to Regulation No. 05/2016 on Minimum Standards for Public Consultation Process, all proposed legislation must be made available online for a certain period of time. However, these public consultation processes, as well as civil society consultations by the EU for its annual Progress Report, remain underutilized. Some organizations provide input to policy and decision making through these mechanisms, although most prominent organizations fail to contribute to them. CSOs generally are invited to participate in working groups and parliamentary committees, but these events are often organized with little advance notice and are frequently
re-scheduled. In addition, attendance is particularly challenging for CSOs outside Pristina. As a result, few organizations actively and regularly attend such meetings.

Lobbying is not a permitted activity for CSOs in Kosovo. There have been reported instances when CSOs have been denied registration for using the word “lobbying” to describe the nature of their foreseen activities. Politicians, media, and civil society alike most frequently use the term lobbying to describe processes aimed at international organizations.

CSOs were vocal throughout the process of amending the Law on NGOs in 2018. In December, when the law was going through the final stages of revision, they also began an advocacy campaign to convince the president of Kosovo not to ratify the law because of some unfavorable provisions that were included regarding the possibilities of CSOs transferring their assets upon their dissolution. The process was not finalized during 2018.

**SERVICE PROVISION: 3.7**

CSO service provision improved slightly in 2018 due largely to the increased application of the Ministry of Finance’s Regulation No. 04/2017, which has improved the transparency, competition, and quality of the processes for the selection and award of public funds to CSOs. With these changes, all funding now goes through public calls for proposals and involves formal evaluations, which should result in higher quality services being supported.

CSOs provide a broad range of services. During 2018, CSOs offered social and family, health-care, education and training, employment mediation, arbitration, and environmental services, among others. The 2005 Law on Social and Family Services foresees that CSOs will be the exclusive provider of some services. For example, CSOs are the only service providers mandated to offer certain family and social services, such as services for children without parental care and shelter services for victims of abuse. Despite this, the government does not always provide sufficient funding to CSOs to provide these services in a consistent manner.

CSOs generally determine the need for services in consultation with their constituents and the communities they serve, as well as in cooperation with line ministries and donor organizations. Some CSOs determine these needs more professionally than others, which impacts the quality of the services offered. CSOs generally do not discriminate in their provision of services and promote their products and publications broadly.

CSOs continue to provide their services either to the public at large or specific groups within society. Member-based organizations generally extend their services to non-members albeit with higher fees. A few organizations, primarily education CSOs and micro-finance institutions, have developed commercially viable products and services to ensure their sustainability. In addition, a considerable number of organizations recover at least a small percentage of their costs through service provision that is subsidized by donors or government institutions. Some organizations have initiated social enterprises, rent space, or provide management services or training to earn income. Some CSOs provide expertise and advice to local and central institutions in areas such as strategy or policy development, research and analysis, and capacity development. Some cultural CSOs also produce original content (such as music, theater, or film) and events that partly cover their operational costs, while some media organizations also have other sources of funding, such as the production of TV shows and the generation of income online through views and ads. However, most CSOs do not have the necessary business acumen to generate enough income from services to cover their core operating costs.

The government perceives CSOs as an inconvenience with which it must nevertheless work. In addition to social and family services, the government occasionally engages CSOs in the delivery of other services or to implement activities on its behalf. Nevertheless, public officials sometimes undermine civil society and their efforts and try to discredit activists when representing opposing views on policies or issues.
SECTORAL INFRASTRUCTURE: 3.6

The infrastructure supporting civil society improved in 2018. The commencement of new grantmaking schemes, which generally also include some capacity development and transfer of know-how, was the most noteworthy improvement of the year.

As described elsewhere in this report, an increasing number of organizations now administer re-granting schemes on behalf of major donors across various sectors and themes. Aside from the ongoing schemes administered by Advocacy Training and Resource Center (ATRC), Kosovo Civil Society Foundation (KCSF), Kosovo Foundation for Open Society (KFOS), and Community Development Fund (CDF), several new small grants programs were established in 2018 that cover different segments of civil society. With funding from the EU, for example, BIRN provides grants for investigative journalism, IKS for grassroots organizations, INDEP and Balkan Green Foundation for sustainable development, FIQ for volunteerism and social enterprises, Kosovo 2.0 for journalism, Multimedia Center for culture, and the Regional Environmental Center for environment and climate change.

Several larger organizations operate resource centers that are funded on a project basis; their operations are significantly reduced or terminated when the funding is exhausted. When they operate, they generally meet the needs of CSOs. Such resource centers are primarily located in the capital, leaving other parts of the country largely uncovered by support services and resources for CSOs. Most of their services are provided free of charge, with a limited number of programs charging for these services to partly meet co-financing requirements. In 2018, ATRC, KCSF, and FIQ operated resource centers to support CSOs with foreign funding. The FIQ center was opened in 2018.

Networks and coalitions seldom work in Kosovo without donor funding. Several formal networks and coalitions have been financed in the past through donor-funded projects, but their results remain limited and they usually cease to exist once funding is exhausted. CIVIKOS, the umbrella organization established to advance civil society’s sectoral interests, has not been very effective in exercising its functions. As a result, there is still very little dialogue between civil society and the government. Other similar umbrella organizations, such as the Kosovo Women’s Network, have also been largely ineffective in exercising the coordination functions they have assumed.

Cooperation between CSOs in the north and south of the country remains limited. Few CSOs have offices in both parts of the country. Aktiv, an NGO focused on enabling the meaningful involvement of the Kosovo Serb community in the construction of a participatory, peaceful, and prosperous future for the region, is based in Mitrovica, but also has an office in Prishtina. Non-majority CSOs from the north and south regions regularly apply for grants advertised by local grantmaking foundations, either individually or in cooperation with majority CSOs.

There are significant local resources for training and other forms of knowledge sharing and capacity development. Locally, there is a body of forty-eight certified management consultants with skills to deliver management trainings to all sectors. Management training is available in the capital and in other major cities. More specialized trainings are also available, but they are offered less frequently and usually require the payment of fees. Available trainings generally meet the needs of CSOs, and in most cases, the training and reference materials are translated into local languages.

Cross-sectoral partnerships are almost non-existent. In the rare cases that they exist, they are either for some all-mobilizing “patriotic act” or charity events. For example, in 2018, producers, public institutions, and the public aligned in favor of the imposition of the 100 percent tariff on Serbian and Bosnian goods. CSOs frequently perceive themselves as adversaries to the private and public sectors. Therefore, while civil society representatives may be aware of the benefits of introducing partnerships and coalitions across sectors, they seldom implement such initiatives. Nevertheless, there are instances of successful cooperation between CSOs and public sector institutions focused on facilitating processes, implementing activities, and engaging in strategic planning and capacity.
development. However, these examples are not the result of systematic cooperation, but rather, personal acquaintances and networks.

**PUBLIC IMAGE: 3.4**

The public image of CSOs improved slightly in 2018 as public trust in CSOs increased. While there is some skepticism regarding whose interests and priorities CSOs represent, public trust in civil society is generally quite high in Kosovo and increased significantly in 2018. The UNDP Public Pulse places trust in civil society as one of the highest among all sectors. According to the 15th edition of the Public Pulse, covering May to November 2018, 57.5 percent of respondents considered CSOs to be a truthful monitor of democratic processes in Kosovo, a considerable increase from 34.3 percent in October 2017 and 48.3 percent in May 2018. While most individuals have limited information on what exactly CSOs do, they are generally familiar with the concept and are supportive of most of their work. Given the broad scope of CSO activities, most people have been exposed in some way to the work of CSOs at least once in their life.

Political and institutional leaders generally perceive civil society as something they must work with and engage CSOs only because they feel obliged to. In some sectors, CSOs are the sole service providers. For example, CSOs manage the National Program for HIV Prevention, under which they not only work with at risk populations, but are also the only authorized distributors of methadone for drug addicts. CSOs also actively participate in and represent an important source of information and expertise in law and policy analysis, drafting, and amendment. The business sector is familiar with the work of CSOs, primarily those involved in training, private sector development, and related fields. A significant number of private sector actors have benefited from activities implemented by CSOs such as grants for small and medium enterprises and labor force development and training.

Civil society enjoys significant media coverage, both at the local and national levels. Media—both traditional and online—cover CSO activities. This coverage is generally positive. As per the applicable laws, the media clearly distinguish between public service announcement (PSAs), which are aired for free, and corporate advertisements, which require paid airtime. Media also specifically promote the positive role of civil society, both through coverage of activities and events, and through paid airtime. CSO representatives often participate in in-studio shows and debates, discussing a broad range of issues and current affairs alongside political and institutional representatives.

CSOs promote their work extensively, both through traditional and online media. The technological infrastructure available has reduced promotion costs for CSOs significantly, and helped make CSO activities more visible. As of 2018, Kosovo had over 1.1 million active monthly users on Facebook and around 640,000 active Instagram accounts, making these highly efficient and low-cost communication platforms. Aside from regular posts and updates, CSOs also promote their work through live streaming, apps, games, profile picture frames to show support for various causes, and other types of multi-media content.

More established CSOs, primarily those based in the capital, have ongoing relations with journalists specializing in their field of work and are often invited to participate in in-studio debates and shows to share their opinions and discuss various topics. Local CSOs also receive significant coverage in the local media, and sometimes the national media. Some CSO representatives have abused this media space, for example by discussing topics for which they are not particularly competent.

Self-regulation in the sector is weak. Although a code of ethics was drafted through a CIVIKOS initiative several years ago, its implementation remains limited because CSOs lack the necessary governance and accountability mechanisms. The biggest and most established CSOs, particularly those managing re-granting schemes, publish
financial and narrative reports on their websites and are transparent about their spending. Other CSOs seldom, if ever, publish financial information on their websites.
Parliamentary elections were held in Latvia in October 2018. Several new political parties and new associations of parties were formed to compete in the elections that engaged many individuals in the political process for the first time. Some former CSO leaders founded political parties, while other activists joined existing parties. For example, two former leaders of the organization Transparency International Latvia Delna became members of two different newly created parties. CSOs also actively lobbied for their interests during the pre-election period, including by participating in public debates on various issues, such as education and health. They also educated newcomers to the political scene on CSOs’ work and accomplishments. The election results—which newly formed parties won an extensive number of seats—seem to indicate that citizens are tired of “old politics” in which elected officials do not listen to the electorate.

In April 2018, the CIVICUS Monitor downgraded Latvia’s civic space rating from “open” to “narrowed” as a result of declining respect for fundamental freedoms in the country. According to CIVICUS, concerning developments in the first few months of 2018 included restrictive legal amendments, reduced access to government ministries, and curtailed funding to the sector. Although this downgrade created shock in professional civil society circles, it had little impact among politicians or policy makers.

The Republic of Latvia celebrated its 100th anniversary in 2018. CSOs—primarily those working in the field of culture—helped plan, prepare, and implement a variety of celebratory events to mark the occasion.

Overall CSO sustainability did not change significantly in 2018. CSOs’ organizational capacity improved as a result of their stable access to financial support over the past few years. Advocacy strengthened as CSOs have become more professional in their lobbying efforts and have learned how to engage media and the public to improve the reach of their advocacy campaigns. Financial viability, on the other hand, deteriorated as the state budget was not approved in a timely manner, delaying the distribution of public funds, and donations to CSOs decreased after changes to the tax laws in 2017 introduced new regulations for making donations to organizations with public benefit status.

According to the database of Lursoft Ltd, in 2018 there were 22,626 associations and 1,629 foundations registered in Latvia. Approximately 550 organizations were liquidated in 2018, more than in any previous year.
The legal environment governing the CSO sector did not change significantly in 2018. CSOs continue to be governed primarily by the Law on Associations and Foundations. The registration process for associations and foundations continues to be relatively easy and can be completed in a few days. CSOs focused on certain fields can additionally apply to become public benefit organizations under the Public Benefit Law; donors receive tax exemptions for donations to organizations with public benefit status.

In 2017, changes to the tax laws were adopted that affect CSOs; these changes came into effect in 2018. Individual and corporate donors can still receive tax exemptions for donations to public benefit organizations. However, the package of changes to the tax laws freed enterprises of income taxes if they reinvest their profits into the development of their businesses, decreasing their incentives to donate to public benefit organizations. Some CSOs have reported that the level of corporate donations they received decreased by almost 70 percent after the enactment of this new provision.

According to new regulations introduced in 2018 aimed at combating money laundering and corruption, legal entities, including CSOs, must now identify the “real beneficiaries” of their work, or final recipients of their resources, during the registration process, while existing organizations must provide such information to their banks. While CSOs can indicate in their registration documents that it is not possible to identify their real beneficiaries, organizations that have done so have faced complications in their registration process due to the lack of clarity in the process.

The Ministry of Finance proposed amendments to the Public Benefit Law that would restrict professional organizations from receiving public benefit status. According to the law, professional organizations are those that pay salaries, and would therefore encompass a large portion of the sector. This proposal was still under discussion at the end of the year.

CSOs can generally operate freely under the law without harassment by the government and can freely address matters of public debate and express criticism. However, there was at least one case of attempted state harassment of a CSO during the year. Family planning and sexual health association Papardes Zieds engaged in lobbying related to reproductive health during the parliamentary pre-election period. During demonstrations in front of the parliament, protesters peacefully presented fact sheets and posters with information about HIV/AIDS, premature pregnancies, and abortions. After the protest, an open letter signed by various organizations working in the field of health advocacy was submitted to all members of parliament, in addition to the prime minister and other ministers, and distributed in different public information channels. The letter accused members of parliament of “turning against democracy: and asked for the removal of the controversial “morality norm” from the Law on Education, which led the identification of traditional “virtues” to be taught in Latvian schools. After weeks of public discussion on these topics, eleven members of parliament submitted a letter to the parliamentary commission requesting that Papardes Zieds be investigated to see if it was a “foreign agent” engaging in advocacy that could endanger Latvia’s constitution and national security. While parliament voted not to advance this request after long debates, the issue showed the limited knowledge that some parliamentarians have about the role and importance of CSOs. The media actively covered this evolving case.

Some positive legislative amendments were also adopted during the year. For example, changes in the Food Chain Law now allow entrepreneurs to donate food items to organizations that support socially vulnerable people.

In 2018, the State Revenue Service created standardized forms to ease the annual reporting process for CSOs.

During the year, voluntary organizations made many comments and suggestions to improve the Law of Voluntary Work, but no efforts were made to change or implement improvements to the law by the end of the year.
CSOs can engage in economic activity and compete for government contracts. The 2017 Law on Social Enterprises came into force in April 2018. According to the law, social enterprises must be registered as separate entities, are prohibited from paying dividends to their owners, and are required to engage members of their target groups in the management of the enterprise.

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: 3.0

The CSO sector’s organizational capacity improved in 2018 as a result of CSOs’ access to financial support from several relatively sustainable funding sources over the past few years.

CSOs continue to struggle to build constituencies. According to research commissioned by the Ministry of Culture and conducted by Latvijas Fakti in December 2018, only about 10 percent of people in Latvia are engaged in some sort of CSO. Latvijas Fakti data also shows that one out of every four people has participated in a collective clean-up campaign, while only 8 percent of respondents have participated in public hearings and 6 percent have participated in social campaigns. In a new and effective form of citizen engagement, many newly developed communities actively support the development of specific neighborhoods in Riga.

An increasing number of informal groups have been established over the past year. These groups, which do not require official registration, pull together people interested in specific issues such as the environment or feminism. For example, two informal groups of activists expressed opposing opinions on whether Latvia should ratify the Global Compact for Migration. In December, the Latvian Parliament voted to reject the pact.

Many organizations, in particular those receiving state funding to provide social services, have a clear understanding about the need for and use of strategies in their day-to-day work, although only a small proportion of CSOs formally prepare and follow strategies.

In general, CSOs still have limited access to support for capacity-building efforts, equipment, and staff and volunteer trainings. As a result of intensive lobbying by youth organizations, a special commission was created several years ago that awards the status of youth organizations according to concrete criteria; this status gives these organizations the possibility to apply for funding focused on youth work, including funding for organizational capacity building and technical equipment. The annual budget for youth CSOs is about EUR 350,000, which is almost equivalent to the budget of the National NGO Fund. Despite this, some youth organizations continue to face human resource shortages and struggle with succession planning, as there are few people capable of leading organizations.

Most CSOs are run by one or two people wishing to solve concrete issues. According to research funded by the European Union (EU) and conducted by Civic Alliance-Latvia (CAL) in 2017, the civil society sector in Latvia employs around 18,000 people.

More and more CSOs utilize non-traditional work forms, such as remote work arrangements, to overcome staff shortages. Specifics of the work in CSOs, including their reliance on project-based funding, often makes it difficult for them to maintain loyal, well-paid staff.

According to experts from the regions, people want to help solve particular issues, but are not willing to invest in the development of organizations. For this reason, becoming a volunteer is more appealing to many than becoming a member of an organization. According to the Charities Aid Foundation’s 2018 World Giving Index, 9 percent of
respondents in Latvia reported that they participated in voluntary action during the reporting period in 2017, up from 5 percent the previous year.

CSOs are generally well equipped with computers and internet access in their offices. CSOs without their own equipment can easily access computers and internet free of charge in libraries, business incubators, and other places. Latvia has one of the fastest internet speeds in the world, and CSOs in Latvia are very advanced in using social media.

**FINANCIAL VIABILITY: 3.4**

According to research conducted by CAL in 2018, most organizations have three types of income: private and corporate donations; business activity and selling goods and services on the free market, including to municipalities and the state; and project proposals funded by various foreign donors and EU programs. Each of these sources accounts for approximately one-third of the CSO sector’s overall funding.

CSO financial viability deteriorated slightly in 2018. Problems forming a government after the elections resulted in delays in approving the state budget. This had serious implications for the National NGO Fund, the primary grant scheme for CSOs and democracy building in Latvia. The Fund did not issue any calls for proposals in 2018, meaning that many organizations began the new year without funding for capacity-building and other projects. In addition, the Ministry of Culture’s three-year grant program came to an end in 2018. Through the program, the five regional NGO centers provided small grants to citizen activists, as well as support to minority organizations.

As expected, donations decreased after changes to the tax laws in 2017 freed enterprises of income taxes if they reinvest their profits into their businesses. Although concrete data will only be available in 2019, some organizations reported that their donations decreased by 70 percent. For example, the organization Iespējamā misija (Teach for All) noted that it was at risk of shutting down, as its main income came from a single corporate donor.

Charitable foundations faced a crisis in 2018 after ABLV, a private bank, froze the accounts of one of its charitable foundations due to allegations of money laundering. Some other charitable organizations that had bank accounts in this bank also were affected, and their funds were frozen for an unknown time.

A consortium of six CSOs, led by CAL, was selected to administer the new Active Citizens Fund in the framework of the European Economic Area (EEA) and Norway Grants. Over the next five years, EUR 8.5 million will be distributed through this fund in Latvia; however, this is EUR 1.5 million less than initially agreed. Funds are expected to begin being distributed in 2019.

CSOs have some access to funding through European Structural Funds. Some of the EU funding opportunities available to CSOs in 2018 included Erasmus+, European Voluntary Service, and some environmental programs.

The Ministry of Foreign Affairs manages a grant scheme for organizations working in the field of development cooperation. In recent years, this program eased the work of CSOs in applying, implementing, and evaluating their projects in the field of development cooperation. Other ministries also provide open calls for proposals in their area of work.

Municipal approaches to supporting civil society vary widely. Some municipalities no longer organize local tenders or calls for proposals for local CSOs, arguing that supporting civil society “is not the role” of the municipality. Other municipalities continue to arrange calls for proposals. Some municipalities, such as Limbaži in the north of Latvia, also support churches. The association of municipalities arranges call for proposals under a program called Community with Soul, which gives small communities the opportunity to receive support for their activities.
According to research conducted by Latvijas Fakti in 2018, 22 percent of individuals in Latvia have made a donation to a CSO in the last two years. Donations are largely focused on welfare (60 percent) and health (36 percent), with smaller numbers of donations supporting citizen participation and democracy (13 percent), culture (7 percent), and sports (5 percent).

CSOs run fundraising campaigns that collect vast amounts of funding for children in need and other sensitive issues such as adoption of children. Some CSOs raise some funds by organizing concerts. CSOs working with children with disabilities organize fundraising campaigns in which people make donations by making phone calls. Latvian Samaritan association organizes an annual campaign to collect food for the elderly and other people in need. There are a vast number of collection boxes in shops around Latvia. The widely-known petition portal ManaBalss.lv partly covers its operational costs through micro-donations from individuals that generally range from EUR 0.5 to 5.

Some community foundations have developed innovative ways to raise funds for local activities. For example, the Community Fund in Valmiera has created a special card called KOPĀ (TOGETHER). Cardholders receive discounts in local shops, while the shop owners donate a portion of the money the customers spend to the Community Fund. It is still too early to evaluate the effectiveness of this card.

The Law on Social Enterprises came into effect in April 2018. By the end of the year, there were thirty-six social enterprises in the register of social enterprises. Many CSOs submitted proposals in response to the first call for social entrepreneurship proposals from the European Structural Funds in 2018, and fourteen received support. For example, the organization Ascendum received a grant to support the creation of audio-showers—booths where people can listen to audio-books—and to organize various educational programs.

According to tax laws, a business still has to pay value-added tax (VAT) when it donates its services. This makes businesses reluctant to offer pro bono professional services to CSOs.

CSOs generally have financial management systems in place. In addition, the State Revenue Service provides some support to CSOs.

**ADVOCACY: 1.8**

CSO advocacy improved in 2018. CSOs and their staff have become more professional in their lobbying efforts. In addition, CSOs have learned how to engage media and the public to improve the reach of their advocacy campaigns. In particular, CSOs now use social media effectively to create pressure on policy makers.

CSOs have relatively easy access to politicians and civil servants who are responsible for various public policy issues. However, the quality of the dialogue between state and CSOs generally depends on the individuals involved. In addition, CSOs often lack the financial resources needed to engage experts in their advocacy initiatives.

There was an active debate on the Law on Referendum in 2018. The law, which had been pending in parliament since 1997, would allow citizens to organize referendums at the municipal level. CSOs supported the measure, but the law ultimately failed to pass as some stakeholders were afraid that referendums, particularly in larger cities, might be dominated by the Russian minority.

CSOs have institutionalized tools of communication with policy makers. There are over 170 different consultative bodies that engage CSOs. In addition, 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 matters are discussed. In 2017, the Council of the MoU adopted a document outlining standard rules for engaging CSO representatives in the consultation bodies of different branch ministries; these rules began to be implemented in 2018. Working groups
were created to discuss various issues important to CSOs, including financial and legal issues. The Council of the MoU also reached consensus with the ministries that CSOs can receive financial support in order to participate in the policy-making process.

Public consultations are limited and often very formal. According to data from the Latvijas Fakti research, 41.3 percent of people think that state institutions do not respect their opinions. Civil servants state that social media is the most effective tool to provide information to citizens.

Parliament passed the Whistleblower Protection Law in October 2018. The law, which Transparency International Latvia Delna had lobbied in favor of for nearly a decade, will provide protections to people who report information in the public interest. Whistleblowers will be granted anonymity and provided free legal support, and will also be protected from possible repercussions at their jobs. The law will come into effect in May 2019. Transparency International Latvia Delna also continued to organize meetings with politicians to explain the benefits of transparent management of public funding.

The web portal ManaBalss (My Voice) continues to be an effective advocacy tool. ManaBalss is recognized as a global open government success story and has been mentioned by former US President Obama and featured in the New York Times and The Guardian, in addition to being noted as a success story by the OECD, United Nations (UN), and others. The portal engages citizens in the policy process by allowing them to submit and sign legislative and policy initiatives at the national and municipal levels. Once an initiative gathers 10,000 verified signatures, it is submitted to the parliament for a hearing. Twenty-six of the thirty-eight initiatives that have reached policy makers since 2010 have been approved, a success rate of over 68 percent. Since 2011, ManaBalss has had more than 239,000 unique visitors and more than 1.13 million votes—a considerable number for a country of less than 2 million inhabitants.

In 2018, ManaBalss reviewed 153 public initiative proposals, sixty-three of which were published. During the year, seven initiatives led to legislative changes, including a change in the country’s constitution that calls for the parliament to vote for the president through an open ballot. An additional six initiatives were submitted to parliament for consideration. In addition, CAL, the Ministry of Foreign Affairs, and Lemejs.lv (Decider)—a new online platform that enables young people to engage in digital democracy—initiated a national dialogue on ManaBalss in 2018. During twenty-three events organized in the regions and online, 1,500 citizens participated in consultations about the future of Europe.

There is a very strong and well-developed network of organizations of Latvian citizens living abroad. Thanks to their lobbying efforts, a Diaspora Law was adopted in 2018 that provides the diaspora with opportunities to freely maintain, create, and expand its ties with Latvia and provide other types of support for Latvian citizens living in other countries.

CSOs advocated actively against changes to the tax laws adopted in 2017 that affected donations to public benefit organizations. CSO representatives tried to convince the Ministry of Finance that these changes would lead to dramatic decreases in corporate donations, but these concerns were initially ignored. Politicians only began to express their opposition to the reform after it started to be implemented and many organizations informed the ministry that they will close their operations due to the lack of donations.

**SERVICE PROVISION: 2.4**

CSO service provision did not change significantly in 2018. According to data provided by the Ministry of Social Welfare, CSOs provide about 30 percent of social services in Latvia. This includes work with people with mental disorders, child protection, domestic violence prevention, elderly care, and other fields. CSOs also provide specialized services, such as disease prevention and rehabilitation of cancer patients. In addition, CSOs implement programs providing support to refugees, including psychological assistance as well as support finding housing and jobs, and mentoring to ease their integration. In 2018, CAL provided civic education as part of a pilot for a national program organized by the Ministry of Defense and Cadet Force.

CSOs collect information about the needs of their clients in order to design responsive services. For example, Latvian Samaritan association is creating a robot that can cut grass, cut wood, and do other specific functions to support elderly people in remote areas.
CSOs primarily provide services for free or for lower prices than on the open market, as they have other income that they can use to subsidize the cost of services. In addition, some CSOs charge for their services. Latvian Samaritan association, for example, provides elderly care and home care in remote areas; while some of these services are subsidized by the state or municipality, relatives of the elderly pay for some of these services. Some foundations provide extensive support in the field of health. For example, in 2018 Children’s Hospital Fund provided approximately EUR 100,000 to support the development of the hospital’s infrastructure for children with autism and their parents. With this support, parents can now receive professional consultations, as well as other tools to support people living with this disorder.

In 2018, the foundation High Technology Park in Ventspils and Society Integration Fund created a new movement called In Difference there is Power. This movement invites employers from any field—CSOs, state institutions, and enterprises—to conduct self-evaluations about their openness to diversity in their work environments and their engagement of different employees, including young mothers, people with health problems, people from different social and ethnic backgrounds, and people with different sexual orientations. The movement then provides expertise to employers to diversify their workforces, in addition to providing awards to the best and most open employers. By joining the movement, employers also sign a special charter committing them to ensure openness to different groups of people while running their daily business.

The government recognizes the value that CSOs add in the provision and monitoring of basic social services. For example, CSOs have strong cooperation with the State Employment Agency in providing subsidized workplaces for the long-term unemployed.

**SECTORAL INFRASTRUCTURE: 2.1**

The infrastructure supporting the CSO sector in Latvia did not change significantly in 2018.

The five Regional NGO Support Centers continue to meet the basic needs of CSOs and active citizens. For example, they provide small grants to local CSOs, organize local events for CSOs focused on capacity building, consultation, and partnership building, and provide advice on how to establish organizations. During 2018, the Regional NGO Support Centers organized citizen forums in all regions, with a focus on addressing priorities in the respective region. These centers rely on funding from a variety of sources, including municipal support, grants, and some business activity.

NGO Support Centers also support the Ministry of Culture in coordinating the participation of minority organizations in the national forum of minority organizations. This year’s forum addressed the role of minority organizations in promoting cultural heritage, engaging in civic participation, youth engagement, and media literacy. Representatives of minority organizations presented the results of the forum to the president.

CAL regularly issues electronic newsletters to CSOs and other activists and interested parties, such as civil servants. Throughout 2018, CAL prepared ten legal analyses for CSO professionals, and provided information about the available calls for proposals for CSOs. CAL has also provided more than 200 private consultations to
CSOs and activists about different issues relevant to civil society. CAL also maintains an electronic toolbox for CSO staff called e-advices; in 2018, CAL distributed 104 e-advices.

A small network of community foundations continues to operate in some municipalities. Corporate grant making is mostly focused on disabled children, social issues, and sports.

Several platforms in Latvia provide sustained and influential work in concrete thematic fields and strengthen the capacity of organizations working in these fields. For example, the Latvian Platform for Development Cooperation (LAPAS) focuses on the implementation of the UN’s sustainable development goals.

Training is available throughout the country but is concentrated in Riga. For example, the NGO House in Riga provides support to CSOs in the capital city. CSOs invest in the education of their members and staff by inviting professionals from other fields to give lectures. However, the available training does not address all of CSOs’ needs. For example, there is no training specifically for CSOs in the field of ICT. Training is mainly provided in the scope of different projects.

CAL continues to build bridges between CSOs and the business sector by fostering the will of the business sector to support CSOs with their services. Some law firms support CSOs with expertise in such fields as data protection, financial analysis, and legal analysis.

Despite CSOs’ efforts, politicians still seem to be reluctant to cooperate closely with CSOs. Several CSOs invited Prime Minister Māris Kučinskis to deliver speeches at events, and while he did this, he failed to stay for the ensuing discussions.

**PUBLIC IMAGE: 2.9**

Although more people seem to be aware of the work of CSOs, the sector’s public image is still constantly threatened by negative rhetoric from politicians and some high-level civil servants. For example, Transparency International Latvia Delna was called incompetent for monitoring a project to update the tram line in Riga.

Media representatives continue to lack a clear understanding of the role and purpose of civil society and pay little attention to CSOs as a sector. In 2018, however, media highlighted several issues relating to civil society, particularly those related to the financial reforms that affected public benefit organizations, with some public persons highlighting the extreme decrease of donations to public benefit organizations after the tax reform. On the other hand, other important issues, such as public benefit organizations’ work in the fields of health, culture, and democracy building, received little attention. During 2018, there were also discussions in the media about the fact that many civil society leaders ran in the parliamentary elections. The nature of such discussions varied.

In 2018, research organizations, investigative journalists, academics, public diplomacy experts, and international and domestic security experts organized discussions about the growing prevalence of fake news in Latvia. Some debates explored the sources of fake news—some of which targeted CSOs—while others focused on the impact and consequences of fake news.

CSOs generally have professional relationships with media. CSOs regularly issue press releases. Media cover CSO stories that deal with issues that are important to society, but CSOs have to pay for coverage of issues that media does not consider compelling enough. CSOs strive to create projects in cooperation with private media companies in order to reach larger audiences. In 2018, ManaBalss.lv initiated a policy-focused TV series in partnership with Rīga TV 24, a private broadcaster. This series is sponsored by the Society Integration Fund. Each episode focuses on a public policy initiative on ManaBalss.lv – including those still in the voting process and those submitted to the
parliament. This series will be continued in 2019. CSOs actively use social media to communicate with politicians, state institutions, the public, and other CSOs.

According to the research conducted by Latvijas Fakti in 2018, 53 percent of Latvians find the role of associations and foundations in society to be very important, most notably in the development of the country and the stability of democracy. The most positive attitudes are expressed by people under the age of forty-five with higher education that live in the capital city. More than half of respondents (56 percent) think that the state should be more supportive of CSOs. Citizens have a lower public opinion of political parties and state institutions than CSOs. Despite this, the engagement of citizens in CSO activities remains low, as described above.

The government’s perception of CSOs is largely neutral. Many government officials remain largely ignorant about the role of civil society. The business sector understands the meaning of corporate social responsibility (CSR) and a growing number of corporations are working with CSOs to organize activities for the public good. For example, for the past eight years, Silja Ltd, an agricultural enterprise, has provided stipends to talented young people to cover the costs of their studies. Many business organizations provide support to public benefit organizations, although this has decreased since the tax system was reformed.

There is an official journal that contains all the official information about legal acts and other important issues available at www.lvportals.lv. This journal also has a chapter on citizen participation.

There were no new developments in the field of self-regulation in 2018. Organizations continued to discuss the code of ethics for CSOs that the Council of the MOU started developing in 2017, and there is a possibility that it will be adopted in 2019. CSOs generally publish annual reports. In addition, information about public benefit organizations is readily available online.
In 2018, Lithuania celebrated the 100th anniversary of its declaration as an independent state. The country welcomed its centennial with excitement and patriotic unity, with opinion polls showing that over 83 percent of Lithuania’s population were proud of the country’s achievements. According to a study of the emotional climate in the country conducted by the Human Study Center, 70 percent of Lithuanian respondents considered themselves to be happy, the highest level since 2010. Approximately 64 percent of Lithuania’s population felt that their contribution was recognized by society, and one-third believed in their personal power to influence public life.

CSO sustainability improved in 2018, with improvements in the organizational capacity, advocacy, service provision, and public image dimensions. Organizational capacity improved as CSOs built strong constituencies and mobilized large numbers of supporters for various causes. However, staffing continued to be an issue with most organizations struggling to maintain paid staff, instead only hiring workers for the duration of funded projects. Advocacy strengthened, with NGO Councils and the National NGO Coalition systematically representing the sector. The national government reaffirmed its commitment to outsourcing a significant portion of public services to CSOs, furthering advancements in CSO service provision. Survey results show that public trust in the sector has increased significantly. Despite the country’s stable economic growth, the sector’s financial viability remains precarious.

According to the latest data from the Lithuanian Department of Statistics, there were 1,623 registered charity foundations, 18,946 associations, and 10,548 private nonprofit entities (Viešoji įstaiga) in Lithuania as of July 2017. Approximately 19,440 organizations have public benefit status, 3,000 to 4,000 of which are government institutions, including schools, hospitals, and museums. Based on reporting to the government and 2 percent individual income tax allocations, approximately half of registered organizations were active in 2018.
The legal environment governing the CSO sector did not change significantly in 2018. Lithuanian CSOs continue to operate under the Laws on Associations, Charitable Foundations, and Private Nonprofit Entities. This legislation is well-established and generally ensures the free operation of CSOs.

CSOs register with the Center of Registers. The process is quick and easy and can be completed on-line by just one person. Foreign citizens who wish to register a CSO in Lithuania must undergo a more onerous process that requires additional documents, including a notarized power of attorney that can only be issued to somebody physically present in the country.

CSOs are required to report all changes in their governance structures, such as changes in board members, and to then re-register their founding documents with the Center of Registers. The Center charges approximately EUR 3 for each new inscription and approximately EUR 27 for re-registration, which CSOs consider burdensome.

Reporting requirements for CSOs have gradually become stricter. Amendments adopted to the Law on Tax Administration in 2018 will oblige all CSOs to submit additional information on their sources of funding, staff and volunteers, cash flow, and accountant or accounting company. The law also imposes stricter penalties for noncompliance, including fines and the possibility of having an organization’s public benefit status revoked. These new requirements may be difficult for CSOs—particularly small organizations—to meet, especially at first. However, the government has become more proactive about informing and warning CSOs about reports that are due and the possible consequences for failing to submit them. On the positive side, new accounting rules adopted in 2018 led to the introduction of a simplified annual report form for very small CSOs with no employees and a bi-annual turnover below EUR 30,000.

The basic laws governing the sector grant CSOs the right to self-governance and allow them to pursue their missions without unjustified interference by the government. However, several excessive restrictions remain in force. For example, charitable foundations continue to be prohibited from engaging in political advertising. The term “political advertising” is defined broadly and there are fears that it could be applied to, for example, an environmental CSO calling for a negative vote in a referendum on building a power plant or a CSO established by Lithuanian emigres voicing an opinion related to a referendum on dual citizenship. In addition, the State Data Protection Inspectorate still considers CSOs’ electronic solicitations, such as invitations to events, to be unsolicited direct marketing. As a result, CSOs must receive prior consent from recipients before they can send such messages.

Individuals can assign 2 percent of their income tax obligations to CSOs but do not receive any tax benefits for donating to CSOs. Businesses can deduct twice the amount of their charitable donations from their profits when calculating income tax.

CSOs are able to earn income from the provision of goods and services, but their tax situation will worsen as profit tax relief will gradually be abolished beginning in 2019. As of 2020, CSOs will pay the same profit tax rates as businesses—5 percent for small CSOs on all goods and services sold and 15 percent for large CSOs. In addition, the period during which CSOs may save profits before they must use them in the pursuit of public interests will be reduced from five years to two years. The reduced time for pooling funds will affect the long-term planning capacity of CSOs, as well as their investment in infrastructure.

Development of the Law on Social Business continued to be stalled in 2018 due to a lack of consensus on the definition of social business. A European Commission directive states that CSOs should be treated like small and medium enterprises (SMEs) in terms of their access to business resources. However, Lithuania’s SME Business Law
excludes CSOs and social businesses registered under the Law on Private Nonprofit Entities from investment and business guarantees that are available to SMEs in the country.

In 2017, the government adopted regulatory measures that require CSOs to list the names and amounts given by all donors, including individuals, regardless of donation size or organizational capacity. The government softened this obligation in 2018 and now no longer requires CSOs to list donors who have made very small contributions (for example EUR 3 to 5). However, all CSOs, including those without dedicated websites, are required to list their donors in their annual reports and online. This requirement hinders CSOs’ efforts to access private funds, as donors may decide not to support sensitive causes because they fear public exposure.

Most CSOs are unable to pay for legal services. The lack of lawyers specializing in CSO law is particularly a problem when CSOs need to defend themselves in court. CSOs typically try to resolve their legal issues without professional help, which often complicates their situation.

**ORGANIZATIONAL CAPACITY: 2.6**

CSO organizational capacity improved slightly in 2018, fueled by a breakthrough in CSO constituency building. CSOs effectively used social media to target potential constituents, enabling them to mobilize large numbers of supporters for various causes. For example, a children’s rights movement aimed at protecting children from corporal punishment and other forms of violence, which started in 2017, accelerated and grew massively in 2018. In addition, CSOs launched other new initiatives, such as the civic environmental movement Live Forest, which engaged thousands of individuals and communities. CSOs were also engaged in many public debates during the year, including those surrounding the information war with Russia, plans to build a new cogeneration plant, and the strike of education workers and protest marches of culture workers. CSOs represented various social groups in these debates and were often involved on both sides of these arguments.

Most CSOs have a clear thematic focus and a clearly defined range of activities. Those without these guiding principles struggle to survive. CSO strategic planning is not always effective due to financial uncertainty and a lack of innovation in organizational management and service provision.

All CSOs must have a supreme governing body and a management body. In small private nonprofit entities, the single shareholder of the organization also often serves as its one-person management body. Heads of CSOs are required to declare conflicts of interests based on the Law on the Adjustment of Private and Public Interests in the Civil Service, which was passed in 2017. CSO lawyers, however, argue that CSO leaders are not civil servants and that the requirement is therefore excessive and yet another attempt by the state to encroach on the independence of the sector.

The gap between large, professionally-managed CSOs and the rest of the CSO community continued to widen in 2018. Big CSOs and umbrella organizations used institutional support grants received in 2017 to improve their management, transparency, and accountability. In contrast, the majority of smaller CSOs continue to lack clearly defined internal management structures and written policies and procedures. Small CSOs in the regions continue to struggle to adhere to the complex rules for implementing European Union (EU)-funded projects and to recruit motivated people willing to take responsibility for CSO governance.

According to employment statistics from 2017, private nonprofit entities, which includes CSOs and other nonprofits in the public sector, had about 111,300 people on their payrolls; associations employed 6,400 people; and charitable foundations 800 workers. Collectively, this is about half the number of civil servants and employees of organizations funded from the state budget (270,000 people) in Lithuania. Data from previous years is not available. The number of employees in individual CSOs fluctuates significantly, as personnel are often recruited for
The duration of funded projects and then dismissed when projects end. This inability to retain professional staff on a long-term basis means that CSOs often struggle to maintain their services and the quality of their work. Even when project funding is available, CSOs—especially those based in the regions—struggle to find competent people willing to take on administrative responsibilities. Some CSOs therefore outsource project administration to commercial service providers. While this enables them to focus on their core activities, it prevents them from building their own organizational and financial capacities. As a result of amendments to the Labor Code passed in 2017, the cost of part-time staff increased in 2018, pushing CSOs to recruit freelancers rather than adding people to the payroll.

CSOs are legally required to have written accounting and personnel policies. Many CSOs, however, are not aware of the requirement, while those that are usually just copy standard policy documents available online. Most organizations are too small for it to make sense to develop personnel policies, but larger organizations like the Food Bank invest their resources into establishing sound management policies in order to increase their efficiency.

Outside of Lithuania’s biggest cities, CSOs mostly rely on volunteers—generally retired people or students—as their main human resources. Volunteer contributions have become a requirement for government funding. Animal welfare organizations and organizations such as the Food Bank are the most successful at recruiting volunteers. There are no national statistics on volunteering, but according to the Charities Aid Foundation’s 2018 World Giving Index, 18 percent of Lithuania’s residents claimed they volunteered in 2017, compared to 10 percent in 2016.

CSOs have good access to information and communications technologies (ICT) and there is good internet coverage throughout the country. CSOs’ equipment, however, is often outdated and donors seldom agree to invest in its renewal. Members often use personal laptops and other devices for the CSOs’ work. Technological savviness—often related to age, rather than access to technologies and resources—is the main limitation to the effective use of ICTs within the CSO sector.

**FINANCIAL VIABILITY: 3.3**

CSO financial viability did not change significantly in 2018. CSOs typically have one main source of funding, often a governmental agency. With the exception of the Youth Department program for youth umbrella organizations, CSO funding is not offered for periods of longer than one year.

Funds through the European Social Fund (ESF) totaling EUR 1.1 billion for the period of 2014-2020 became available in 2018. The funds are managed by the Ministry of Social Security and Labor, which invited CSOs to submit project proposals in the areas of care for the elderly, people with disabilities, family welfare and children’s rights, and umbrella CSOs. As ESF funds were restricted to a few areas, they were only available to a limited number of CSOs. Furthermore, most opportunities involved strict funding requirements and implementation rules. For example, many programs, including the funding facility for city VVGs (local action groups composed of local government, business, and CSO representatives) managed by the Ministry of Interior, imposed standard obligations like co-funding of 20 percent, up-front investments in project activities, and a requirement to sustain project results for years after project completion that are difficult for CSOs to meet.

The main source of government funding for CSOs is the budget line for social benefits. The level of government funding for CSOs is irregular and dependent upon factors such as the growth of wages in the country (to which social benefits are tied), tax collection, and budget savings. However, CSOs’ access to government funding seems to be narrowing. Most government funding goes straight to organizations that are directly funded through the national and municipal budgets, thereby bypassing CSOs. In addition, the government’s policies are increasingly focused on funding social services rather than direct material support to disadvantaged populations. For example,
under the European Fund for the Most Deprived Persons (EPLSAF), which started in 2013 and will run through 2020, support is shifting from material aid towards social inclusion measures, leaving less space for the involvement of charities in their traditional roles.

Business support to CSOs increased slightly in 2018. Children’s daycare centers continued to be the main recipients of business support. Only a few organizations such as the Free Market Institute and several business associations are exclusively financed by businesses.

CSOs working in socially sensitive areas like child protection, suicide prevention, disability, and animal welfare continue to see increases in private and business donations, 2 percent income tax allocations, and volunteering, as public funding opportunities disappear. For example, the percentage of individual support in the overall income of the Order of Malta grew from 32 percent in 2016 to 42 percent in 2017, while the percentage of the Food Bank’s income that came from business support grew from 14 percent in 2016 to 40 percent in 2017. According to the 2018 World Giving Index, the percentage of respondents that reported that they made donations grew from 10 percent in 2016 to 19 percent in 2017.

Big charities reached new records in their traditional fundraising campaigns. The Food Bank’s annual charity concert raised EUR 161,000 in 2018, compared to EUR 146,000 in 2017. The annual Maltese soup campaign by the Order of Malta raised EUR 260,000 in 2018, compared to EUR 220,000 in 2017. Public involvement in this charity campaign was massive, with 200,000 people—roughly 7 percent of Lithuania’s population—making donations. However, less funds were raised through the online fundraising platform Aukok.lt in 2018 than in the previous year—EUR 313,000 and EUR 378,000 respectively—possibly because the platform was not promoted as actively during the year.

Individual 2 percent tax allocations show a pattern of minor but steady growth from EUR 16.8 million in 2016, to EUR 17 million in 2017, and EUR 17.4 million in 2018. Roughly 40 percent of Lithuania’s workforce—531,000 people—exercised their right to support CSOs through tax allocations.

Funding from foreign sources was insignificant in 2018. The re-opened Open Society Fund—now called Open Lithuania Foundation—carried out its own program of research and events, but did not provide financial support to CSOs. The only foreign fund dedicated to Lithuanian CSOs is the European Economic Area (EEA) and Norway Grants Active Citizens Fund 2014-2021, the new cycle of which will start in November 2019.

CSOs have a limited ability to sell services. Despite this, and the fact that the legislation regulating social business is stalled, various social business initiatives did emerge in 2018. For example, the Food Bank opened its own food processing business, and local community organizations launched various initiatives to sell goods and services.

The government has declared its commitment to outsource public services to CSOs, but the process has been slow to date. Kaunas city municipality is pioneering the process, while other local authorities prefer to wait and observe, slowly opening procurements to CSOs for a limited range of social services such as childcare, services to the disabled, and animal shelters.

Very few CSOs can afford to employ financial managers or fundraising and marketing specialists. Most small CSOs do not have sound financial management systems, although an increasing number hire accounting firms to manage their accounting and reporting to the government. Audits remain unaffordable to most CSOs and only the biggest CSOs undergo annual independent financial audits. Some CSOs invest in program audits in order to gain an advantage when competing for funds.

ADVOCACY: 1.8

CSO advocacy improved slightly in 2018, as CSOs advocated vigorously and used various means to reach legislators and policy makers on both national and local levels. For example, the National NGO Coalition held meetings with the Civil Society Development Group at the Seimas (the Parliament of Lithuania) to advocate for legislative reforms beneficial to CSOs. The Forum of the Disabled secured the support of a group of members of the Seimas to address social enterprise regulation reform, and after several years of lobbying the National NGO Coalition secured the support of the main opposition party for a National NGO Fund. Although these efforts may not have resulted in legislative changes in 2018, the mere fact that such discussions are being held is a notable achievement.
CSOs’ access to government decision-making processes significantly improved in 2018. NGO councils now function at the national government level and in all sixty of Lithuania’s municipalities. The National NGO Council, which has operated since 2014, experienced some internal disputes among its twenty new members during the year. Despite this, the Council was very active and undertook several legislative initiatives, organized hearings at the Seimas, and worked on numerous initiatives in the areas of transparency, publicity, and accountability. Municipal NGO councils have slowly gained the confidence and skills needed to promote the interests of the third sector. However, there is still a shortage of active people on the local level with a broad vision of CSO advocacy.

Umbrella organizations strengthened their monitoring role and their presence in various councils and working groups formed by the government. For example, in 2018 CSOs used the Open Government Partnership facility to discuss important topics, such as public procurement, with the government and the public.

Despite these positive trends, the favorable legislative base, and the existence of avenues for collaboration, civil servants and policy makers often ignore the opinions of CSOs, thus creating conflicts between citizens and the government. CSOs respond by organizing demonstrations and strikes. In 2018, for example, several associations and professional unions of medical workers and pedagogues organized joint strikes against low wages and disruptive reforms. Furthermore, when the government ignores the opinions of CSOs, it often later realizes the need to readjust legal acts and programs. Advocacy is also hampered by CSOs’ limited capacity to engage in partnerships with the government. For example, reform proposals submitted to the government are frequently signed by “informal working groups,” as CSOs do not have employees to officially represent them in dealings with policy makers.

The Ministry of Social Security and Labor, which is responsible for civil society development, is undergoing a reform. CSOs have expressed concerns that the reform is ill-considered and will destroy an already established system of cooperation that works relatively well in areas like child welfare.

CSO advocacy addressed many areas of public life in 2018. CSOs led and supported many campaigns, such as a march for rights of people with disabilities, civic action to impeach a member of the Seimas accused of sexual harassment, health workers’ and patients’ demands for health care, and environmental actions against deforestation. Several massive rallies and campaigns were organized to promote the protection of children’s rights, and over 100 CSOs sent an open letter to the Seimas opposing amendments to the Law on Fundamentals of the Protection of the Rights of the Child, which would leave minor physical punishment at the discretion of parents.

Human and civil rights advocacy was especially strong in 2018. Human rights activists celebrated the seventieth anniversary of the signing of the Universal Declaration of Human Rights by organizing the National Forum on Human Rights. Association Lyderė was a driving force behind the Green Light initiative, in which traffic lights on a main street in Vilnius were changed to display a female silhouette in order to celebrate one hundred years of women’s voting rights in Lithuania. The social media campaign #lįsdrįsau (I dared), launched by the Center of Equality Advancement, supports women victims of violence. The Human Rights Monitoring Institute mobilized fourteen organizations to convey a joint position to the Seimas and the Ministries of Health and Justice on health care services for transgender persons. CSOs working with the disabled won a case in the Supreme Court obliging the government to ensure wheelchair access to polling stations. Children’s CSOs influenced amendments to the legislation on children’s rights adopted in 2018, and the National Network of Poverty Reduction Organizations initiated a reform of the bailiff system in order to help those who have fallen into the trap of predatory lenders.

CSOs successfully opposed an attempt to change a lobbying regulation in 2018, ensuring that the laws treat them as advocates for the public good, rather than paid lobbyists, which would require them to officially register and meet numerous obligations in order to promote legislative reforms.

CSOs are not always united in their positions on social issues. For example, there was heated discussion and disagreement among CSOs about child protection and family welfare reforms in 2018. Some CSOs spread anti-

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democratic propaganda, voicing opinions against inclusion of immigrants, people of color, and national minorities. In addition, the non-partisan nature of some organizations was challenged during the year. Most notably, the independence of the Free Society Institute was questioned due to its zealous support of the ruling political force.

Local CSOs still tend to isolate themselves from national CSO law reform efforts. To address this, the NGO Information and Support Center (NISC) engages in efforts to boost local NGO councils’ engagement with the sector’s national agenda.

**SERVICE PROVISION: 3.2**

CSO service provision improved slightly in 2018, as the range of CSO services widened, and steps were taken to prepare the transfer of public service provision to CSOs.

Most services provided by CSOs continue to be in the social sphere. For example, CSOs continue to be leaders in the area of children’s daycare. With modest funding from the Ministry of Social Security and Labor, CSOs run 263 daycare centers nationwide, and are increasingly successful in mobilizing additional support and providing quality services valued by local communities.

CSOs increasingly venture into new industries, including social businesses. For example, Brožiai Kitchen is a successful catering business in a village of about 100 inhabitants in Klaipėda region. It has had a noticeable impact on the community by employing women living in social housing, thereby reducing the number of families at risk. The government agency Enterprise Lithuania listed sixty-five social businesses in mid-2018. However, this number is likely not accurate as many CSOs like Brožiai Kitchen do not publicize their work and may not consider themselves social business.

The government has realized the need to reform and outsource its public services. However, CSOs still receive a minor share of the funding for public services. According to statistics provided by NISC, only 5.19 percent of municipal funding for public services in 2017 was allocated to CSOs. NISC estimates that CSOs could fully cover the area of sports services and provide up to 30 percent of education services and 70 percent of cultural and social services. Based on this analysis, NISC believes that the government’s commitment to outsource 15 percent of public services by 2020 is low and recommended that new legislation should target at least 50 percent public service transfer to CSOs, communities, and private businesses by 2030. There was no official government response to this proposal in 2018.

In the meantime, public services are still often awarded to budgetary institutions. According to an audit performed by the National Audit Office in 2018, over 4,000 organizations funded directly through state and municipal budgets provide public services throughout the country. The audit also pointed out that municipalities do not evaluate the quality of their public services, and that the quality of services was consistently low.

The establishment of a Public Service Transfer Group at the Ministry of the Economy in 2018 confirmed the national government’s commitment to public service reform. The Group is developing a toolkit to help local authorities smoothly manage the transfer of services and organizing meetings with local authorities and potential service providers to facilitate the process of reform. In 2018, the Ministry of Social Security and Labor allocated EUR 2 million to boost community involvement in public service delivery which was proportionally distributed between Lithuania’s municipalities.

Local governments have shown varying levels of commitment to transferring service provision to CSOs, based on factors such as their ability to think strategically, loyalty to current service providers, and confidence in CSOs as service providers. NISC data for 2017 shows that twenty-seven municipalities did not allocate any of their budgets for social services to CSOs, while the municipality of Kazlių Rūda allocated 100 percent, Biržai allocated 57 percent, and Lazdijai 50 percent. In 2018, Kaunas city municipality emerged as a leader in the transfer of public services to CSOs. Kaunas increasingly makes funds available to CSOs on a competitive basis and takes measures to
strengthen CSOs’ capacities to provide social services. For example, the municipality procured a special vehicle to transfer people with mobility issues and offered to donate it to a CSO, which will provide the service.

In many cases, CSOs have the capacity to deliver quality services, but need to lobby and advocate to local governments for the opportunity to serve. The role of local NGO councils as advocates for the sector is crucial if CSOs are to become competent partners in public service provision.

The government determines service specifications that providers cannot modify. This puts CSOs in danger of being mere contractors, limited by excessive rules and requirements, instead of being encouraged to serve their clients in an innovative way. As a result, CSO services are generally unsophisticated, and lack in variety and innovation.

CSOs mostly serve communities that are unable to pay. CSOs rarely recover their costs when providing services. Driven by commitment to their causes, they tend to provide services at a loss. CSOs do, however, sell some services. For example, professional CSOs sell their expertise to the government. Membership organizations mostly engage in advocacy and do not offer paid services to their members.

CSOs that work countrywide in thematic areas use surveys and electronic tools such as interactive maps to determine the need for their services. Most organizations cannot afford professional market research or paid marketing of their products. Occasionally, several CSOs pool their resources to present their offerings in big events such as the famous Kaziukas craft fair in Vilnius.

The government expresses its appreciation for CSO service provision on all levels. The President’s Annual Address for 2018 praised CSO services, as did politicians, mayors, and other representatives of various institutions on national and local levels. However, this support does not always translate into practical measures that benefit CSOs.

**SECTORAL INFRASTRUCTURE:** 2.9

The infrastructure supporting the CSO sector did not change significantly in 2018. Very few dedicated CSO resource centers operate in Lithuania. NISC, established in 1995, is the only resource center active on the national level. It hosts the National NGO Coalition, an informal umbrella organization that represents Lithuania’s CSOs in relations with the government. In 2018, NISC represented the sector at forums, conferences, and other events; consulted with and provided training to CSOs as well as municipal authorities; and actively promoted the public image of the CSO sector. Less than 2 percent of NISC’s total annual revenue comes from selling training and consultancy.

Two regional resource centers—the Alytus NGO Information Center and the Šiauliai NGO Confederation, which has sixty-five associated members—were active in 2018. These organizations provided website, fundraising, and project support to CSOs. CSO resource centers mainly rely on grants for their funding. Community centers and public libraries continue to provide access to technology and working space with public funding. The NGO Beehive in Vilnius, a dedicated CSO co-working space, went beyond technical support and served as an information exchange hub and promoter of CSOs’ social businesses. Co-working spaces collect fees from their users and use other funds to enable additional free services for members. Municipal NGO councils, which represent CSOs with local authorities, also undertook some CSO support activities, such as organizing CSO forums and fairs.

Local grantmaking was practically non-existent in 2018, although some small private business funds supported local social initiatives aimed at children, people with disabilities, and terminally ill people. Community foundations were not active during the year.
In the last months of 2017, there was an abundance of training available as umbrella organizations had to spend government funding earmarked for this purpose by the end of the year. No new funding was allocated for this purpose in 2018, so there were few training opportunities for CSOs during the year. Small CSOs, which constitute the majority of the sector in Lithuania, would benefit from specialized technical support, especially in the areas of financial management, accounting, and reporting to the government. However, there is a lack of trainers who can provide more advanced specialized training for CSOs, except in the area of advocacy. The lack of funding for CSO support services prevents new dedicated resource centers from emerging and prevents the existing centers from expanding their services. Governmental agencies partially filled this gap by offering specialized training to CSOs, often related to EU funds. In 2018, the Agency of International Youth Cooperation and the Central Project Management Agency (CPVA) held trainings specifically aimed at CSOs, including on themes such as project development, institutional strengthening, and accounting. In 2018, the National Social Integration Institute offered over eighty trainings nationally on social business.

Umbrella organizations disseminate information among CSOs. The Union of Rural Communities, for example, addresses issues relevant to local CSOs. The Union has an active website and a Facebook account with over 2,300 followers. In 2018, CSOs interested in social business formed an association and shared information and advice on a dedicated website. The upsurge in informal coalitions and networks continued in 2018. Networks uniting women’s organizations were particularly active. For example, twelve CSOs providing specialized support to women founded the Woman’s Rights – Universal Human Rights coalition.

CSOs form partnerships with the government, primarily in the social area and the area of social business. EU-funded projects and programs, for example those financed by ESF, require the government to work in partnership with CSOs. In addition, CSOs and local authorities sometimes initiate their own partnerships. For example, the mayor of Druskininkai consulted with NISC on cooperation with CSOs, and several local governments provided co-funding for CSO projects financed by other donors.

There are also examples of successful CSO partnerships with businesses. For example, the Good Price - Good Work program, a joint initiative of the Food Bank and the IKI supermarket chain implemented in 2017, ensured the Food Bank’s financial viability throughout 2018; for each specially-marked product sold, IKI donated EUR 1 to the Food Bank. Local businesses are responsive to partnership requests from CSOs but CSOs lack the human resources and capacity needed to initiate such cooperation. On the local level, developers consulted with CSOs on new urban projects in order to protect the environment and better cater to the needs of local communities.

The popularity of social media has diminished CSOs’ need to seek partnerships with traditional media. However, big charities continue to cooperate with major TV and radio channels on their annual fundraising campaigns.

**PUBLIC IMAGE: 2.2**

The CSO sector’s public image improved slightly in 2018, as public trust in the sector increased. In addition, the media increasingly asked CSO leaders for opinions and comments, and journalists sought interviews from professional CSOs on a broad range of topics, including human rights, the environment, political affairs, and various reforms. CSOs were frequently asked to comment on political decisions.

The media present CSO activities as important and interesting events and local media continue to actively cover CSOs and their actions, typically in a positive context. During the year, News Radio invited CSO representatives to conduct a series of talk shows called A Common Matter, in which various CSO-related topics were addressed, including whether CSOs should work for free, how to establish a CSO, and charity traditions in Lithuania. However, when scandals emerge, the media still emphasize CSOs’ involvement. For example, an article in Šiauliai News stated “Projects of the NGO Confederation are also coordinated by a convicted former politician.”
Under a commission from NISC, the Vilmorus public opinion and market research center conducted a representative survey to find out to what extent Lithuanians trust CSOs, participate in voluntary activities, and otherwise support CSOs. According to the research, public trust in CSOs has increased from 32 percent in 2012 to 52 percent in 2018. CSOs rank sixth in the list of most trusted institutions, just below the president’s institution, but several positions above political parties, the government, the Seimas, and the media. The survey confirmed that CSOs are gaining public respect as hard-working organizations that represent the interests of citizens and provide public services. Despite the high level of confidence in CSOs, still less than 40 percent of the population allocates 2 percent of their income taxes to any nonprofit organization.

The national government also increasingly demonstrated a positive perception of CSOs. In 2018, the government relied on CSO opinions in decisions on children’s rights, helplines, and electoral committees. A significant number of current national leaders came to office from the third sector, improving institutional understanding of CSOs. However, government specialists in the ministries and other public servants not directly exposed to the third sector still tend to see CSOs as troublemakers rather than potential partners. Local governments had a less positive perception of CSOs. Although about one-fourth of Lithuania’s sixty mayors claim to be representatives of the third sector, once in power local politicians tend to treat CSOs as the opposition.

Businesses increasingly rely on CSOs as a community resource. They see value in cooperating with CSOs to prevent local opposition to their projects and recognize the impact of CSOs’ activities on their environment. However, they tend to deny or ignore CSO expertise when their opinions differ, as was the case with the Law on Lobbying in 2018. CSOs complain about commercial banks, whose workers openly distrust CSOs and refuse to open bank accounts or provide bank guarantees and other services.

Many CSOs do not yet understand the need to have good communications strategies and are not able to tell their stories in an appealing way. They lack public relations skills and the human and financial resources needed to engage effectively with the media. However, Vilnius-based professional organizations are good communicators and successfully promoted the sector in 2018. In addition to maintaining websites, many membership organizations have active Facebook accounts with 1,000 to 3,000 followers. In 2018, organizations used promotional opportunities provided by the Open Government Partnership to publicize their events on the Ministry of Citizens and Events for Active Citizens Facebook groups. In addition, Freedom TV, with 85,000 viewers, actively promoted several civic movements.

To engage individuals in their initiatives, organizations use electronic petitions and various tailor-made on-line tools. For example, White Gloves, an election monitoring watchdog, encouraged citizens to leave anonymous reports on suspected electoral violations and upload available photos and video material. The Green Forest movement rallied citizens to mark deforested areas as well as areas prepared for deforestation on an interactive map and to join in as plaintiffs in a court case accusing the government of Lithuania of depleting the country’s natural resources.

CSOs are required to publish reports and those that do not comply with this requirement are fined and eventually not able to operate. Since 2018, CSO annual reports and financial statements have been accessible for free on the website of the national Center of Registers. NISC plans to introduce a Global Standard for CSO Accountability in the country by adopting the Code for the National NGO Coalition, which would in time involve its members.
In June, the Chisinau Court invalidated the victory of opposition leader, Andrei Nastase, as mayor of Chisinau because both candidates for the position had used social media to address voters after the official end of campaigning. In response, thousands of citizens protested, both in the capital and in other countries. US and European Union (EU) representatives also harshly criticized the decision and the EU suspended its macro-financial assistance. Until local elections are held in 2019, however, Chisinau City Hall continues to be headed by an interim mayor.

Overall CSO sustainability did not change in 2018. The sector’s financial viability improved slightly due to growth in crowdfunding; funding through the 2 percent mechanisms, which allows individual taxpayers to direct 2 percent of their income tax to an accredited CSOs; and the development of social entrepreneurship. Sectoral infrastructure strengthened with increased sub-granting and the growth of intersectoral partnerships. At the same time, the public image of CSOs worsened slightly as government propaganda continued to be used to attack CSOs.

According to Article 180 of the Civil Code of the Republic of Moldova, nonprofit organizations can take one of three forms: associations, private institutions, and foundations. Associations are the most common and account for about 95 percent of the total number of CSOs in the country, with public associations accounting for about 80 percent of the total registered CSOs. Foundations account for about 4 percent of all CSOs, and private institutions just 1 percent.

The powers to register CSOs and the management of the State Register of Not-for-Profit Organizations were transferred to the Public Services Agency (PSA) in 2018. As a result of the transfer, the register was not available for much of the year. A temporary version of the register was published at the end of the year, but contains less comprehensive information than the previous register. For example, the temporary register does not specify the areas of activity for each CSO. According to the new register, there were 12,681 non-commercial organizations registered in December 2018, including 11,633 CSOs. During 2018, 419 new CSOs were registered, including 335 public associations, 20 unions of legal entities, 18 religious cults, 14 foundations, 11 private institutions, and 21 CSOs of other forms. According to a statistical analysis developed by the Eastern Partnership Civil Society Facility at the request of the EU Delegation in Moldova, there were 4,671 active CSOs in Moldova in 2017.

The Transnistria region, a breakaway region in the eastern part of Moldova, has enjoyed de facto independence since 1992. According to Nations in Transit, its government and economy are heavily dependent on subsidies from Russia and political competition in the region is limited. CSOs in the Transnistrian region generally operate in a
very restricted environment. A new Law on Non-Governmental Organizations (NGOs) entered into force in May, which placed the work of CSOs under even more control, including by prohibiting CSOs from engaging in so-called political activity, which is defined broadly. At the same time, however, the self-proclaimed authorities in the Transnistrian region showed greater openness to working with civil society in certain areas, such as the provision of medical services, development of social programs, environmental protection, and access for people with disabilities.

There are approximately 3,000 registered CSOs in the Transnistrian region, but only about 100 of them are currently active. Transnistrian CSOs also have the option of registering with the PSA of Moldova. Approximately thirty-seven Transnistrian CSOs have done so, of which approximately twenty are active. There are approximately 500 registered CSOs in the Autonomous Territorial Unit (ATU) of Gagauzia, only a few dozen of which are estimated to be active.

**LEGAL ENVIRONMENT: 4.1**

The overall legal environment governing CSOs in Moldova did not change in 2018, with several positive and negative developments canceling each other out.

As part of the Central Public Administration Reform, which began in 2017, parliament adopted a law transferring the powers for registering CSOs from the Ministry of Justice to the PSA in March 2018. As a result, the PSA is now responsible for maintaining the State Register of Not-for-Profit Organizations. The PSA has territorial offices, which are responsible for the registration of CSOs locally. In addition, the law reduced the term in which a CSO’s registration application must be processed from thirty to fifteen days. Although CSOs experienced some minor problems and delays with registration during this transition, there is a great deal of optimism that ultimately registration will be more efficient, the register will be more accurate, and public servants will be better prepared to respond to CSOs’ needs once the transition period has passed.

To prevent and combat money laundering and the financing of terrorism, since August 2018, all legal entities, including CSOs, have been required to submit statements on their individual beneficiaries, including their names. This information must be submitted when registering and whenever the information changes. While the actual beneficiary of a company can be determined fairly easily, this is not always possible for CSOs, especially those that work for the public benefit, such as think tanks. In such cases, CSOs therefore need to indicate the president or executive director as an actual beneficiary, even though this does not correspond to reality. CSOs fear that this could increase mistrust in the sector, enforcing the belief that CSOs either work for their own benefit or represent foreign interests, as opposed to working for the benefit of the public.

On March 29, the Moldovan Parliament approved the national Civil Society Development Strategy, the core policy document and strategic framework for civil society development for the period 2018-2020. The Strategy contains three general objectives: strengthening the framework for civil society to participate in developing and monitoring the implementation of public policies, strengthening the financial sustainability of civil society, and developing an active civic spirit and volunteering.

CSOs that criticized certain governmental decisions were subject to denigrating rhetoric during the year. For example, Amnesty International Moldova was criticized by authorities and several affiliated media outlets after it condemned the detention and forced deportation of seven Turkish citizens working for the private Lyceum

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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.
network Orizont. The day before it presented the report of its Observation Mission on the New Local Election, a person forcibly entered the offices of Promo-LEX Association and threatened its employees with imprisonment and physical abuse. In March 2019, a consortium of CSOs published the Radiography of Attacks against NGOs in the Republic of Moldova, which documents the actions of public officials, civil servants, bloggers, and affiliated media to discredit and denigrate CSOs in 2018 in order to draw attention to the danger of orchestrated attacks on the operation of CSOs and to determine the public authorities, private institutions and individuals supporting those attacks to stop them.

On May 3, the Moldovan Parliament passed the Law on Not-for-Profit Organizations in the first reading. The Law, which has been under development for several years with substantial input from CSOs, limits arbitrary interference by authorities in the activity of nonprofit organizations, clarifies the terms and conditions for the registration of CSOs, abolishes arbitrary foreign funding restrictions, and clarifies the ways in which CSOs can be involved in political activities. The Law had not yet been adopted in the final reading by the end of 2018.

The tax treatment of CSOs did not change in 2018. CSOs may be exempted from income tax if they meet requirements specified in the Tax Code. Also, some CSO projects are exempt from value-added tax (VAT). Individuals can direct 2 percent of their income tax to an accredited CSO. The new Civil Society Development Strategy 2018-2020 contains some specific objectives focused on amending the budget and tax policy to make it more favorable to CSOs, for example the establishment of a mechanism to exempt public benefit CSOs from VAT payment on the purchase of goods and services.

The existing legal framework allows CSOs to earn money through statutory economic activity, social entrepreneurship, and the provision of social services to central and local public authorities. However, the mechanism for public administration bodies to contract social services is unclear and needs to be improved.

Local legal capacity remains rather limited. The majority of experienced lawyers work in the capital, where more than 60 percent of CSOs are located, and other large urban centers. Until 2018, CSOs could seek basic legal consultations on the work of CSOs in local mayors’ offices as these authorities were responsible for registering CSOs; after the registration powers were transferred, however, this service was transferred to the district centers where the PSA’s territorial offices are located, making it less accessible for CSOs.

A new Law on Non-Governmental Organizations (NGOs) entered into force in the Transnistrian region in May. The new Law prohibits CSOs from engaging in so-called political activity, which is broadly defined as “the organization and conduct of public manifestations in the form of meetings, demonstrations, picketing and others, organization and conduct of public debates, discussions, speeches, public appeals to the unrecognized Transnistrian authorities, to persons holding senior positions and other actions influencing these bodies, including those aimed at amending or repealing laws and other regulatory acts.” Several CSOs in the Transnistrian region were harassed during the year for allegedly carrying out political activity with foreign funding after the new Law on NGOs came into force. For example, the de facto Prosecutor’s Office in the region asked the Apriori Center in Tiraspol to submit documents regarding its activity after it organized an exhibition about the media and an event to present a study on the mixed electoral system, both of which were suspected of being political activities. In November, the authorities in the Transnistrian region further increased pressure and control over CSOs with the passage of amendments that require CSOs to report to the de facto regional tax structures information on the amount of their funding, as well as the programs and actions they plan to implement in the Transnistrian region.

**ORGANIZATIONAL CAPACITY: 3.6**

Although the CSO sector’s organizational capacity did not change significantly in 2018, CSOs are increasingly focused on organizational development, in part because donors are gradually shifting their support towards individual CSOs’ needs. There is still a large gap between the level of organizational development of CSOs in the capital and those in the region, where most organizations remain very fragile.

The relationship between CSOs and their beneficiaries has improved over the past two years, largely due to the introduction of the 2 percent mechanism. To persuade people to direct 2 percent of their owed income tax to them, CSOs have developed campaigns to promote and involve constituents more actively in their work. As a result of these efforts, in 2018, 13,513 taxpayers who were not required to submit income statements chose to do
so in order to support a particular CSO; this accounts for 46 percent of the total number of designations made during the year. Many umbrella organizations try to involve member organizations in their activities as much as possible. The National Youth Council of Moldova (NYCM), for example, developed a new strategy in 2018 that is expected to be implemented with the direct involvement of their sixty-three member organizations.

A growing number of CSOs develop missions and visions and publish them on their websites or social media pages. The number of organizations that acknowledge the need to engage in strategic planning processes to ensure their sustainability and, in some cases, to comply with donors’ requirements, is also growing. In particular, donors encourage strategic planning among organizations that they work with over a period of several years.

Although various legal forms of CSOs have different internal structures, as a general principle CSOs have at least three internal bodies: a governing body, the executive, and a control body. CSOs specify the division of responsibilities in their bylaws. For public associations, the law specifically states that members of the governing body cannot be members of the control body. Various USAID-funded projects aim to develop the internal management structures of CSOs. For example, in 2018, the Media Enabling Democracy, Inclusion and Accountability in Moldova (MEDIA-M), which is implemented by Internews, launched an organizational development component for media CSOs. Over the course of four years, six media CSOs will benefit from individualized support and organizational capacity building under this program. Similarly, in 2018 the High Value Agriculture Activity in Moldova project began working to strengthen the institutional capacities of five associations of farmers and four rural irrigation CSOs. The Moldova Partnerships for Sustainable Civil Society (MPSCS) project, which focused extensively on building the institutional capacities of CSOs, came to an end in 2018.

In 2018, the Swedish International Development Cooperation Agency (Sida) provided capacity-building support to Moldovan CSOs through several different projects. Nineteen CSO projects valued at a total of $4.1 million were supported, with the majority of the funds supporting the implementation of activities identified in the beneficiary organizations’ strategies.

CSOs have limited capacity to attract and retain qualified staff, a problem that is exacerbated by the exodus of people abroad. CSOs often have to post their employment announcements several times in order to find qualified candidates. CSOs continue to attract volunteers by offering volunteer cards, nationally-recognized documents that confirm work experience. In 2018, CSOs issued 312 volunteer cards. In addition, another thirty-one institutions were granted the status of institution hosting volunteering activities, bringing the total number of accredited entities that can issue volunteer cards to 149. According to the Charities Aid Foundation’s 2018 World Giving Index, only 13 percent of respondents said they had volunteered during the reporting period in 2017, down from 17 percent in 2016.

CSOs often have outdated equipment as few donors offer institutional grants that would allow them to update their equipment. In 2018, thirty-five local CSOs received donations of furniture and equipment following the completion of the MPSCS project.

According to the Public Opinion Barometer of November 2018, 47 percent of the country’s population, including CSOs, use the Internet every day. Social networks such as Facebook and Instagram are very popular, while other networks such as Odnoklassniki are losing popularity. A major challenge for CSOs, especially youth CSOs, is the lack of spaces in which they can carry out their day-to-day activities. The Ministry of Education, Culture and Research (MECR) is attempting to address this problem through a support program for youth centers launched in 2017.

CSOs in the Transnistrian region have much lower organizational capacities. Local organizations have limited knowledge of Romanian and English languages, which makes it difficult for them to successfully apply for donor funding or access information and organizational development tools. As there are no local activities focused on

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developing organizational capacities, CSO representatives from the region must travel to the capital or other regions of Moldova in order to benefit from these activities.

**FINANCIAL VIABILITY: 4.4**

![Financial Viability Chart](image)

The financial viability of CSOs improved slightly in 2018 due to continuing growth in crowdfunding and the development of social entrepreneurship. In addition, CSOs collected twice as much funding through the 2 percent mechanism in 2018 than in 2017.

According to the analysis conducted by the Eastern Partnership Civil Society Facility at the request of the EU Delegation in Moldova, in 2017 the total reported revenue of the CSO sector was EUR 108.4 million. More than half (54 percent) of this revenue was in the form of grants, 33 percent was from economic activities, and 13 percent was from membership fees.

According to the study *Mechanism of Direct Funding of CSOs by the State: Realities and Options*, produced in 2018 by the Institutum Virtutes Civillis Association, more than 75 percent of the budgets of the twenty-eight surveyed organizations comes from international donors. The study also found that the share of public funding is still quite small, and for half of the surveyed organizations, tax designations account for less than 1 percent of the total annual budgets.

The EU continues to be the largest donor to civil society in Moldova. In 2018, the EU contracted twenty-one CSOs to implement projects worth a total of EUR 17.2 million. Other main donors include USAID, United Nations Development Program (UNDP) and other UN agencies, Sida, and the Swiss Agency for Development and Cooperation (SDC). Embassies, including those of the United States, United Kingdom, and Slovakia, also provide financial support. Private international donors supporting CSOs in 2018 included the Soros Foundation Moldova, the East Europe Foundation, the IM Swedish Development Partner, and People in Need.

In 2018 the amount collected through the 2 percent mechanism increased to MDL 5.6 million (approximately $335,181), more than twice the amount collected in 2017. Of this amount, 8 percent was channeled to religious groups and their components. The number of taxpayers taking advantage of this option increased by 34 percent compared to 2017, reaching 28,388 people. In addition, the number of CSOs accredited to benefit from this mechanism increased from 484 in 2017 to 594 in 2018. There is still significant potential for growth in the 2 percent mechanism; in 2018, only 2.4 percent of eligible taxpayers exercised this right.

In 2018, the state budget included approximately $2.9 million for CSOs. Some of this money was channeled directly to CSOs representing different categories of individuals, such as the Association of the Blind of Moldova, the Association of the Deaf, and the Society of Disabled People, while the rest was awarded through relatively transparent and competitive grant programs. MECR provided $346,500 to twenty-three youth CSOs to implement national, regional, and local projects focused on youth participation, youth services, economic opportunities for young people, and strengthening the youth sector, slightly less than the $361,700 provided in 2017. MECR also provides direct financial support to the National Network of Local Youth Councils of Moldova to develop the capacities and interests of young people to participate in the decision-making process. In 2018, MECR also allocated $236,500 for its grant program focused on culture, a significant increase from $117,000 in 2017. In 2018, the Diaspora Relations Bureau (State Chancellery) directly funded projects by public associations and initiative groups for the first time.

CSOs continued to raise funds through crowdfunding and other online platforms in 2018, even though the legal framework governing these issues has not kept pace with such trends. CSOs use both international platforms, such as www.indiegogo.com and www.patreon.com, and local platforms, such as www.guvern24.md. In 2018, a new crowdfunding platform—www.sprijina.md—was launched. In 2018, the thirteen local associations created with the support of the Migration and Local Development project, implemented by UNDP Moldova with the assistance of
the government of Switzerland, raised over $60,000 from approximately 3,400 citizens who had left their settlements; each settlement raised more than the expected amount by 280 percent. According to the 2018 World Giving Index, 24 percent of Moldovan respondents said they donated money for charitable purposes in 2017, the same as in the previous year.

Corporate philanthropy continues to be underdeveloped, in part because of the lack of an enabling framework. In October, the Ministry of Justice launched a public consultation process on the development of a draft law to amend Law No. 1420 of 2002 on philanthropy and sponsorship. The Contact Center, the coordinator of the working group that developed recommendations to improve the regulatory framework for philanthropy, publicly presented civil society’s proposals at the conference Future of Philanthropy in Moldova, held in June 2018. Further steps should be taken in 2019 to approve the amendments, including the creation of a national coalition for philanthropy development.

CSOs increasingly earn money through statutory economic activity. Likewise, a growing number of social enterprises have been created since the adoption of the Law on Social Entrepreneurship in 2017 and the approval in 2018 of the accreditation mechanism for social enterprises. Throughout the year, the East Europe Foundation supported nine social enterprises, providing each of them with funding of approximately $35,000 to develop social business ideas.

CSOs’ internal financial management systems are still very weak. According to the results of the online assessment tool developed by FHI 360, financial management and human resource management are the most vulnerable organizational components among the CSOs that completed the assessment.

The financial viability of CSOs in the Transnistrian region continues to be much weaker than that of CSOs in the rest of the country. As local sources of support do not exist, most CSOs rely on funding from foreign donors. Organizations that are registered both with the authorities in the Transnistrian region and with the Ministry of Justice of Moldova have better chances of accessing donor funding. The donor community has also created flexible practices to respond to the funding challenges in the region, such as using cash transfers or funding through partnerships with non-state organizations from the right bank of the Nistru River. Since 2013, the Organization for Security and Cooperation in Europe (OSCE) has organized a forum to facilitate networking and partnership building between CSOs in the Transnistrian region and donors and development partners.

**ADVOCACY: 3.1**

CSO advocacy did not change significantly in 2018.

CSOs in Moldova are becoming more mature and active in monitoring policies and holding authorities accountable. However, there are some signs that the space for civil society to operate is narrowing. CSOs’ relationship with authorities is still tense following authorities’ verbal attacks on the sector in 2017, which continued in 2018, and the central public administration (CPA) is no longer as open to cooperating with civil society as it was in previous years. In 2018, the CPA disregarded or rejected many petitions or appeals from CSOs, alleging that CSOs that criticize the government represent the interests of the extra-parliamentary opposition.

Despite this, there were some positive examples of collaboration between the authorities and CSOs in 2018. For example, the working group for the improvement of media legislation continued to be active in 2018. Established in June 2017, the working group is a permanent mechanism for communication and cooperation between the parliament and representatives of media outlets, international institutions, and media organizations. With the active involvement of this working group, in June the parliament approved the National Media Development Concept, which aims to establish a regulatory framework for media, to strengthen the economic and financial sustainability of media outlets, and to create a process for...
professionalizing the media field. The General Police Inspectorate (GPI) asked the National CSO Council to delegate seven civil society representatives to the GPI’s Strategic Council and to participate in decision-making processes related to public order and public security. In addition, the first strategic objective of the new Civil Society Development Strategy is focused on developing the framework for advocacy activities, including the creation of a government structure responsible for cooperation with civil society and the improvement of the cooperation mechanism between CSOs and the parliament.

In general, local public administrations (LPAs) do not have sufficient resources to involve civil society in solving local problems. For this reason, CSOs show limited interest in working with LPAs to develop joint projects or services for the benefit of local communities. However, with the support of international donors like FHI 360, a series of advocacy trainings were held over the last few years that contributed directly and indirectly to the emergence of more than fifty local initiatives throughout the country.

There were also some other examples of CSOs and LPAs working together productively in 2018. For example, the Institute for European Policies and Reforms (IEPR) and the LPA of Chisinau jointly discussed several issues related to local development, such as parking in the city and the process for issuing construction permits. In addition, the action plan for the Civil Society Development Strategy includes plans to develop methodological instructions to ensure transparency of the decision-making process by LPAs. In 2018, the State Chancellery developed these instructions, which are expected to be approved in 2019.

The National Participation Council (NPC) is tasked with promoting the participation of CSOs in decision making. Several members of the NPC publicly declared that the NPC should not exist because it does not have the necessary tools to influence the public agenda. Given the lack of interest from the NPC’s members, no donors were interested in supporting the platform’s operations. As a result, the body was largely inactive by the end of the year.

After the draft Law on Not-for-Profit Organizations was withdrawn from discussions in September 2017, work on the abandoned draft law resumed early in 2018 when a new minister of justice was appointed. The working group that helped develop the draft law was called in for final consultations; the draft law was then sent to the government and the parliament and was passed in the first reading at the end of March. CSOs have some concerns that parliament could amend the draft law, making it difficult for civil society to intervene. The draft law was still pending at the end of the year.

After the new Law on NGOs was adopted in the Transnistria region, CSOs engaged in significantly less advocacy, for fear that it would be considered political activity. At the same time, at a meeting held in Tiraspol in July, the de facto executive authority of the region announced that it was preparing a law on “public control” providing for the creation of “public councils” within each ministry and other public bodies that would include CSO representatives.

**SERVICE PROVISION:** 4.2

CSO service provision did not change significantly in 2018. CSOs continue to provide services in a wide range of areas including legal assistance, social assistance to disadvantaged people, capacity building, and education. According to national legislation, CSOs can provide services and conduct economic activities that are directly related to their statutory objectives. For any other services and economic activities, CSOs have to create separate commercial entities.

In general, CSO services respond to the needs of their beneficiaries. According to the analysis conducted for the EU Delegation, the main target groups for CSOs are youth (33.9 percent), children (28.1 percent), and citizens and others (26.8 percent).

According to the study *Mechanism of Direct Funding of CSOs by the State: Realities and Options*, the existing legal framework provides sufficient conditions and possibilities...
for central and local public authorities to contract social services through CSOs. At the same time, there is inadequate funding for social services. The current legislation only sets out the sources that can provide funding for social services—including the state budget, LPAs’ budgets, and other sources—but does not guarantee that adequate funding will be provided. In practice, a small percentage of the public budget is allocated for social services.

In addition, there is relatively little information and interest among CSOs to provide public services in the social field. In 2018, the Ministry of Health, Labor and Social Protection signed only two contracts with CSOs for the provision of social services. Both contracts were with the Association La Strada International Centre, one to run a child helpline and the second for a hotline for victims of violence.

Many CSOs’ services comply with the legislation and quality standards. However, the government and LPAs do not contract these services for various reasons. CSO representatives hope that once the National Program for Deinstitutionalization of People with Intellectual and Psychosocial Disabilities is approved, and Regional Social Service Centers in the north, south, and center of the country are created, contracting and development of care services will be encouraged as the funding of social services is expected to switch from the LPAs to the regional centers.

Despite the existing administrative barriers, some organizations do provide critical medical and health-care services at the local level. For example, in 2018 the public association CasMed, one of the largest organizations in the north of the country, provided home-care services in sixty-five settlements in partnership with LPAs, making 120,765 home-based social and medical visits. However, the CPA and its subdivisions contracted only 4 percent of all visits made by this organization.

The National Health Insurance Company is one of the few state authorities that contract social services from CSOs. Funding is provided through two different funds: the Fund for the Payment of Current Medical Services and the Fund for Preventive Measures. In 2017 and 2018, four CSOs received contracts within the Outpatient Specialized Medical Assistance sub-program, three organizations received contracts within the Hospital Medical Assistance sub-program, and eleven CSOs were contracted to provide services within the Community Medical and Home Care sub-program.

CSOs also provide services to beneficiaries through social enterprises. Since January 2018, with support from the EU, the East Europe Foundation in partnership with several organizations started implementing the project Local civil society contributes to economic and social development. Part of this project involves the creation of fifteen new social enterprises and support for existing social enterprises.

In November, the 4th National Conference for Social Entrepreneurship was held. At the conference, over forty participants discussed direct government funding mechanisms for social enterprises; analyzed European policies, models, and practices; and identified viable solutions for the development of a social economy in Moldova.

Business support is often sought to carefully analyze the costs and to ensure the sustainability of social enterprises. For example, the East Europe Foundation has contracted a consortium of companies with business expertise to support the fifteen social enterprises that will be created.

Service provision in the Transnistrian region depends almost entirely on donor support as the purchasing power of citizens is very low. The de facto authorities in the Transnistrian region encourage CSO service provision in the social and medical fields, but discourage educational services focused on such issues as human rights and democracy.

### SECTORAL INFRASTRUCTURE: 3.2

In 2018, the infrastructure supporting the CSO sector improved slightly.

Intermediate support organizations (ISOs), including national umbrella networks, regional centers, and various thematic networks, cover all regions of the country and almost all areas of operation. Some of the most active ISOs include the Contact Centers, People in Need, the Solidarity Fund, and some regional associations such as Pro Regional Cooperation and Casmed. These organizations offer CSOs various services, such as information, training, consulting, and even small grants for the development of local initiatives.
The MECR Development Program for Youth Centers 2017-2021 continued in 2018. A basic component of this program involves financial support for the development of regional and municipal grant programs for youth initiatives and youth organizations. In 2018, MECR signed partnership agreements with another eleven districts, bringing the total number of districts involved in the program to twenty.

Local projects are increasingly funded through large national CSOs with strong institutional capacity, rather than directly by foreign donors as was the case in the past. This has had a positive impact on the development of CSOs’ capacities to manage grants and monitor their impact.

In 2018, the East Europe Foundation set up youth entrepreneurial funds in ten districts of the country. These structures, which were established and are coordinated by young people, will contribute to the development of the entrepreneurial climate and provide direct funding for the best business ideas in these regions. Previously established Youth Funds also provide funding for local youth projects. Ialoveni Youth Fund, for example, has already organized a total of seventeen rounds of funding for youth in Ialoveni, two of which took place in 2018.

CSOs continue to cooperate and communicate with each other through coalitions and platforms. The National CSO Council remains the most representative structure. In April, it organized the IX Forum of Non-Governmental Organizations and elected members to manage the Council over the next two years. Two national platforms continue to focus on EU-Moldova relations: the Eastern Partnership National Platform and the EU-Moldova Civil Society Platform, a consultative body under the EU-Moldova Association Agreement.

A number of intersectoral partnerships were established and strengthened throughout 2018. In December, the LEADER National Network Association of the Republic of Moldova was set up, bringing together all the Local Action Groups (LAGs) created over the last several years. LAGs are partnerships between CSOs, enterprises, and LPAs in which no single party holds more than 50 percent of the decision-making power. In May, more than sixty representatives of LPAs, private interest groups, and CSOs created the National Rural Network of Moldova. The main objective of this network is to improve the relevance and implementation of agro-rural development policies in the country.

The infrastructure supporting CSOs in the Transnistrian region is very weak, with few ISOs or other platforms that offer subgrants or other kind of assistance. Several donors are more concentrated on supporting the sector in the region. For example, the OSCE mission in Moldova concentrates on building the capacity of CSOs and civic initiatives in the Transnistrian region, as well as promoting partnership and cooperation between CSOs on both banks of the Nistru River.

PUBLIC IMAGE: 4.0

The public image of CSOs worsened slightly in 2018. Government propaganda against CSOs continued to be a prominent feature of public speeches. Trolls and media outlets controlled by the current regime regularly attack CSOs for being supporters of the opposition. Several CSOs that took critical positions on legislative initiatives such as tax amnesty and the introduction of the mixed electoral system were targeted by hate speech, criticism, and accusations. In July, Ilan Sor, Mayor of Orhei and president of the Political Party Sor, published a video message on Facebook in which he alleged that 98 percent of CSOs are scammers and that if he was elected to power, he would adopt a law on foreign agents and outlaw CSOs’ work in the area of human rights. The accusations from political parties, opinion leaders, and politically-controlled media outlets further reduced the perception and confidence of people in certain types of CSOs, particularly those focused on fields such as human rights, democracy, and the rule of law.
Despite this, CSOs and civil society representatives were quite visible and present in the media in 2018. Recent amendments to the media laws require each media channel to broadcast at least eight hours of their own content instead of simply broadcasting material from other international channels; many talk shows and programs invite CSO representatives to participate in this programming.

The government’s attacks seemed to affect only part of the CSO sector and did not have an impact on the overall public perception of CSOs. According to the Public Opinion Barometer conducted by the Institute of Public Policy in November 2018, 19 percent of respondents said they trust CSOs, a 2 percent improvement compared to November 2017.

In 2018, the second year in which taxpayers could designate a percentage of their income taxes to an eligible CSO, the number of designations grew by 38 percent to nearly 29,000, indicating that the reputation and visibility of CSOs increased among the population. However, 42.5 percent of the total funds received went to just three organizations: the Association of the Ministry of Internal Affairs Veterans (30 percent of funds collected); the “Miron Sor” Foundation, which is connected with Ilan Shor, the mayor of Orhei who was condemned to eight years of imprisonment for laundering money (8.4 percent); and the Association of the National Tax Service Veterans (4 percent).

Several political leaders in the country have established foundations whose philanthropic work is closely tied to their founders’ public image. Some of these individuals have been accused of money laundering, worsening the image of CSOs in general, as the public does not distinguish between different types of CSOs.

Communication and cooperation between CSOs and the business sector continues to grow. In December, the Center for the Rights of Persons with Disabilities, in partnership with other organizations and state institutions, organized the IV RemarkAbility Gala, which celebrates and awards employers with positive employment practices for people with disabilities.

CSOs continue to promote their activity and messages through websites and social networks, as well as public events. The Fair of CSOs was once again held in June to promote the achievements of CSOs and raise citizens’ awareness of the importance of civic engagement. The event presented the work of approximately forty of the most active CSOs from different regions of the country. Other events of this kind, such as the National Volunteer Week and the Youth Festival, were also held in 2018.

Many CSOs do not understand the need and importance of observing ethical principles and rules in their activity. For this reason, the Platform for Active Citizenship and Partnership for Human Rights organized three workshops in the northern, central, and southern regions of Moldova, where participants discussed the need for the Principles of Ethics of CSOs and the identification of sub-principles for the eight ethical provisions of the Istanbul Principles.

Organizations seeking contributions through the 2 percent mechanism became more transparent and published their financial reports on their websites and online pages.

CSOs in the Transnistria region continue to suffer from a predominantly negative public image. Local television often presents defamatory stories about CSOs both from the region and the rest of the country. In 2018, several derogatory articles and reports were broadcast by the main “official” media channels of the Tiraspol de facto administration. These articles presented Promo-LEX Association, a CSO from the right bank that publishes monitoring reports on human rights in the region, as trying to destabilize the situation in the region, noting that the association receives funds from National Endowment Fund (NED). NED itself is presented as being responsible for many attacks on the sovereignty of different states, including the Arab Spring.
Montenegro continued to experience a political crisis in 2018. Opposition parties continued to boycott the parliament due to issues with the electoral environment. Some steps were taken to restore political dialogue in the second half of 2018, such as the establishment of the temporary Parliamentary Committee on Further Reform of Electoral and Other Legislation with the backing of the European Union (EU) in November. The Committee is comprised of representatives of political parties, academia, and CSOs that were selected in an open procedure. All political parties participated in local elections held in thirteen Montenegrin municipalities in February and May, while presidential elections were held in April.

At the end of 2018, Nebojsa Medojevic, a member of parliament (MP) from the opposition alliance Democratic Front, was arrested for refusing to testify against the former mayor of Podgorica in a case involving allegations of corruption and misuse of office. An arrest warrant was issued for another MP from the Democratic Front for refusing to testify in another corruption case, but he locked himself inside the parliament to avoid arrest. The Constitutional Court initiated a procedure to review the constitutionality of the Criminal Procedure Law pursuant to which Medojevic was arrested. After the arrest, the Democratic Front continued its boycott of the parliament and the Committee on Further Reform of Electoral and Other Legislation, thus prolonging the political crisis in Montenegro.

The management of the Public Broadcasting Service and some members of the Council of Radio-Television of Montenegro were dismissed in 2018 based on decisions of the Agency for Prevention of Corruption. Some CSOs subsequently organized protests claiming that the dismissals were politically motivated. In May, Olivera Lakić, a journalist from the newspaper Vijesti, was injured in what the State Prosecutor’s Office characterized as an assassination attempt. The perpetrators and instigators of the attack had still not been identified by the end of the year.

Limited progress has been made in Montenegro’s accession negotiations with the EU. By the end of 2018, thirty-two negotiating chapters had been opened, while three had been temporarily closed. In December 2018, Montenegro opened negotiations on Chapter 27 – Environment and Climate Change.

CSO sustainability did not change significantly in 2018. The only dimension recording an improvement was financial viability, in which progress was noted as a result of the new Law on NGOs, which introduced a new system of public funding for NGOs. There were, however, some shortcomings in the implementation of the law during the year, including the fact that the authorities did not meet all imposed deadlines, and not all ministries showed.
interest in funding NGO projects and programs within their competence. The sector’s public image, on the other hand, was tarnished by the growing negative media coverage of CSOs’ activities.

The Ministry of Public Administration administers the Registry of NGOs which contains information about each registered NGO’s name, activity, seat of office, authorized persons, and founders. According to the Registry, there were 4,500 non-governmental associations, 174 foundations, and 11 foreign organizations in Montenegro in the middle of March 2019. According to data on the Open Data Portal from December 2018, there are 2,681 active NGOs in Montenegro. The highest number of registered organizations are in the capital city. According to the Strategy for Enhancing Conducive Environment for Activities of NGOs, most organizations are focused on culture, the protection of human and minority rights, art, institutional and non-institutional education, agriculture and rural development, and social and health care.

In addition to the Registry of NGOs, the National Office for Cooperation with Non-Governmental Organizations maintains an NGO database with technical support from the EU, in which NGOs can voluntarily enter information about their work. At present, the database includes information on 4,365 organizations, although most entries only include information about the organizations’ addresses and areas of activity. This platform also contains sections where current news, competitions, and calls for volunteering or internships can be posted.

**LEGAL ENVIRONMENT: 3.5**

The legal environment governing CSOs did not change significantly in 2018.

The Law on NGOs, as amended in 2017, regulates the establishment, status, financing, supervision, and other aspects of CSO operations. The Law defines two forms of NGOs—non-governmental associations and non-governmental foundations. Religious communities are excluded from the Law’s application. The Strategy for Enhancing Conducive Environment for Activities of NGOs 2018-2020, which was adopted in January 2018, provides the strategic framework for the development of CSOs in Montenegro. Some CSOs criticized the adoption of this Strategy, claiming that it does not reflect the needs of NGOs in Montenegro.

An organization acquires the status of a legal entity by entering into the Registry of NGOs, which is generally an easy process. A non-governmental association may be established by at least three persons, one of which must have a domicile, residence, or seat of office in Montenegro. With the consent of a legal guardian, a minor who is at least fourteen years old can also be a founder. A non-governmental foundation may be established by one or more persons, regardless of their domicile, residence, or seat. A foreign CSO may operate in Montenegro after registering its branch office in the registry kept by the Ministry of Public Administration. The amendments adopted in 2017 stipulate that the required documentation must be provided in Montenegrin language. According to the Law, the name of an NGO cannot contain words that are similar to the name of state and local bodies. The 2017 amendments to the Law extended the deadline for processing registration applications from ten to thirty days “as of the date of filing a proper and complete application.” Amendments also allow the ministry to reject an organization’s registration application if its statute sets out objectives that are contrary to the Constitution or the law. An organization may appeal such a decision by filing a lawsuit before the Administrative Court. Online registration is not available. The Strategy for Enhancing Conducive Environment for Activities of NGOs 2018-2020 calls for the creation of a new Registry of NGOs by the end of 2019. On paper, CSOs enjoy the freedoms and legal guarantees necessary to carry out their work. In practice, however, CSOs’ work often meets with confrontation from the government. In 2018, NGO representatives were removed from the Council of Radio-Television of Montenegro (RTCG) and the Council of the Agency for Electronic Media (AEM), after the Agency for Prevention of Corruption (APC) concluded that they had conflicts of interest. In addition, the parliament dismissed Vanja Čalović Marković, an NGO representative, from the APC Council because of alleged violations of the Law on Prevention of Corruption. The Administrative
Court, however, annulled the APC’s decision. This process is still ongoing, and Ćalović Marković filed a lawsuit before the Administrative Court against a new APC decision. In its 2018 report, the European Commission (EC) pointed out that such cases of political interference in the work of these bodies are a matter of serious concern. In 2018, government officials, including the president, accused some leading NGOs of vying for power following the publication of a document in which they called on the EC to consider introducing the balance clause, i.e., to freeze its negotiations with Montenegro until the country showed more willingness to engage in rule of law reform. Pursuant to the Law on Tax on Profit of Legal Entities, CSOs are exempt from profit tax if they are established to carry out nonprofit activity. For projects funded by the EU, all expenditures above EUR 50 are exempt from VAT. However, there are situations where the competent authorities lack information about the procedures related to EU grants. The Law on Tax on Profit of Legal Entities recognizes donations to registered NGOs up to 3.5 percent of total revenue for the year as tax-deductible expenses; only donations that support issues defined by the law are eligible for these benefits. The Law on Personal Income Tax stipulates that donations for health, education, sport, and cultural purposes, as well as environmental protection, are recognized as deductible expenses, up to 3.5 percent of total income. The Strategy for Enhancing Conducive Environment for Activities of NGOs includes plans to harmonize the areas eligible for tax benefits under these two laws. CSOs may engage in economic activities if they are entered into the Registry of Business Entities, a separate registry. However, income from economic activities in a given year may not exceed EUR 4,000 or 20 percent of the total annual income in the previous year. This financial limit hinders CSOs’ abilities to compete for public procurements, as these are generally over the threshold. Therefore, CSOs wishing to participate in public procurement procedures for higher values must establish separate companies. The Labor Law treats CSOs like other employers, which is a challenge given that CSOs are mainly funded on a project basis and therefore cannot provide long-term and stable employment. CSOs have limited access to legal services. In certain cases, Human Rights Action provides legal assistance to NGO activists.

**ORGANIZATIONAL CAPACITY: 4.2**

There were no significant changes to the organizational capacity of CSOs in 2018. Major CSOs operate at the national level and engage in advocacy and research in the areas of rule of law, good governance, and human rights. Most CSOs, however, are small, have weak capacities, and operate locally. Such CSOs rely mainly on public funding and short-term projects. Constituency building is still not a major focus for most CSOs. In general, CSOs that provide services are better at establishing and maintaining relationships with their constituencies than those advocating for changes in public policies. The internal governing structures in most CSOs are still underdeveloped. According to the Law on NGOs, a non-governmental association must have an assembly and an authorized representative, but can define additional governing bodies in its statute. Foundations are required to establish governing boards. Better-developed CSOs generally have functional governing bodies, but in most organizations, one or two individuals make the majority of decisions and are publicly recognized as the leaders of their organizations.
Larger CSOs regularly engage in strategic planning. Medium and small CSOs create strategic plans at the request of donors, but otherwise they only engage in planning for specific projects.

There is no official data on the number of employees or average salaries in the civil sector. Employment is mainly on a project basis, and only better-developed organizations can provide full-time employment. A state vocational training program enables CSOs to recruit interns paid by the government for a period of nine months. In general, however, the lack of institutional support leaves CSOs few opportunities to invest in human resource development.

The Law on Volunteering treats volunteering as a special type of labor relationship, which complicates such arrangements, most of which are spontaneous and not contract based. Moreover, the Law prohibits business entities from organizing volunteering and prohibits minors under the age of fifteen from volunteering. A new Law on Volunteering had not yet been drafted by the end of the year, despite the fact that the Strategy for Enhancing Conducive Environment for Activities of NGOs foresaw this happening in the third quarter of the year.

Despite these legal issues, public opinion research shows that a culture of volunteering exists in Montenegro to some degree. According to a survey commissioned by the Fund for Active Citizenship (FAKT) and conducted by Ipsos Strategic Marketing in September 2018, 20 percent of respondents donated money for charitable purposes, 31 percent helped someone who they did not know and who needed help, and 9 percent were active as a volunteer in some organization in the previous month.

Most CSOs are equipped with basic information and communications technologies (ICT), including computers, telephones, and internet access. According to a needs assessment report conducted for the EU-funded Technical Assistance to CSOs (TACSO) project in 2016, out of 1,184 NGOs included in a database maintained by the Center for Development of NGOs (CRNVO), only 148 had their own websites. Larger CSOs use ICT tools more actively. Such organizations have visual identities and regularly update their social media accounts, primarily on Facebook, Twitter, and Instagram. In order to promote their work, CSOs increasingly publish innovative products including infographics, videos, and well-designed announcements and teasers on social media. Smaller CSOs create accounts on social networks mainly as part of project activities.

**FINANCIAL VIABILITY: 4.8**

Financial viability improved slightly in 2018. The 2017 amendments to the Law on NGOs introduced a new mechanism for public funding of NGOs, in which the government identifies priority funding areas on the basis of proposals by the ministries, and then the line ministries allocate and distribute funds. The amendments require that at least 0.3 percent of the current budget be provided for financing of NGO projects and programs in areas of public interest, and 0.1 percent in the area of protection of persons with disabilities. In addition, at least 0.1 percent of the budget should be committed to co-financing EU-funded projects and programs. This new system of funding replaces the funding that NGOs previously received through games of chance.

This system began to be implemented in 2018, with twelve ministries proposing and receiving funds for NGO programs and projects in eighteen areas of public interest. However, there were some shortcomings in the law’s implementation. Not all ministries demonstrated interest in supporting NGO projects in their areas of responsibility. Moreover, it is still not known whether all the ministries allocated all the funds that were committed to financing NGOs’ projects and programs. In addition, a large number of legally-established deadlines were not met. For example, pursuant to the law, ministries were required to publish public calls for funding on their websites and the e-government portal by March 2018. However, most of them announced those opportunities only during April and May 2018.
Most decisions on the allocation of funds to NGOs were made in November and December 2018, so many of the funded NGO projects will be implemented in 2019. A database on the NGO projects receiving public funds at the national level has not yet been created, but is expected to be designed in 2019. The Ministry for Human and Minority Rights, the Ministry of Labor and Social Welfare, and the Ministry of Transport identified the protection of persons with disabilities as a priority area for financing NGO projects and programs in 2018, on the basis of which they were supposed to allocate the legally prescribed amount of 0.1 percent of the budget. The Association of Youth with Disabilities of Montenegro and Union of the Blind of Montenegro have criticized the procedure for allocating these funds because the Ministry of Labor and Social Welfare required all NGOs receiving funding to acquire licenses, although most organizations do not foresee the provision of services requiring such licenses.

The Ministry of Public Administration allocated about EUR 850,000 for the co-financing of projects and programs financed by the EU in 2018, but these funds were also delayed.

Decisions on determining the priority areas and the amount of funding for NGO projects and programs in 2019 were delayed by three and a half months. Ultimately, fifteen ministries proposed and received funding for NGO projects and programs for 2019 in twenty areas of public interest. The Ministry of Finance and the Ministry of Foreign Affairs did not propose priority areas for financing of NGO projects for 2019.

The government's support to CSOs at the local level is still insignificant. Local self-governments do not allocate funds in a transparent manner, and personal relations continue to be more important than the quality of projects when making decisions.

In 2018, the Regional Program on Local Democracy in the Western Balkans (ReLOaD), which is focused on strengthening partnerships between local self-governments and CSOs, launched a grant competition for projects implemented by NGOs from Podgorica and Pljevlja. The program is funded by the EU and implemented by the United Nations Development Program (UNDP). In addition, ReLOaD launched a grant competition in cooperation with the municipalities of Kotor and Tivat, for which any NGO can apply as long as it has a cooperation agreement with an NGO from one of these cities.

Montenegrin CSOs are still heavily dependent on funding from international donors, including the EU and various embassies. EU grants are generally available to a limited number of well-developed CSOs capable of meeting the strict requirements for funding, with smaller CSOs sometimes serving as partner organizations. The EU-funded Civil Society Facility program was not launched in 2018.

Most CSOs do not have diverse sources of funding, as individual philanthropy, in-kind support, volunteerism, and corporate social responsibility (CSR) are still underdeveloped in Montenegro. However, several companies, such as the Brewery Trebjesa, Telekom, and Telenor, regularly fund CSO projects in fields such as environmental protection and sustainable development, education and culture, and digital technology. The development of individual philanthropy is constrained by the lack of trust in Montenegrin society and the limited awareness of the importance of such activities. However, some CSOs do raise funds from individuals. For example, the Food Bank sought funds from individuals during 2018 to provide support to persons and families in need.

The Law on NGOs allows NGOs to carry out economic activities and several CSOs provide fee-based services and products.

Well-developed CSOs generally have one or two employees responsible for financial matters. The same accounting rules apply to CSOs and other legal entities in Montenegro, which is challenging for CSOs with little or no revenue. CSOs generally adhere to these rules, largely by outsourcing these services to accounting companies. According to the Strategy for Enhancing Conducive Environment for Activities of NGOs, most CSOs are considered micro legal entities, which are required to submit a balance sheet, income statement, and statistical annex to the Tax Administration.

Annual financial audits are not mandatory under domestic laws, but are required for EU-funded projects above EUR 60,000. CSOs rarely publish these reports, however. Amendments to the Law on NGOs removed the previous requirement for NGOs with annual revenues above EUR 10,000 to publish financial reports on their websites as it implies that an NGO must have its own website.
**ADVOCACY: 3.5**

CSO advocacy did not change significantly in 2018.

The Law on State Administration stipulates that state administration bodies shall cooperate with NGOs during the process of conducting public hearings, preparing laws and strategies, and the work of working groups and other bodies. However, the Law stipulates that public hearings are not mandatory when regulating defense and security issues, the annual budget, in emergency, urgent, or unforeseeable circumstances, or in situations where the law does not specify a substantially different issue. The NGO sector criticizes these exceptions for limiting the possibilities of influencing decision-making processes.

The procedures for organizing public hearings are often not respected or respected only partially. In addition, CSOs complain that their proposals are often not accepted. An illustrative example is the Law on Public Procurement, for which the government rejected 80 percent of the comments received from the public, according to the Institute Alternative. There are also examples of the government completely circumventing public hearings when important regulations are adopted. For example, the government adopted the Law on Free Access to Information without organizing any public debates.

In mid-2018, the government adopted a decree on the election of NGO representatives into working bodies of the state administration and conducting public consultations in drafting laws and strategies, thereby consolidating two decrees that previously regulated these issues. According to a report by the Ministry of Public Administration (hereinafter, the Report), the previous decrees were not implemented consistently in 2017. The previous Decree on the Manner and Procedure for Cooperation between State Administration Bodies and NGOs prescribed the publication of work programs, work reports, and contact persons in charge of cooperation with NGOs. According to the Report, in 2017, 33 percent of ministries did not publish work programs, and approximately 17 percent of them did not publish work reports. Details on contact persons were not published by 15 percent of the bodies. The new decree does not prescribe these obligations, but the Law on Free Access to Information still requires the publication of work programs and work reports by all authorities. The new decree also abolished the obligation of appointing a civil servant or employee in charge of cooperation with NGOs. The Strategy for Enhancing Conducive Environment for Activities of NGOs states that contact persons for co-operation with NGOs should be recognized as key persons for the process of public consultation in ministries.

The Law on NGOs obligates the government to consult NGOs when determining priority areas of public interest and the amount of funding for NGO projects and programs. The Report states that the ministries that programmed funds in 2017 for the following year fulfilled this obligation.

Participation in working groups and bodies formed by state bodies represents the dominant form of cooperation between NGOs and state administration. Notably, Montenegro is the first country to include NGO representative in working groups for negotiating chapters for EU accession. In 2017, eighty-nine public calls were announced, mostly by ministries, for the election of NGO representatives in ninety-seven working groups. In almost half of these cases, there was no interest by NGOs in participating in these working groups. According to the Report, sixty-two NGO representatives were selected to participate in working groups in 2017, although no information was provided on the memberships of some working groups. CSOs often complain that their participation in working groups is meaningless and that they are only included to meet formal requirements. The EC’s last report recognizes the need to strengthen consultation processes.

Ministries do not generally publish the list of laws for which they will be conducting public hearings during the year. The practice of publishing reports on public hearings is also inadequate. According to the Report, in 2017, 72 percent of ministries failed to publish their annual plans for public hearings. In the same year, forty-four calls for public hearings on draft laws were published, while only thirty reports on public hearings were published.
Amendments to the Law on Free Access to Information adopted in 2017 regulate the reuse of information, in accordance with EU standards. However, the amendments also introduced new restrictions on access to information related to business or tax secrets, creating a risk that documents will unjustifiably be claimed to contain such secrets.

There were examples of successful CSO advocacy initiatives in 2018. Several leading national-level NGOs continued to monitor areas related to EU negotiations such as judicial reform, the fight against corruption and organized crime, public administration reform, and media freedom. These NGOs used standard advocacy techniques, including submission of annexes to EU Progress Reports. In November, the temporary Parliamentary Committee on Further Reform of Electoral and Other Legislation was established; representatives of three NGOs are on the Committee. The Committee is obliged to prepare and submit to parliament proposals for amendments to laws and other acts by the end of September 2019.

During 2018, CSOs also engaged in advocacy focused on the protection and promotion of human rights, in particular the Roma, Ashkali, and Egyptian (RAE) and lesbian, gay, bisexual, transgender, and intersex (LGBTI) populations. In November, the NGO Queer Montenegro organized the sixth Pride Parade, which passed without incident.

CSOs also worked to suppress hate speech, violent extremism, and radicalization. Forum MNE and Center for Democratic Transition (CDT) became members of the Operational Team for Implementation of the Countering Violent Extremism Strategy. In order to raise public awareness and encourage dialogue and better understanding of various forms of violent extremism and radicalization leading to terrorism, the Ministry of Interior and CDT, in cooperation with the OSCE Mission in Montenegro, prepared the National Platform for Countering Violent Extremism at the end of the year. The Platform will gather representatives of competent state institutions, local self-government, media, political parties, NGOs, religious communities, academia, and individuals that can contribute to countering these phenomena.

The Law on Local Self-Government, which regulates cooperation between CSOs and local authorities, is still implemented inconsistently. CSO participation in decision making at the local level is limited, with the exception of the capital, where most well-developed organizations are located.

The Strategy for Enhancing Conducive Environment for Activities of NGOs provides for the establishment of a new Council for Cooperation with NGOs. In mid-2018, a decision was passed that amended the mandate and composition of the Council, which had not been functioning due to a boycott by its members. The new decision reduces the Council’s competence to: monitoring implementation of the Strategy and Action Plan, giving opinions on draft regulations and documents related to the work and development of NGOs, and giving opinions on their application. Further, the decision reduces the number of Council members from twenty-three to thirteen, and reduces their term to three years, instead of four. The Council is chaired by the Minister of Public Administration and consists of six representatives of the state administration and six NGO representatives. The procedure for electing new council members was completed in September, following three public calls to nominate NGO members.

The Rulebook on Internal Organization and Systematization of Job Positions of the Ministry of Public Administration, adopted in September 2018, established the Directorate for Good Governance and NGO Action, consisting of three divisions: Division for Management and Monitoring of the Public Administration Reform Process; Division for Registration, Registry of Non-Governmental Organizations and Political Parties; and Division for Cooperation with Non-Governmental Organizations. The Ministry stated that it made these changes in order to consolidate all activities regarding the registration, records, financing, and cooperation with NGOs.

**SERVICE PROVISION: 3.9**

CSO service provision did not change significantly during 2018.

Montenegrin CSOs are primarily providers of social services, notably services to vulnerable groups. Licensing procedures in this area are complicated and involve very demanding requirements. Human Rights Action and the Trade Union of Media of Montenegro provide free legal services and advice to journalists. CSOs also provide training and consultancy services on project planning and management, which are generally offered free of charge with the support of foreign donors.
CSO services are generally offered to constituencies beyond their members, without discrimination. Some organizations conduct surveys and other forms of research to identify beneficiary needs. Several CSOs provide fee-based services and products. However, social entrepreneurship is not sufficiently developed or legally defined in Montenegro. An analysis of the needs of social enterprises conducted by CRNVO in 2016 identified sixteen active social enterprises, fourteen of which operate as NGOs. These mainly produce souvenirs and other decorative items, garments, household articles, and promotional office supplies. Social enterprises still rely on external financial support, from both the government and EU Instrument for Pre-Accession Assistance (IPA) funds. The Strategy for Enhancing Conducive Environment for Activities of NGOs recognizes the importance of social entrepreneurship. However, the only relevant activity envisaged by the Action Plan for the Strategy is the development of an online manual on social entrepreneurship. While this should have been completed in the third quarter of 2018, it was not possible to find a manual on the website of the Ministry of Economy at the time of writing this report. The National Strategy for Employment and Human Resources Development 2016-2020 also recognizes social entrepreneurship as a strategic priority, but the related action plans do not define specific activities in this area. The Law on Professional Rehabilitation and Employment of Persons with Disabilities regulates the establishment of work centers and protective workshops for persons with disabilities, which are considered to be forms of social enterprises. The same law provides for subsidies for employers that employ persons with disabilities.

**SECTORAL INFRASTRUCTURE: 3.6**

The infrastructure supporting the CSO sector did not change significantly in 2018.

The main intermediary support organizations (ISOs) and CSO resource centers are CRNVO and FAKT. In October, CRNVO established a resource center for CSOs in Podgorica with the support of the EU Delegation to Montenegro. The resource center joins four local resource centers created through a CRNVO project in the past: NGO Bonum from Pljevlja, NGO Nada from Herceg Novi, Novi Horizont from Ulcinj, and the Democratic Center of Bijelo Polje. Over the next three years, these resource centers will provide support to CSOs and individuals including capacity-building programs, help desk services, research, and event organization.

FAKT continues to be the only local donor in Montenegro offering grants to informal groups. In 2018, FAKT awarded around EUR 167,000. Of this, EUR 100,000 came from EU funds while the rest came from the US Embassy in Montenegro.

Two large coalitions of CSOs in Montenegro occasionally advocate to improve the environment for the functioning of CSOs. Together Towards the Goal has almost 100 members and Open Platform has about 30 member organizations. In addition, there are examples of CSO coalitions focused on specific topics, such as the Roma and Egyptian Integration Coalition, the Coalition Together for LGBTI rights, and Coalition 27 for environmental protection.
Many EU-funded projects have training components. FAKT also offers training and other activities aimed at developing the capacity of organizations involved in its projects.

Intersectoral partnerships between CSOs and the media are common. Many projects funded by the EU require the establishment of partnerships with the media sector to promote certain goals. The Center for Investigative Reporting, which was founded by the newspaper Vijesti, and NGO Lupa, established by a group of journalists, cooperate with domestic CSOs to highlight issues related to the abuse of public funds and public policy reforms. Partnerships between CSOs and businesses are still limited and only established for specific topics and purposes, such as technological progress, environmental issues, and assistance to vulnerable groups.

**PUBLIC IMAGE: 4.2**

CSOs’ public image was tarnished slightly in 2018. The deep division and polarization of the media in Montenegro influences media coverage of CSO activities. Media is deeply divided into pro- and anti-government camps, and report selectively in accordance with their editorial policies. In addition, the extent to which CSOs are present in the media is often dictated by their capacities.

There were examples of negative media coverage of specific CSO activities in 2018, as well as some media campaigns against individuals from the civil sector, including incidents in which right-wing parties and groups questioned the legitimacy of NGOs by labeling them “traitors” or “Sorosoids.” However, there are also positive examples of cooperation that are reflected through different partnerships between CSOs and the media, including the organization of joint TV shows or specific informative sections. For example, the media use research and other NGO products as relevant sources of information. Moreover, NGO representatives appear regularly in the media as interlocutors for the topics they deal with.

According to the latest public opinion polls, the level of trust in NGOs did not change significantly in 2018. Research conducted by the Center for Democracy and Human Rights (CEDEM) found that public trust in NGOs was 43 percent in December 2017 and 41.2 percent in December 2018.

Cooperation between NGOs and state administration bodies most often depends on the openness and willingness of the leadership of these bodies. The business sector treats CSOs as valuable actors in community development and supports numerous CSO initiatives, but there is significant room for improvement in this cooperation.

A small number of CSOs have public relations (PR) strategies. CSOs with larger capacities often engage either journalists or agencies providing PR and production services. Well-developed CSOs allocate additional funds to improve their communications and promote their activities on social media. Often such CSOs have employees responsible for carrying out these activities. Self-regulation in the sector is still insignificant. The coalition Together Towards the Goal has a code of ethics, but it is unknown how widely it is implemented. The Law on NGOs stipulates that NGOs shall determine in their statutes the manner of publicizing their work. Larger organizations publish annual narrative and financial reports with information on their work, including executed projects, activities, budgets, and donors, on their websites.
After the political turbulence that marked the past few years, the situation in North Macedonia stabilized in 2018, with the new government taking positive but limited measures to increase the transparency and openness of state institutions.

In June 2018, Greek Prime Minister Alexis Tsipras and Macedonian Prime Minister Zoran Zaev announced an agreement on the long-standing political name dispute. Under the Prespa Agreement, the Republic of Macedonia is to change its name to the Republic of North Macedonia, which will allow processes to join the North Atlantic Treaty Organization (NATO) and negotiations to enter the European Union (EU) to begin.

Public opinion on the agreement was split both during the negotiations and after the agreement was announced. A referendum was held on September 30 that asked voters whether they support EU and NATO membership by accepting the Prespa Agreement. Although voter turnout was 36.9 percent, less than the minimum 50 percent prescribed by law, 91.5 percent of those who voted supported the agreement, with only 5.6 percent voting against it. In spite of the low turnout, Western leaders commended the result and the prime minister urged parliament to start the process of amending the constitution. In January 2019, parliament approved a constitutional amendment approving the name change, which entered into force on February 12, 2019, following the ratification of the agreement by the Greek parliament.

Overall CSO sustainability improved slightly in 2018, with improvements noted in all dimensions of sustainability except for organizational capacity, which remained stable. The legal environment improved slightly as the institutional prosecutions of a number of CSOs noted in previous years’ reports were closed in 2018. Increases in public funding, corporate support, and local fundraising bolstered CSOs’ financial viability. There were increased opportunities for CSOs to participate in decision-making processes, including through consultations and working groups, and several successful CSO-led advocacy initiatives. There was also a slight improvement in service provision, especially the provision of social services, with the Ministry of Labor and Social Policy demonstrating a willingness to increase funding to and cooperation with civil society actors. The infrastructure supporting the sector strengthened with the establishment of new resource centers and increased cooperation within the sector. The CSO sector’s public image also improved slightly, although CSOs continued to be affected by the negative campaigns targeting the sector in previous years.

According to the Central Registry of North Macedonia (CRNM), there were 14,291 registered CSOs in the country in 2018. Although CRNM provided basic data about the civil sector for free in 2018 within the framework...
of the Open Government Partnership (OGP), challenges related to its precision, usefulness, and timeliness persist. In accordance with the new government’s recommendations, CRNM provides free information to journalists, but not to CSOs.

**LEGAL ENVIRONMENT: 3.9**

The legal environment governing CSOs improved slightly in 2018, as a result of changes in the tax policies that affect CSOs’ work. In addition, CSOs were no longer subject to the state harassment that plagued the sector in 2016 and the first half of 2017.

The Law on Associations and Foundations (LAF) continues to provide a relatively favorable framework for the registration and operation of associations and foundations. Registration can be completed in a maximum of five days and costs less than EUR 50. The LAF is sufficiently clear with respect to organizational governance, permissible activities, reporting obligations, and other aspects of CSOs’ operations.

The Law on Money Laundering and Financing Terrorism, which was adopted in 2018, poses some possible threats to CSO operations. According to the law, all legal entities, including CSOs, need to declare their “real owners” and keep data about these “owners” in a certain manner; if those obligations are not met, they could be fined up to EUR 10,000. The law includes all CSOs in the high-risk category of legal entities, especially in terms of donations from high-risk countries. The new law has not had any effect thus far, but CSOs fear, for example, that if a bank cannot identify the real owners of a CSO, it could refuse the CSO as a client.

In 2016 and 2017, the previous government initiated investigations, including financial inspections by six different institutions, into twenty-two CSOs critical of the government. While the Ministry of Interior announced in November 2017 that its investigations were closed, proceedings by the Public Prosecutor and the Public Revenue Office were still open in 2018, as there are no time limits on these cases. Because of this, the targeted CSOs cannot obtain documents from the Public Revenue Office regarding taxes paid in previous years, which greatly limits their abilities to apply for funding.

Since 2015, CSOs have raised concerns over the definition in the Penal Code regarding the term “public official,” which includes CSO managers. This means that CSO managers are subject to the same obligations as ministers, members of parliament (MPs), and other government officials, and can be investigated for abuse of official duty, in violation of international standards and practices. In 2018, the prosecutor’s office in Gevgelija and Prilep initiated proceedings against representatives of two CSOs for abuse of official duty based on violations of the Penal Code.

There are no legal restrictions on CSOs’ access to resources. CSOs may earn income and charge fees for goods and services. As legal entities, CSOs may compete for government procurements. They are also free to organize fundraising campaigns and allowed to accept funds from foreign donors.

In 2018, the Law on Profit Tax was amended. For the first time, these amendments make it clear that CSO income, with the exception of profits earned through economic activities, is not subject to this law. Before this law was enacted, various government institutions had different interpretations on CSOs’ obligations to pay profit tax, which led CSOs to be treated inconsistently.

CSOs can access legal assistance from local experts, such as the Macedonian Young Lawyers Association (MYLA) and others. CSOs can also access some legal advice through resource centers based in the capital, as well as a couple of other cities in the country. Some donors, including the EU, recognize and fund these activities.
**ORGANIZATIONAL CAPACITY: 3.7**

The organizational capacity of CSOs did not change significantly in 2018.

CSOs are still learning how to communicate with their constituencies. According to the CIVICUS Civil Society Index (CSI) 2018 implemented by Studiorum and the Macedonian Center for International Cooperation (MCIC), there was significant deterioration in the participation of citizens in societal and political issues. According to the survey, citizens are less engaged due to personal reasons, and partly due to lack of information, trust, and access to CSOs.

Strategic planning practices in the civil society sector did not change in 2018. For the most part, CSOs only undertake strategic planning when donors support such activities. In 2018, for example, the Civica Mobilitas program, which is funded by the Swiss Agency for Development and Cooperation (SDC) and implemented by MCIC, provided such support. The USAID-funded Civic Engagement Project (CEP) also provides its grantees with extensive multi-year capacity development assistance, including organizational and advocacy capacity assessments and assistance drafting or updating strategic plans, capacity development plans, and annual work plans.

According to the 2018 CSI, many organizations do not have functional governing bodies and do not distinguish between the roles of the executive and managing bodies when it comes to decision making.

Data from CRNM indicates that the CSO sector employs approximately 1,900 people. CSOs continue to face challenges with staffing. Many employees do not consider CSOs as attractive employers because they are unable to offer long-term employment. CSOs, along with other employers, face a lack of human capital at the local level, as many qualified employees seek employment in the capital. There has also been a general brain drain of youth out of the country over the past decade. CSOs’ worsened public image in recent years has exacerbated CSOs’ staffing problems, as fewer people want to work in the sector. According to the 2018 CSI, organizations still do not have quality human resource management practices. Only 37.9 percent of CSOs have written equal opportunity policies, 11.9 percent of CSO employees are union members, and 34.5 percent of CSOs have publicly available policies and working standards.

The culture of volunteering is weak and there is little or no practice of young people acquiring experience through internships. According to the Charities Aid Foundation’s 2018 World Giving Index, only 5 percent of respondents in Macedonia reported volunteering during the reporting period in 2017, the second lowest level recorded out of 143 countries.

Most CSOs have access to the internet, smartphones, and other types of equipment, although not all donors allow funds to be used for equipment purchases. According to the 2018 CSI, 40.7 percent of respondent organizations have active websites and most CSOs use social media as their primary tool for sharing information and reaching constituents.

**FINANCIAL VIABILITY: 4.2**

The financial viability of the CSO sector improved slightly in 2018 as public funding, corporate support, and local fundraising all increased.

Although CSOs are increasingly aware of the need to diversify their funding, there is no data demonstrating the extent to which they have been able to do this. In general, larger CSOs have longer-term funding from a few donors, while the majority of CSOs depend on one or two donors for short-term funding. Foreign donations are the main source of funding for CSOs.
According to the 2018 government budget, the total amount of central government funding for all nonprofit organizations, including CSOs, political parties, trade unions, sports clubs, and others, under Budget Line 463 will increase from EUR 8 million in 2018 to EUR 12 million for 2019. Eight state institutions provide funds for CSOs, among which the Ministry of Labor and Social Policy and the Agency for Youth and Sport have the largest budgets. In 2018, the Agency for Youth and Sports allocated funds for youth CSO initiatives for the first time (previously, funds were only distributed to sports associations), and its budget for CSO initiatives in 2019 increased significantly. The Agency also adopted a Rulebook on procedures and criteria for awards, which was developed in consultation with CSOs. The Ministry of Labor and Social Policy also increased its funding for CSOs in both 2018 and 2019. The new government strategy for CSOs, adopted in October 2018, includes a commitment to public funding for CSOs, as well as a fund to co-finance EU projects, which will be initiated in 2020. As in 2017, the government did not publish a call for proposals for CSOs through the Unit for Cooperation with CSOs in 2018.

There are still several problems with government funding. Most notably, most public institutions awarding grants lack clear criteria, rules, and procedures, especially on reporting and ensuring transparency and accountability of the funds awarded. In addition, much of the public funding distributed under Budget Line 463 is awarded to sports clubs, including private sports clubs that are for-profit legal entities. Finally, the state still does not provide any funding for institutional support, which CSOs need in order to sustain their operations and stay true to their missions and objectives.

In 2018, CSOs increasingly recognized the importance of raising funds from the business community. There was significant interest in the small grants offered by the EU through the Association Konekt for local mobilization of resources and partnerships with the business sector. In addition, an increased number of companies sought partnerships with CSOs through Konekt’s matching services. Research by Konekt in 2018 on corporate social responsibility (CSR) practices among companies in North Macedonia indicates that 38 percent of the 105 companies surveyed cooperated with CSOs. Positive examples include EVN’s Volontira Programme, in which over 500 employees volunteered in local communities throughout the country, and Pivara Skopje, which offers paid days to its employees to volunteer in the community.

Local fundraising efforts are also increasing. There were 139 CSO applications for grants in response to an open call supported by Konekt that was aimed at promoting CSO financial sustainability through intersectoral partnerships and local fundraising. Through this program, the CSO Bravura in the town of Delcevo raised EUR 8,000 for people with disabilities, while the CSO Open the Windows raised EUR 17,000 from companies in just a few months. In 2018, Konekt organized the first donation circle in the country, joining fifty individual donors together to support three CSOs with different missions. Through a mentoring and coaching program, CEP helped grantees improve their sustainability and engage broader segments of society to become financially stable. Grantees received assistance in how to develop social marketing and fundraising skills and how to cultivate individual and corporate domestic donors.

According to the 2018 World Giving Index, 26 percent of respondents in Macedonia reported that they donated to charities in 2017, significantly less than the 39 percent recorded in 2016, when the country was ravaged by floods, but the same level as in 2015.

The level of foreign funding did not change notably in 2018. The EU, SDC, and USAID continue to be the main donors that support CSO activities. All three donors award some institutional or operational grants that allow CSOs to adopt more strategic approaches that can achieve real change. In general, donors support activities in areas such as good governance, anti-corruption, human rights, social inclusion, environmental issues, minority rights, interethnic relations, and gender.
The extent to which CSOs engage in income-generating activity did not change significantly in 2018. According to MCIC’s 2018 Report on Enabling Environment for Civil Society, only 20 percent of CSOs generate income from economic activities.

There was also increased interest in social entrepreneurship during the year, much of which is driven by the availability of donor funding for this purpose. At least three institutional grantees (Izbor, Women of Sveti Nikole, and Planetum) used financial support from Civica Mobilitas to develop concepts for social enterprises that will improve their long-term organizational and financial sustainability. CEP grantee Association for Research, Communications, and Development Public is working to improve policies and operations for social enterprises and CSOs that respond to the needs of marginalized groups and facilitate their employment. In cooperation with the Ministry of Labor and Social Policy, Public is also working on a new National Strategy for Social Entrepreneurship.

Many CSOs do not have proper financial management systems. According to the CSI 2018, there was a decrease in CSOs’ transparency as CSOs failed to publish annual reports as required by the law.

**ADVOCACY: 3.4**

CSO advocacy improved moderately in 2018. As a result of the new government’s more positive approach towards civil society, CSOs are now involved in decision-making processes and reforms on all levels of the government and had several notable advocacy successes during the year.

As noted in the CIVICUS Monitor, space for CSOs in Macedonia improved in 2018. The government actively included CSOs in working groups on a variety of policies, strategies, and laws. For example, CSOs were involved in the government’s fight against corruption, including the working group responsible for preparing the new Law on Prevention of Corruption and Conflict of Interests. CSOs were also invited to monitor tender procedures and to participate in the committees that decide on public procurements. Some institutions, such as the Ministry of Labor and Social Policy and the Ministry of Justice, had particularly good cooperation with CSOs. For example, CSOs were involved in drafting the new Law on Social Protection with a focus on the rules governing CSO providers of social services.

Moreover, the government supported the active contribution of civil society in the development of the country’s Open Government Partnership (OGP) Action Plan, which emphasizes the crucial role of civil society in ensuring that member states are inclusive, responsive, and accountable. The Action Plan also includes regular dialogue between the government and civil society, as well as the involvement of CSOs in NATO and EU accession talks.

CSOs’ involvement in the policy-making process had significant impact in 2018. In addition to the examples noted above, all of CSOs’ recommendations on the Strategy for Public Administration Reform were included in the final version of the strategy; CSOs will also be involved in monitoring the strategy’s implementation. Comments from civil society were also incorporated in the new judiciary laws. After MYLA, FOSM, the Macedonian Bar Association, and other CSOs authorized to provide preliminary legal aid expressed their concerns during a parliamentary hearing regarding the Law on Free Legal Aid, the law was withdrawn from parliamentary procedure and returned to the Ministry of Justice for further development.

In 2018, the Parliamentary Standing Committee for Human Rights Protection held a session which included a public debate about the discriminatory violations of freedom of movement of Roma citizens. The public debate was organized upon the initiative of MYLA, the Helsinki Committee for Human Rights of the Republic of Macedonia, and Kham Delchevo. The Committee concluded that the actions of the Ministry of Interior were discriminatory.

Also in 2018, the Directorate for Execution of Sanctions granted MYLA access to the prison Kazneno popraven dom Skopje, which before was strictly forbidden. MYLA and the Directorate also signed a memorandum of cooperation.
CSOs took an active role in both sides of the referendum campaigns, with some advocating in favor of the name change and others opposing it. In addition, a coalition of ten CSOs launched a campaign called Step forward! The choice is yours! aimed at informing citizens about needed reforms and the potential benefits of Euro-Atlantic membership for the country.

On the local level, campaigns organized by local CSOs in 2017 against the opening of mines in southeastern Macedonia resulted in the government terminating its agreement with the mine concessioner in Valandovo in 2018. In addition, CSO initiatives led to the adoption of Local Action Plans for Persons with Disabilities by two municipalities (Caska and Gradsko) and a Local Youth Strategy by the municipality of Krusevo.

While CSOs’ engagement in advocacy has improved, in many cases it is too early to evaluate the results of these efforts. For example, although most of the important recommendations of the Association of Journalists of Macedonia and other media organizations were incorporated in the Law on Audio and Audio-Visual Services that parliament adopted in December 2018, other laws related to media freedoms still have not been amended. In addition, CSOs still have very limited influence on some issues. For example, in discussions on the Law on Prevention of Discrimination, CSOs were able to influence the executive power’s opinions of the law, but had limited influence on members of parliament, especially those who hold negative opinions towards the lesbian, gay, bisexual, transgender, and intersex (LGBTI) community.

CSO advocacy is still limited by several factors. First, while CSOs were increasingly engaged in different policy development processes in 2018, such cooperation still depended on the personal attitudes of selected ministries and institutions. Second, CSOs are still dependent on financial support from donors for their advocacy activities, especially when engaged in long-term advocacy efforts that require the engagement of paid external experts. In addition, CSOs lack visibility and therefore often fail to get recognition for the work they are doing. Finally, there is a perception that CSOs are politicized.

After the election process for members of the Council for Cooperation of the Government with Civil Society was annulled and restarted in late 2017, an effective election was held in 2018 and the Council met eight times during the year. The Council is a consultative body of the government focused on encouraging the development of the civic sector in North Macedonia. The role of the Council is to monitor, analyze, and contribute to public policy that impacts the civic sector. Furthermore, it aims to build cooperation and partnership between the government and state bodies with civil society. The Council’s main roles include participating in the preparation and monitoring of the Strategy for Cooperation of the Government with Civil Sector; analyzing the involvement of CSOs in public policy processes; providing suggestions for financing priorities for CSOs from the state budget; reviewing the spent funds; and reviewing CSO initiatives and providing opinions.

In September 2017, the Government Unit for Cooperation with CSOs issued a public call for consultations with CSOs on the creation of a new governmental Strategy for Cooperation with and Development of Civil Sector. The process resumed in 2018 with the organization of working group meetings and wider consultation events with CSOs, both online and in person. The resulting draft strategy contains three strategic goals: the normative, institutional, and financial framework for civil society development; democratization, active participation of the civil sector in societal processes, policy creation, and monitoring with a particular focus on EU integration; and the civic sector as an actor in socio-economic development. In September 2018, the strategy was reviewed at the 88th government session, but was not adopted because of the Ministry of Finance’s opposition to the proposal to establish a government fund to co-finance CSO projects funded by foreign and domestic donors. The strategy, including the establishment of the co-funding component, was finally adopted in October 2018.

**SERVICE PROVISION: 3.6**

CSO service provision improved slightly in 2018 as a result of increased cooperation with state institutions, especially in the social services field. The Ministry of Labor and Social Policy and the Ministry of Health work extensively with CSOs. For example, the Ministry of Labor and Social Policy provided over MKD 109 million (approximately $2 million) in funding to CSOs in 2018 to provide various types of social support to vulnerable groups, a significant increase from the approximately MKD 85 million (approximately $1.6 million) provided in 2017. In addition, the Ministry of Labor and Social Policy reactivated Roma information centers across the country that provide legal assistance for Roma people, and adopted and started to implement a policy to deinstitutionalize care for disabled people, something that CSOs have long advocated for.
CSO service provision is limited by the fact that CSOs only receive annual contracts with limited funds, which prevents them from investing in the long-term development of their services. In addition, according to a report on the CSO enabling environment done by MCIC, little progress has been made on introducing proper rules to ensure transparency and accountability in the usage of public funds. To improve transparency, for example, ministries need to develop long-term strategies and publicize their results and selection procedures.

In 2018, CSO service provision increasingly expanded beyond traditional social services. New services provided included psychological support, new food providers for the homeless, and free legal aid.

Some CSOs approach their constituencies directly to determine their needs and include them in programming. For example, the Red Cross in the Lake Ohrid region gathered input from its constituencies when determining the need to establish a mountain rescue center in order to promote safe adventure tourism.

CSOs distribute and offer their publications to other organizations, relevant government institutions, and academia free of charge. CSOs generally provide their services without discrimination.

CSOs rarely get paid for their expertise or services, although there are some examples of CSOs that provide paid services. For example, the social enterprise Kopce charges symbolic prices for the clothes it makes and sells in order to cover the costs of employing people from vulnerable groups. Organizations that provide services are generally dependent on donor funding. The government does not sufficiently understand the importance of some CSO services, such as free legal aid, or provide any real support to them.

**SECTORAL INFRASTRUCTURE: 3.1**

The infrastructure supporting the CSO sector improved slightly in 2018, primarily due to the establishment of new resource centers and increased cooperation within the sector.

The National Resource Center for CSOs was established in February 2018 with funding from the EU. The National Resource Center is managed by MCIC and two partner organizations. In addition to the office in Skopje, two more offices—in Stip and Gostivar—began operating in April 2018 as part of this project. These resource centers provide CSOs with a variety of free services, including space for meetings and events, information about available funding, information on new laws that affect CSOs, training on different topics, and small grants. Intermediary organizations and resource centers, as well as their programs, are almost exclusively donor-funded; CSOs are still not able to pay for such services.

Several local organizations and programs provide financial support to CSOs. The SDC-funded Civica Mobilitas program officially ended in 2018, but a new four-year project was announced that will start in January 2019. MCIC will continue to implement the new program. Under the USAID-funded CEP, two local organizations that serve as sub-contractors offer grants to CSOs. The Delegation of the European Union (DEU) has awarded several projects that have sub-grant components to reach many CSOs, especially at the grassroots level. There are no local community foundations in North Macedonia.
CSOs implemented several joint initiatives in 2018, including an initiative to develop a model for civil society involvement in the EU accession process. An increasing number of informal networks focused on themes such as justice, anti-discrimination, fiscal transparency, and anti-corruption receive funding from donors to fulfil their goals. The growth of coalitions and networks is also visible in the number of effective advocacy efforts during the year. The Fiscal Accountably, Sustainability and Transparency (FISCAST) Network worked with eleven municipalities and local CSOs on participatory municipal budgeting. Over twenty organizations were involved in the initiative Not in Our Name, which demanded the withdrawal of a draft law amending the Criminal Code, since the amendments provided lighter punishment in cases led by the Special Prosecutor’s Office. The Civitax Group aims to analyze, research, and advocate for fiscal changes affecting CSOs, academic institutions, and individuals. In 2018, it provided an opinion on fiscal reforms. In 2017, eighty CSOs initiated the Network for Financial Sustainability, which started to operate in 2018. It has an advocacy focus but will also provide information to organizations on how to raise funds, manage their taxes, and deal with other fiscal matters. While there has been significant growth in the formation of joint initiatives and coalitions, networks formed to respond to calls for proposals are often not sustained once funded projects come to an end.

Resource centers provide trainings on topics such as good governance, institutional development and organizational strengthening, public relations, fundraising, transparency and accountability, and networking. Trainings usually take place in the capital, with the resource center providing transportation and accommodations.

There are some examples of cooperation with other sectors. For the first time, a multisectoral group for the prevention of corruption in the business sector was formed in 2018 in which CSOs participate along with the Chamber of Commerce. Cooperation with media also increased in 2018.

PUBLIC IMAGE: 4.5

The CSO sector’s public image improved slightly in 2018, although CSOs continued to be affected by the negative campaigns targeting the sector in previous years.

According to the CIVICUS Monitor, despite the government’s more positive attitude towards civil society in 2018, the opposition continued to attack civic groups by alleging their involvement in money laundering schemes involving the ruling party and unlawful tender procedures. Civil society has struggled to regain the public’s trust after this long, negative campaign. Recent research by the association Public called “The Civil Sector and Changes in Society” found that 60 percent of Macedonians view civil society negatively. This is compounded by the fact that individuals do not understand the role of civil society, even in cases where CSOs have demonstrably spearheaded positive societal change.

Despite this, the public increasingly believes that civil society influences change in society. According to the 2018 CSI, 65.3 percent of respondents perceive CSOs as having influence, an increase from 60.4 percent in 2016. A majority of people (78.3 percent) believe that CSOs have substantial or some influence in areas such as poverty reduction, support to marginalized communities and vulnerable groups, education, humanitarian assistance, health care, employment, and the environment, while 21.7 percent believe CSOs have limited influence.

Public trust in media is still low (41.1 percent, according to the CSI). The number of threats against journalists and CSOs declined from eighteen in 2017 to six in 2018; however, there are also still no sanctions against such behavior.

Overall, CSOs have a good reputation and social capital in the media. CSOs are regularly invited to participate in media programs and to share their expert opinions in political debates.
After the Colorful Revolution, several prominent CSO activists and representatives entered the government or were elected to parliament. This triggered discussions about the role and motives of civil society and could potentially have negative effects on the sector’s public image.

As described throughout this report, CSOs enjoyed a positive reputation with the government in 2018. During the year, the government relied heavily on CSO expertise in the development of many policy documents and strategies. For example, changes were implemented to the Law on Public Procurement after consulting with 500 CSO representatives. No research or data is available on the business sector’s perception of civil society.

More CSOs have communication strategies than in previous years. CSOs rely on social media to promote their achievements and to communicate with their constituencies.

In 2018, CSOs initiated efforts to self-regulate and improve transparency and accountability standards in the sector. With financial support from the EU, ten CSO implemented projects in 2018 aimed at improving CSO transparency and accountability. The projects focused on issues such as improving CSOs’ internal rules and procedures, good governance practices, and monitoring and evaluation strategies.
In 2018, the government of Poland, led by the Law and Justice (PiS) party, reduced the intensity of its previous efforts to reform the constitutional system and weaken the separation of powers in the country. In response to public resistance and pressure from European institutions, the government withdrew some proposed changes concerning the functioning of the Supreme Court, including those that lowered the retirement age for Supreme Court judges. Despite this, the European Commission continued to look into violations of the rule of law in Poland, including a new disciplinary procedure for judges and changes to the method of appointing members of the National Council of the Judiciary, the constitutional body that supervises the work of all judges in the country. In September, the Commission asked the European Court of Justice (ECJ) to determine if the new Polish Law on the Supreme Court violated the principle of judicial independence. The case was pending before the ECJ at the end of the year.

CSO sustainability deteriorated slightly in 2018, as political polarization in the country continued to affect the work of CSOs. Organizations focused on issues conflicting with the conservative government’s agenda, including human rights, anti-discrimination, women’s rights, and environmental protection, had limited access to public funding and continued to be presented in a negative light by media controlled by the government and media with close ties to the ruling party. Moreover, the quality of civic dialogue has deteriorated, and public consultations were rarely used in a meaningful way. Some local authorities and businesses also exhibited negative attitude towards CSOs. Local elections held in October exacerbated such tensions at the local level.

The National Center for Civil Society Development (NCRSO), a government agency established in 2017 to distribute all public funds dedicated to civil society development, thereby centralizing government supervision over the sector, continued to develop new programs to support civil society. However, the guidelines developed for these programs were problematic, allowing room for arbitrary decisions in the allocation of public funds. Although public consultations were formally held on the guidelines, the government failed to address any of the critical remarks submitted by CSOs. Given the government’s practice of providing more financial support to organizations

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1 Scores for three of the seven dimensions of CSO sustainability—Organizational Capacity, Advocacy, and Sectoral Infrastructure—were recalibrated in 2018 to better reflect the situation in the country and to better align them with other scores in the region, rather than based on change from the previous year. This resulted in a 0.3 deterioration in the overall CSO sustainability score, which would normally represent a significant change, while in reality CSO sustainability only deteriorated slightly from the previous year.
that support its agenda, CSOs are concerned that the funds from these new programs will not be equally accessible to the entire sector.

As of the end of 2018, approximately 26,000 foundations and 117,000 associations (including 17,000 voluntary fire brigades) were registered in Poland. However, it is estimated that only about 70 percent of registered organizations, or about 100,000 associations and foundations, are active. There are also about 50,000 other entities in Poland that can be considered part of the broadly defined non-governmental sector; these include, among others, hunting clubs, trade unions, social cooperatives, employers’ organizations, rural housewives’ circles, farm circles, craft guilds, church institutions, and even under certain conditions, political parties.

LEGAL ENVIRONMENT: 2.7

The legal environment governing CSO operations in Poland worsened significantly in 2018 for the second year in a row. Although the legal framework itself was not modified, implementation of existing laws changed during the year. For example, some registration courts applied non-statutory requirements that prolonged the registration process for a few CSOs—including watchdog organizations and an association of transgender people. There was some speculation that these incidents may have been related to the local elections held in October 2018, as some of the people involved in establishing these CSOs were also candidates for office. Despite these incidents, registration continues to be generally easy and affordable for most CSOs.

In November, the president signed into law an act on rural housewives’ circles, a traditional form of self-organization in rural areas. The new law provides these CSOs, which do not only involve women, legal personality and the possibility to apply for public funds. Previously, some of these entities registered as associations, while most operated informally. Some have alleged that the law is unconstitutional, since it only allows one rural housewives circle per village, thereby restricting the freedom of association. Moreover, the law does not allow people living in rural areas that are administratively parts of cities the right to establish housewives circles.

The Committee for Public Benefit, a government body responsible for coordinating ministerial policies related to public benefit organizations, was established in 2017. Public benefit organizations are CSOs with special status that allows them to benefit from the 1 percent income tax mechanism. In October, the chairman of the Committee issued a new regulation on reporting requirements for public benefit organizations, which allows the government to initiate inspections of these organizations without justification. At the request of the chairman of the Committee for Public Benefit, inspections had already been launched against five CSOs by the end of 2018. The official reason given for these inspections was that the organizations collect the largest amounts from the 1 percent tax mechanism. The Agora Foundation, established by the publisher of Gazeta Wyborcza, a liberal newspaper that the government views as an enemy, is one of the inspected CSOs. Despite the official explanations given, Agora Foundation is not among the top recipients of funds through the 1 percent income tax mechanism, making some question if the inspections are politically motivated.

The General Data Protection Regulation (GDPR), an EU regulation on data protection and privacy, entered into force in 2018, placing additional obligations and burdens on CSOs and other legal entities. The regulation itself does not explicitly indicate any specific means for protecting personal data or what documents should be retained to fulfill GDPR obligations. Therefore, every entity processing personal data, including CSOs, must develop their own methods to protect data adapted to their specific work. CSOs struggle to figure out their own policies to comply with GDPR, as they generally lack the financial resources or time to do so.

Public institutions harassed several CSOs and groups of individuals during the year. Organizations working on women’s rights, including BABA Association from Zielona Góra, were implicated in criminal proceedings against an official of the Ministry of Justice who was accused of fraud, although their only connection to the case was their
Receipt of public funding overseen by the accused individual. Police raided the CSOs’ offices one day after the 2017 Black Protests, which they helped organize, and seized their computers and documents (including those with personal data of their beneficiaries). In 2018, the prosecutor’s office summoned the CSOs’ representatives to testify. As a result of these actions by state authorities, some employees who did not want to be involved in the investigation left the organizations. In addition, the CSOs’ reputations in their communities were tarnished.

Other CSOs faced intensified tax inspections, which may have been related to the governmental policy of tightening tax collection. During these controls, inspectors found some minor irregularities, which could result in financial penalties.

Amendments to the Act on Free Legal Assistance that were adopted in June introduce a certification system for CSOs that provide pro bono legal help. Certification, which determines the CSOs that can serve as providers and access public funding to do so, will be awarded by government representatives at the regional level. The changes entered into force in January 2019.

In November 2017, the Ministry of Internal Affairs and Administration sued to establish receivership over the Citizens of the Republic of Poland (Obywatele RP) Foundation, which openly opposes the current government. The foundation was officially notified about the court’s decision to start the proceedings in May 2018. The ministry, which has oversight responsibility over the foundation, accused the Foundation of inciting unlawful activity and insulting the president and other executive bodies. The courts dismissed the ministry’s request in November, stating that no legal provisions had been violated.

Several local authorities attempted to prohibit the right to assembly in 2018. The authorities in Lublin prohibited the Equality Parade, while the authorities in Warsaw and Wrocław barred the Independence March. In all these cases, authorities claimed their decisions were based on security concerns. Ultimately, the courts rejected these decisions, allowing these marches to be organized.

There were also new attempts to limit CSOs’ cooperation with public schools in 2018. A smear campaign was organized against so-called Rainbow Friday Initiatives, in which CSOs focused on anti-discrimination and issues affecting lesbian, gay, bisexual, transgender, and intersexed (LLGBTI) individuals organize events in schools to raise understanding of sexual diversity. In 2018, some CSOs were prevented from entering schools to organize these events. In addition, participating teachers were harassed and some participating students had their behavior grades reduced. Similarly, authorities prevented Constitutional Week, a campaign organized by Zbigniew Hołda Association to educate secondary and high school students about the Constitution and the Constitutional Tribunal, from being organized in numerous schools and some of the judges participating in this activity were faced with disciplinary charges.

No significant changes were made to the tax policies affecting CSOs in 2018. Individual donors can still deduct eligible donations up to 6 percent of their incomes, and corporate donors can deduct up to 10 percent of their incomes. However, these exemptions are little known and rarely used. The 1 percent tax mechanism allows taxpayers to designate a portion of their income taxes to CSOs with public benefit status. In October 2018, the income tax law was revised to require electronic filing of annual tax statements, eliminating paper statements. This system, which requires entities to pay to set up and maintain an electronic signature, may disadvantage newly established and small CSOs, as there is no free-of-charge alternative. However, this change will not impact CSO operations until 2019.

CSOs can charge fees for their services, set up social enterprises, and engage in economic activities. CSOs can apply for public contracts.

Some individual lawyers and organizations, including the Polish Society for Antidiscrimination Law and the Pro Bono Center, provide legal services to CSOs. However, this assistance is dependent on the availability of project-based funding. Most CSOs lack the resources needed to protect their rights in court as civil and administrative proceedings are expensive and time-consuming. CSOs in the provinces have limited access to legal assistance. In particular, watchdog, LGBTI, women’s rights, and anti-violence organizations find it difficult to obtain legal representation; when legal assistance is available, it is often provided anonymously.
The organizational capacity of the Polish CSO sector did not change notably in 2018. However, some CSOs—particularly organizations focused on immigration and women’s rights—have scaled back their operations significantly due to problems accessing public funding.

According to a report by Klon/Jawor Association titled “The Condition of Non-Governmental Organizations 2018”, the number of people actively involved in CSOs is shrinking. In 2018, the average association had thirty members, the same number reported in the last report issued in 2015. However, the number of active members decreased from fifteen in 2015 to ten in 2018. According to the same survey, the number of CSOs that engage volunteers has increased by 2 percent over the last three years to 63 percent in 2018. However, the number of volunteers that an average CSO cooperates with decreased from ten in 2015 to six in 2018. At the same time, a survey by the Public Opinion Research Center (CBOS) from February 2018 found that two-fifths of respondents reported that they devote some of their free time to at least one civic organization, including informal organizations, an increase of 3 percent since 2016, which may indicate that the growing social energy of Poles is not being channeled into formal organizations.

Poland has seen a continuing drop in its unemployment rate and the strongest economic indicators in its history, making the labor market unfavorable for CSOs. CSOs report diminishing interest in employment or apprenticeships in the sector, in part because working conditions in CSOs are difficult in comparison to other entities. According to Klon/Jawor, the average monthly salary of a person employed in a CSO is around PLN 3,000 (approximately $800). Earnings in CSOs over the last three years have not changed at all, while they have grown in other sectors of the economy, with average monthly gross wages and salaries in the country reaching PLN 4,272 (approximately $1,100) according to the Polish General Statistics Office. According to Klon/Jawor, only 37 percent of CSOs have permanent staff, and an additional 27 percent occasionally engage people in paid work. CSOs generally employ staff on a project basis, putting positions at risk when funding is not available. The unfavorable political environment and lack of future funding prospects exacerbates this problem. In addition, CSO employees often do work for which they are not paid due to the shortage of resources. As a result of these conditions, employees with stronger qualifications often leave the CSO sector after gaining work experience.

Not all CSOs have clearly defined missions. Some CSOs have started to think more strategically as a result of the difficulties they have faced over the past few years. In addition, there has been some sector-wide reflection on the sector’s future, including during the first national gathering of CSOs in Niepołomice, financed by the Civic Fund. The unfamiliar political situation also forced some women’s CSOs to consider extending the scope of their work to continue their existence. CSOs also have started to more actively explain their work and build bonds with their constituents in response to the current situation.

According to the latest Klon/Jawor research, the average organization is governed by five people. In 59 percent of CSOs, the current boards consist mostly of the same people who held these positions in the previous term. Half of the positions in boards have been held by the same people since organizations were founded. In 2018, the number of candidates did not exceed the number of positions available on boards in 75 percent of organizations, indicating that the number of people willing to engage in CSO governance is limited.

Almost half of CSOs do not own their own computers or cellphones, as confirmed by the Klon/Jawor report. Instead, their members or activists use their private equipment for organizational work. According to Klon/Jawor,

\[2\] The score for Organizational Capacity was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score does not reflect a change in Organizational Capacity, which remained largely the same in 2018 as in 2017.
in 2018 47 percent of CSOs had both a website and social media profile, 17 percent had just a website, and 16 percent had just a social media profile.

**FINANCIAL VIABILITY: 3.1**

The financial viability of Polish CSOs deteriorated in 2018 as CSOs focused on democracy and human rights issues had decreased access to public funding.

The overall level of public funding for CSOs did not change in 2018. While some ministries, such as the Ministry of Justice, increased their funding, others, such as the Ministry of Foreign Affairs, decreased their funding levels. CSOs focused on equality, immigration, and refugee issues had decreased access to public funding, while groups declaring conformity with the ideological direction of the government (e.g. promoting Christian and national or patriotic values) received more funding during the year. While the regulations for funding competitions are theoretically transparent, they are applied inconsistently, allowing for discretionary decision making. For example, Association - Economics Science Society SENS received funding through the competition Support for Universities of the Third Age, even though it had only existed for eighteen days and experience in project implementation was one of the selection criteria; the organization’s board includes several people related to the PiS coalition. The Justice Fund awarded grants for post-penitentiary assistance to several CSOs that lacked relevant experience, but had openly declared that their activities were based on Christian values. The National Fund for Environmental Protection required that as a pre-condition for award, applicants must submit a positive recommendation from the Ministry of Environment and Chief Inspector of Environmental Protection. There have been many complaints about the transparency of funding procedures over the past three years. According to a report of the National Federation of Polish NGOs (OFOP), between November 2015 and November 2018, sixty violations of the principles of subsidiarity and partnership in cooperation with CSOs were identified in twenty-one ministries.

According to a Klon/Jawor analysis of data from five ministries—the Ministries of Justice; Foreign Affairs; Culture and National Heritage; Family, Labor and Social Policy; and National Defense—conducted in early 2018, 70 percent of funds allocated to CSOs between 2013 and 2017 went to organizations that received funding both before and after the 2015 elections, which brought the current PiS government to power. Of the remaining funding, 15 percent went to CSOs that received subsidies only under the previous Civic Platform (PO) government, while the other 15 percent went to CSOs that were only funded by the current PiS government, indicating that there has been a shift in the organizations receiving government support since 2015.

On a positive note, NCRSRO distributed funds through the Civic Initiatives Fund (FIO) for the first time in 2018. The procedure was carried out in a transparent manner and support was directed to a larger number of small organizations than before. However, CSOs have already expressed some concern about the grant rules that were published for the 2019 program, as one of the criteria is the quality of the project idea, without any clear and objective criteria for assessing this. Other new governmental programs, such as the Program for Civic Organizations Development (PROO), were prepared, but not launched, during the year.

Another potentially positive development is the government’s announcement in 2018 that it will provide support for CSOs’ endowments beginning in 2019. However, it is not known how wide of a group of CSOs will benefit from this initiative, especially considering the limited budget set aside for this activity. Therefore, the impact of this support on CSOs’ financial viability can only be assessed in coming years.

Local government funding levels did not change in 2018. Local governments continue to broadly outsource various services to organizations in fields such as social assistance, sports, and culture.
As this was an electoral year, local businesses were more cautious about supporting activities to which local authorities might object. A few companies support CSOs that no longer receive money from the government, but they do so without publicity. State-owned companies only support CSOs that are supportive of the government.

CSOs’ access to foreign funding continued to be limited in 2018. CSOs continued to be denied access to some funds granted by the European Commission. For example, the government decided to move responsibility for the Asylum, Migration and Integration Fund (FAMI) that integrates newcomers into EU member states to the voivodship level, where funds are now spent directly by the provincial governors. The government continued its dispute with Norwegian counterparts over the establishment of the new round of the European Economic Area (EEA) and Norway Grants, which includes both national and regional strands of support. When an independent consortium of Polish CSOs (consisting of Stefan Batory Foundation, Laboratory of Social Innovation and Research Shipyard, and the Academy of Civic Organizations Foundation) was finally selected to implement the national strand of these funds in late October, the Polish government threatened to not recognize this decision. The funds that were to be launched in fall of 2018 have been postponed at least another year, most likely until after the upcoming parliamentary elections. This is in the government’s interest as the funds will finance activities that do not fit into its agenda, including democratic development, public participation, and the promotion of equal opportunities. Moreover, the operator for the regional strand of support under the EEA and Norway Grants has yet to be selected, and the government continues to push for the NCRSO to play this role.

CSOs increasingly engage in fundraising initiatives, including crowdfunding for social or cultural initiatives and public collections. However, according to Klon/Jawor’s research from late 2018, public collections and private donations constitute just 7 percent of the CSO sector’s total budget. Local CSOs also are organizing more charity events for their local communities and introducing new forms of fundraising, such as giving circles (a form of participatory philanthropy where groups of individuals donate their own money or time to a pooled fund and then decide jointly what charity or community projects to support) and double challenges (a mechanism connecting individual and corporate philanthropy with venture philanthropy to support valuable social initiatives). Both are promoted by the Academy for Philanthropy Development in Poland.

In addition, more CSOs are asking individuals for donations and tax allocations from the 1 percent income tax mechanism, which has already had some positive results. The 1 percent tax collection for 2017 (the results of which were announced in mid-2018) was the largest ever, with Poles donating PLN 761.3 million (approximately $204 million), almost PLN 100 million more than in the previous year. There were also a half million more contributors, with more than 14 million people (over half of all taxpayers) taking advantage of the 1 percent mechanism. Also notable was the fact that several CSOs focused on democratic governance and the rule of law collected significant amounts through this mechanism. For example, the Foundation for Poland, which manages the Civic Fund, and Stefan Batory Foundation each collected more than PLN 1,000,000 (approximately $270,270). Watchdog CSOs such as Watchdog Poland Network and Panoptykon Foundation collected between PLN 140,000 and 350,000 (approximately $38,000 to $94,000).

CSOs’ income generating activities did not change significantly in 2018. According to Klon/Jawor, only 7 percent of CSOs earn some funds through economic activities (selling products or services). An additional 18 percent charge fees for services to earn income that supports their statutory activities. The importance of both sources of funding in CSOs’ budgets is minimal, with economic activity accounting for just 5 percent of the sector’s total budget, and paid statutory activities accounting for 10 percent.

CSO financial management systems did not change during the year. Only the largest CSOs undergo independent audits and have clear financial procedures.
ADVOCACY: 2.7

As a result of the unfavorable political circumstances, CSOs had fewer opportunities to engage in advocacy work in 2018.

According to a report by the Citizens’ Legislation Forum (OFL) published in July, the use of public consultations in legislative processes has decreased. Public consultations are rarely organized. When they are, they are often illusory and only engage a narrow group of CSOs; this was the case, for example, with the consultation for the Strategy for People with Disabilities. Furthermore, the government almost never responds to critical comments from CSOs. For example, the government ignored nearly all substantive comments received during a series of consultations on new programs to be implemented by NCRSO, including PROO. In another example, an idea to extend the system for community self-help homes for adults was discussed for twelve months in the Ministry of Family, Labor and Social Policy and then abandoned at the end without explanation. In addition, the periods for submitting comments during public consultations are very short, often just a week or even a few days and comments or suggestions filed during the public consultation process are not always published. Some documents, such as the Act on Domestic Violence, were removed from the Government Legislation Center.

The Public-Interest Committee, an inter-ministerial body led by the deputy prime minister and focused on coordinating all civil society-related governmental work, was established at the beginning of the year, but did not do any significant work in 2018.

Meanwhile, entities that used to promote cooperation and dialogue between the public administration and CSOs are no longer effective. For example, since the Citizens’ Initiative Fund (FIO) was moved from the Ministry of Family, Labor and Social Policy to NCSRO, its steering committee has met less frequently and its work is less transparent.

Advocacy activities of CSOs that are in opposition to the government have very little impact, while advocacy by CSOs promoting issues consistent with the government agenda, even controversial issues, seem to be particularly effective. For example, pro-life organizations prepared a draft law that would abolish the right to terminate a pregnancy due to severe fetal defects; the draft was accepted for the first reading in the Sejm. At the same time, an initiative demanding a woman’s right to terminate her pregnancy within the first twelve weeks was rejected.

The Ombudsman’s Office is a rare example of a public authority that listens to CSOs and widely cooperates with them in many areas. Relevant CSOs are involved in and consulted on all areas of the Ombudsman’s work. Moreover, citizens’ councils operate in the Office and support the Ombudsman in the implementation of his statutory tasks.

Despite the difficult environment, CSOs continue to engage in actions to influence the public debate by forming coalitions and drafting public letters and petitions that are signed by a large number of CSOs and individuals. The only effective advocacy activities are street-based mass protests, such as the National Strike of Women, which protested further attempts to tighten the abortion law in Poland and successfully stopped all legislative proceedings in this area. However, many such activities fail to bring change. A spectacular example of the ruling party’s disregard for advocacy was its failure to respond to the demands of people with disabilities and their guardians, who occupied parliament for forty days in the spring to demand increased financial and non-monetary support from the government. This led to a growing sense of discouragement among CSOs in 2018, with activists increasingly concluding that it is not worth doing anything.

3 The score for Advocacy was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. In addition to the recalibration, the score reflects a moderate deterioration in 2018.
CSOs’ lobbying activities also have no effect. Legal lobbying has ceased to matter, primarily because the role of legislators has been limited to approving what the government has already decided. Parliament has ceased to be a place of public debate and laws promoted by the government are often adopted within a few hours or days.

The government has also taken over the initiative for the reform of CSO laws. For example, it announced significant changes to the Act on Public Benefit and Volunteer Work in 2017, and continued to work on amendments without public input throughout 2018. At the same time, CSOs do not demand to be involved in this work and have not prepared their own proposals, possibly demonstrating their lack of faith in the process.

### SERVICE PROVISION: 2.3

The quality and range of products and services provided by CSOs did not change significantly in 2018. CSOs continue to provide services in a diverse range of areas, with sport, culture, and social services being the most common. Poland has a decentralized system of country administration in which basic social services are generally the domain of local governments. These authorities usually only delegate the services that are less profitable to CSOs.

CSOs providing social services at the local level identify their beneficiaries’ needs through their observations and knowledge of the local situation. Changes in external conditions, such as the increasingly difficult situation on the labor market, have required CSOs to systematically analyze the activities they carry out, evaluate their services, and look for new forms of activity or ways to modify current ones. However, this way of thinking is still limited to a small group of CSOs. Most Polish CSOs still finance their work on a project basis, mostly through public grants. As a result, CSOs must focus their work on the objectives defined by their donors, which is often the public administration.

CSOs normally provide their services to groups beyond their own members. Products like publications, workshops, and analyses are generally offered to other entities for free.

CSOs struggle to recover their costs as there continues to be a broad public belief that CSO services should be free of charge, even if the same services provided by other types of entities are normally provided on a fee basis.

Government recognition of CSOs’ role in delivering services has not changed. Some CSOs—most notably those that are critical of the government, including those that work on anti-discrimination, human rights, or environmental protection—continue to be cut off from public funding from the ministries, as well as funding from some local governments.

Official government statements regarding the role of CSOs are contradictory. On one hand, the government continues to promise the passage of the law on social and solidarity economy, which will facilitate the provision of CSO services. At the same time, however, prominent ruling party politicians routinely proclaim that services provided by the public administration are superior to those provided by CSOs. This belief is also demonstrated in practice. For example, the government program Senior Plus only provides support for activities for elderly people to social assistance centers that do not outsource services to CSOs. At the same time, there is a growing awareness among government authorities that CSOs are more effective at working with special disadvantaged groups that require specific, personalized approaches. This was quite visible, for example, during discussions of the labor market policy, when officials from the Ministry of Labor, Family and Social Policy stressed that the provision of services for people with disabilities by the public sector is ineffective and that CSOs conduct this work more effectively.
The infrastructure supporting civil society in Poland did not change significantly in 2018. CSOs continue to have access to support centers that are run in many municipalities by other CSOs and to intermediary support centers that primarily provide information on obtaining various EU funds. These centers, however, rarely offer the more complex knowledge and skills that CSOs need for their daily work.

There are twenty-seven community foundations in Poland that conduct philanthropic activities and distribute collected money to address local communities’ needs. In addition, there are seventy-two Act Locally Centers run around the country by CSOs in partnership with the Polish-American Freedom Foundation and the Academy for Philanthropy Development in Poland.

CSOs still frequently cooperate and form coalitions to pursue common interests, but the results of these efforts are limited. The significance of some previously existing coalitions, including the Coalition for Equal Opportunities and Coalition for Equal Treatment, has decreased as financial shortages have forced them to limit their activity. OFOP, the largest federation of CSOs in Poland, has become less effective in influencing decision-making processes related to CSOs due to the government’s unwillingness to listen to CSOs. The work of the Polish Forum for the Disabled, one of the largest federations of CSOs working for people with disabilities, was suspended in 2018 after its leadership resigned. Other formal coalitions of CSOs working in the area of people with disabilities were ineffective in influencing public policies during the year.

There were no significant changes regarding the availability of trainings for CSOs in 2018. There continues to be a lack of trainings addressing issues such as new technologies, personnel management, fundraising, and communication.

There are still few positive examples of cross-sectoral partnerships, and those that do exist are generally based on CSOs’ personal contacts. However, companies do seem increasingly interested in cooperating with CSOs while planning their marketing activities. This could be the result of the EU Non-Financial Reporting Directive, which imposes an obligation on companies listed on the stock exchange to report on their non-financial activities as part of the evaluation of their value. The steering committees for various EU operational programs, which include representatives of all appropriate stakeholders with expertise in a particular matter, are a good example of cross-sectoral cooperation, although their role is limited.

The score for Sectoral Infrastructure was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region. The score does not reflect a deterioration in Sectoral Infrastructure, which remained largely the same in 2018 as in 2017.
The CSO sector’s public image did not change significantly in 2018. Public media and other media outlets with close relationships to the government slightly reduced the intensity of their efforts to present CSOs in a negative light. However, they continued to smear certain CSOs, especially women’s organizations, as well as the Great Orchestra of Christmas Charity (WOŚP), which was accused of misusing collected funds for private purposes as well as promoting foreign, liberal values. Despite this negative coverage, WOŚP received significantly more financial support in 2018 than in the previous year, thereby increasing its influence. Media materials are also repeatedly produced that attack individual representatives of some organizations, including the Helsinki Foundation of Human Rights, WOŚP, Action Democracy, Campaign Against Homophobia, and Transparency International.

At the same time, in 2018 private media demonstrated slightly more interest in CSOs’ work, as well as in issues such as civil liberties, the rule of law, and minority rights, which CSOs often address. Although media interest in CSOs is still often focused on political disputes or scandals, media outlets were more sensitive about how they presented such issues. In their coverage of a high-profile case in a well-known charity organization (Wiosna/Spring Association), in which the organization’s leader was accused by a number of employees of humiliating them, discriminating against them, and emotionally blackmailing them, for example, media clearly tried not to harm the image of all CSOs and to avoid the dissemination of hate speech.

Public trust in CSOs did not change notably in 2018. CSOs that are criticized by the government and public media are perceived negatively by part of society, but the same CSOs are appreciated and supported by other segments of society. According to research by the Institute of Public Affairs, trust in CSOs is higher among those that are dissatisfied with the political situation in the country. The average level of their trust in CSOs is 2.27 on a scale of 1 to 4, where 4 represents the least trust, while it is 2.29 among people that are satisfied with political life in Poland. Moreover, data from the Voices on Values project indicates that Poles who do not support the current government’s policies have a greater understanding of CSOs’ role in representing the interests of those members of society who would otherwise not be heard.

The government continues to divide the sector into legitimate CSOs with which it is worth cooperating and others with which it is better not to maintain contacts. To some extent, this attitude is also visible in the business sector, especially among large, state-owned companies and their foundations. Private companies have also largely stopped supporting CSOs criticized by the government or ruling party.

Some CSOs increasingly use social media to promote their work. However, these activities have not yet had a wider impact on the entire sector. In 2018, a coalition of twenty-seven CSOs organized in a participatory manner a campaign called Social Organizations - It works!, which aims to increase public recognition of the role of CSOs in society. The campaign prepared a website, web banners, videos, articles, and other viral materials highlighting various areas in which CSOs work for the benefit of society.

There were no significant changes in the field of self-regulation or CSO transparency in 2018. Some organizations continue to focus on their transparency, while others have not introduced any changes in this area. The majority of CSOs still do not publish annual reports.
Discussion about corruption again dominated the public agenda in Romania in 2018. Claiming that it needed to fix abuses by the judiciary, the governing coalition amended three major laws governing the justice system to establish a special prosecutorial section for investigating offenses by magistrates and increase the role of the Ministry of Justice in the appointment and dismissal of chief prosecutors. According to official criticism by the Venice Commission, this change would weaken the role of the Superior Council of Magistracy in insuring the independence of the judicial system. In July, the Minister of Justice dismissed the chief of the Anti-Corruption Directorate, under whose leadership nine current or former ministers, twenty-seven members of parliament (MPs), and one member of the European Parliament had been sentenced for corruption, a year before her term was scheduled to end. The parliament also passed several changes to the Criminal Code, for instance decriminalizing many offenses that previously fell under the definition of abuse of office. However, many of the latter changes were deemed unconstitutional and were pending parliamentary review by the end of the year.

CSOs continued to express concern that the government is threatening judicial independence and the fight against corruption with these actions. While civic protests were smaller than in the previous years, Romania made international headlines on August 10, when the riot police responded violently to an overwhelmingly peaceful protest in front of the government. CSOs also made a significant contribution to protecting the rights of lesbian, gay, bisexual, transgender, and intersex (LGBTI) individuals during the year, successfully advocating for a boycott of a referendum on a constitutional restriction of the definition of family.

Overall CSO sustainability deteriorated in 2018, with negative developments noted in all dimensions except sectoral infrastructure. The legal environment for CSO operations deteriorated with increasing attempts to regulate the operations and finances of associations and foundations in a manner that would place excessive burdens on CSOs. In addition, negative tax policies came into effect and public officials vilified CSOs. CSOs had limited access to traditional funding sources and staff turnover increased. In addition, CSOs provided fewer services and served fewer beneficiaries during the year. Cooperation with the government continued to weaken and public authorities discouraged citizen and CSO involvement in policy-making processes. Meanwhile, high-ranking government officials and politicians increasingly used negative rhetoric and accused CSOs of being foreign agents.

The National Non-Governmental Organization Register included 107,774 registered CSOs at the start of 2019, an increase of 6,093 in the past year. However, organizations registered in 2018 might not be represented on the Register until later in 2019, as courts are not subject to a deadline for updating the registry. Most registered CSOs are associations (87,183) and foundations (18,456). It is estimated that only half of registered CSOs are active.
LEGAL ENVIRONMENT: 3.8

The legal environment for CSO operations deteriorated in 2018, as Romanian legislators and public authorities increasingly attempted to regulate the operations and finances of associations and foundations. If adopted, the regulations would be excessively burdensome on CSOs, creating considerable unpredictability and concern in the sector. In addition, new tax policies entered into force at the beginning of 2018 that negatively affected CSOs, riot police reacted with violence to protests, and public officials vilified CSOs.

In 2017, two MPs from the main governing party introduced a drastic proposal to revise Government Ordinance (GO) 26/2000, which regulates the establishment and functioning of CSOs. Among other concerning provisions, the proposal would impose extremely harsh reporting obligations on CSOs, including requirements to publish information on all donors, no matter how small, in the official legislative gazette twice a year at CSOs’ own expense, under the threat of dissolution. The proposal met with significant international criticism, with the Venice Commission and the Organization for Security and Cooperation/Office for Democratic Institutions and Human Rights (OSCE/ODIHR) issuing a common opinion stating that the rules regarding CSO reporting should be removed. Despite this, the proposal was included in the agenda for the extraordinary parliamentary session in June. However, no final vote had been cast by the end of 2018.

Two other legislative initiatives that would modify GO 26/2000 were also proposed in 2018. One would impact agricultural associations and the other modifies the criteria for public utility status. Although neither was adopted by the end of the year and both would have limited impact, their introduction added to CSOs’ general insecurity about their operating environment.

The process of awarding public grants, which account for about 2 percent of the sector’s income, is plagued by a lack of transparency and clear guidelines. Another draft law proposed by the government is meant to address these concerns by clarifying some of the obsolete references to the public procurement regime in the grants law and better detailing the procedures. The Romanian Center for Nonprofit Legislation conducted consultations with various CSOs and submitted a set of recommendations aimed at addressing concerns that the anticipated benefits of introducing more clarity and helpful guidelines for financing authorities might be counterbalanced by a total lack of flexibility and misunderstanding of the particular features of nonprofit activities, as opposed to for profit activities.

The government also revisited the topic of CSO reporting requirements in the context of an EU directive on preventing the use of the financial system for money laundering or financing of terrorism. The draft law aimed at implementing this directive obligates CSOs to report the identification data of their “beneficial owners” to the government, while applying the term “beneficial owner” to every single person assisted by a CSO. Failure to comply subjects a CSO to severe sanctions that may lead to dissolution. Moreover, without performing any risk analysis (although mandatory according to the European Commission and Financial Action Task Force (FATF) international standards), civil society is placed in the same category of financial risk as providers of gambling services and banking institutions. CSOs strongly criticized the draft law and engaged in intense advocacy efforts to convince MPs to promote amendments that would correct these provisions. No changes were made in the form adopted by the parliament in October but, because of a legal complaint filed by some MPs to the Constitutional Court, the draft law did not enter into force in 2018 and was sent back to the parliament in December for reexamination.
New tax policies entered into force at the beginning of 2018 that negatively affected CSOs. Corporate donors are eligible for a deduction for sponsorships\(^1\) up to 20 percent of their owed income tax, or up to 0.5 percent of their annual turnover, whichever is lower. However, this deduction is only available to those that owe income tax, the number of which decreased dramatically beginning in January 2018, as companies with turnover lower than EUR 1 million now only pay turnover tax. The Association for Community Relations mobilized a significant number of CSOs to express their concerns about this change to the Ministry of Finance. As a result, a partial remedy was enacted in March through Emergency Ordinance 25/2018, in which turnover taxpayers were also allowed to deduct up to 20 percent of the tax owed, but only if the sponsorship was made to an authorized social service provider with at least one licensed service, a designation held by only approximately 5 percent of all active CSOs. Many organizations, including authorized social service providers, objected to this discriminatory regime. The case of Daruieste Viata Association, which built a hospital to serve children with oncological conditions without being an authorized social service provider, became the centerpiece of a public campaign that led to the adoption in December of amendments making this benefit available to all CSOs.

Individual taxpayers have long had the option of directing up to 2 percent of their owed income tax towards a CSO or church, or to individual scholarships. While the tax on personal income was cut from 16 percent to 10 percent, in March, the government raised the percentage of owed income taxes that can be redirected to 3.5 percent, while similarly limiting the potential beneficiaries to authorized social service providers with at least one licensed service. Following critical public reactions similar to those focused on the changes in the sponsorship rules, the law was eventually amended in December and the increased benefit can be targeted to all CSOs in 2019.

All recipients of sponsorships and individual income tax allocations must be registered with the Registry of Entities Benefiting from Fiscal Deductions. In 2018, this registry introduced new disclosure requirements that place additional administrative burdens on CSOs. CSOs must now file declarations confirming that they operate in the field they were legally registered for at the moment of their legal establishment. In addition, in order to benefit from fiscal deductions, CSOs must not have unpaid state budget obligations for more than ninety days or be declared officially inactive. While the national fiscal authority is responsible for determining if taxes are owed at the central level, CSOs must obtain a certificate confirming that they do not owe local taxes.

In August 2018, the government issued an ordinance that gives the Economic and Financial Inspection Department of the Ministry of Finance responsibility for verifying the use of funds and goods received by CSOs through sponsorships. CSOs are concerned that this additional state control on funds received as sponsorship may be used as a political instrument, since the department reports directly to the minister, instead of being part of the autonomous National Agency of Fiscal Administration, which is traditionally responsible for verification of fiscal matters.

Freedom of assembly and association were severely threatened during and after the protests in Bucharest on August 10, to which the riot police reacted with disproportionate violence. In September, the Minister of Interior announced upcoming modifications to the law on public assembly that would limit and censor public gatherings based on subjective evaluations of the purpose of the protests. In October, the Romanian High Court of Cassation and Justice ruled that any individual may be subject to sanctions if he or she takes part in a protest in front of a public building that was not previously announced.

Public officials increasingly vilified CSOs and individual activists in 2018. Liviu Dragnea, the leader of the Social Democratic Party, explicitly recommended that the independent media outlet G4Media, legally organized as a nonprofit entity, be inspected by state authorities to verify its sources of funding. Also upon Dragnea’s request, the Data Protection Authority summoned the RISE Project, an organization focused on investigative reporting of organized crime and corruption, to disclose the sources of its investigations regarding Dragnea, threatening to impose criminal penalties and fines of up to EUR 20 million for failure to comply.

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 EUR 15,000 on earned income per fiscal year or

\(^1\) In Romanian law, the term “sponsorship” refers to any financial flow from a legal person to a CSO, while a “donation” refers to a financial flow from an individual to a CSO.
up to 10 percent of total tax-exempt income, whichever is lower. Revenue from grants and sponsorships is not subject to income tax.

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. CSOs in rural communities, in particular, struggle in this regard.

**ORGANIZATIONAL CAPACITY: 3.7**

The organizational capacity of CSOs in Romania deteriorated slightly in 2018 due to growing staff turnover. The increase in the gross minimum wage from EUR 312 to 410 a month affected CSOs with employees paid at this level. Furthermore, salaries have increased in both the private and public sectors, thereby shrinking the available pool of CSO staff and amplifying the turnover rate. Some CSOs are trying to attract more volunteers in order to compensate for reductions in staff. However, volunteering is still not common in Romania. According to the Charities Aid Foundation’s 2018 World Giving Index, only 6 percent of respondents in Romania reported that they participated in voluntary actions during the reporting period in 2017, down from 9 percent the previous year.

Flash Eurobarometer 455: European Youth 2018, which studies European youth aged fifteen to thirty, confirmed the low rates of volunteerism in the country. According to this survey, only 8 percent of respondents in Romania had participated in the activities of a cultural organization in the last twelve months; 7 percent had participated in the activities of a local organization aimed at improving the local community; 5 percent had participated in the activities of an organization promoting human rights or global development; 4 percent had participated in the activities of an organization active in the area of climate change and environmental issues; and 8 percent had participated in the activities of any other NGO. These levels of youth participation are below the EU average, as determined by Flash Eurobarometer.

The majority of CSOs have missions and visions and acknowledge the need for strategic planning. In general, strong CSOs have clearly defined strategic plans while less established, smaller CSOs develop their activities based on ad hoc opportunities and decisions, in part because they have less resources and capacities to engage in strategic planning.

There were no noticeable changes in the internal management structures of CSOs in 2018. A large number of CSOs have boards, but management is generally carried out by CSO leaders with very little assistance, supervision, or advice from their boards. In some CSOs, the role of board members is not clearly distinguished from the executive’s role within the organization, or staff members serve as board members.

Few CSOs develop human resources management plans. If they exist, these plans are generally limited to supervision and procedures for staff appraisal. The opportunities for employees to develop their skills through training, career development programs, or coaching are limited.

CSOs generally have basic equipment for their day-to-day activity. However, due to scarce financial resources, CSOs had limited opportunities to purchase new equipment in 2018.
CSO financial viability deteriorated slightly in 2018. While sponsorships increased slightly, this could not compensate for the limited availability and accessibility of traditional funding sources, in particular for smaller CSOs and CSOs in rural areas. The diversification of CSOs’ funding sources did not change significantly in 2018.

According to the 2018 World Giving Index, 20 percent of Romanians stated that they donated to charities during the reporting period in 2017, compared to 24 percent in 2016. The National Agency for Fiscal Administration reported that the amounts collected through the 2 percent mechanism in 2018 reached $44.32 million (for fiscal year 2017), higher than in the previous year, but still well below the $53.02 million peak registered for the 2015 fiscal year. As described above, legislative decisions over the year related to the percentage of owed income tax that could be redirected and which CSOs can benefit from such donations are expected to influence the funding reaching the sector through this mechanism, especially in 2019.

As described above, changes also were made to the tax incentive facility that only allowed businesses with incomes under EUR 1 million to deduct sponsorships if made to an accredited social service provider with at least one licensed service; this was then changed again at the end of the year. Despite this, in 2018 companies—particularly local small businesses—already started to be more reluctant to engage in sponsorships, especially in small towns and rural areas, hitting small, local CSOs that already struggle to access resources particularly hard. A number of major corporations, however, such as Kaufland, OMV Petrom, Lidl Romania, Raiffeisen Bank, MOL Romania, IKEA Romania, and Vodafone, continued to support CSOs through national funding programs in 2018. According to a report issued in 2018 by CSR Media and Valoria Business Solutions, corporate budgets for corporate social responsibility (CSR) programs have either stagnated (30 percent of respondents) or increased slightly (up to 30 percent for 59 percent of respondents). Education, the social field, and the environment are the primary fields of interest for CSR programs. Most CSR programs operate at the national level, rather than the local or community levels.

The European Structural Funds (ESF) 2014-2020 accounted for the majority of funding from foreign governmental or other public international institutions in 2018. After repeated delays, CSOs were amongst the beneficiaries of calls for proposals during the year focused on education, entrepreneurship, and local development. The call addressing capacity building in advocacy and public policy formulation, which was open exclusively to CSOs, awarded a total of EUR 91.4 million to 99 projects to be implemented in 2018 and 2019. The complex and bureaucratic procedures associated with funding through the ESF, however, limit their accessibility to larger and more experienced CSOs.

Under the European Economic Area (EEA) Financial Mechanism 2014-2021, the institutional operators chosen to act in the areas of culture, inclusive education, and poverty reduction began to work in 2018, with the first calls expected to be issued in 2019. The Active Citizens Fund of the EEA Financial Mechanism, a EUR 46 million program for democracy and human rights, social justice, environment and climate change, gender equality, and gender-based violence, is also expected to launch in 2019.

CSOs struggle to find resources for civic engagement and CSO capacity building. The Civic Innovation Fund, a private funding mechanism supported by the Romanian-American Foundation and private businesses, continued to issue its annual calls for proposals, awarding approximately $324,000 for projects encouraging civic innovation and involvement in community life in 2018. The Fund for Democracy, a funding mechanism initiated in 2017 by several civic groups, financed projects valued at a total of $57,000 in 2018.

Various ministries and central government agencies continued to provide grants from the national budget, primarily benefitting certain types of organizations, including national minority organizations and sports federations, or specific fields of activity, including culture, combating intolerance (which received nearly double the funding in
2018 as in 2017), youth (which received less financing than in 2017), and sport. Surprisingly, CSOs were excluded from the list of possible beneficiaries of the National Program for International Development Cooperation and Humanitarian Assistance (ROAid) in 2018, for which they had previously been eligible. The central government’s subsidies for social service providers did not change in 2018. No significant changes were registered in CSO funding from local government budgets, which continues to be limited. Local administrations seem to increasingly understand the procedures and requirements of social service contracting, but practices vary among communities and overall funding levels continue to be very low.

In 2018, CSOs increasingly sought funds from individual donors and constituencies through various fundraising methods, including SMS campaigns, crowdfunding, and local and national fundraising events, such as donor circles, marathons, swim-a-thons, and galas. There were several notable crowdfunding successes during the year. For example, www.donatie.ro (a platform that facilitates SMS campaigns and direct debit) reported a 75 percent increase in SMS donations to seventy-five campaigns organized by forty-six organizations during the year. In addition, direct debits increased by almost 50 percent, with twenty-two CSOs receiving approximately $2 million. The size of average monthly donations also grew.

No significant changes were noted in terms of the revenues CSOs earned from economic activities in 2018. A few private entities, including NESsT Romania, Romanian-American Foundation, and the Network of Social Insertion Enterprises RISE Romania, try to develop supportive policies in the field, either by encouraging partnerships with the banking or investment sectors or through the effective use of EU funding. ESF launched a EUR 70 million grant scheme in 2018 focused on the establishment of social enterprises to support the integration of vulnerable groups in the labor market and to combat poverty. However, social enterprises continue to face harsh competition on the service market. Moreover, in 2018, some CSOs were affected by the cancellation in 2017 of the fiscal facilities for sheltered units, enterprises employing a staff of at least 30 percent disabled individuals. This decreased the income of sheltered units, many of which are established by CSOs, but increased their expenses in terms of the costs of the necessary assistance for the disabled persons left unemployed.

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. CSOs only undergo independent financial audits when requested by donors. The financial management systems of larger CSOs and those accessing ESF funds are strained by bureaucratic program requirements and constant fiscal and accounting changes.

ADVOCACY: 3.8

The environment for civil society advocacy worsened throughout 2018, as cooperation with the government deteriorated. Although there were a few successful advocacy examples during the year, public authorities discouraged citizen and CSO involvement in policymaking processes. In particular, civic protesters were mistreated and the government pursued a very conservative policy agenda on basic human rights issues.

Peaceful civic protests continued in 2018, most of which were focused on the fight against corruption, the independence of the judiciary, and further changes to the criminal code. While not attracting as many participants as in previous years, the protests were more tense and met with more repressive action. On June 20, close to 20,000 people marched in the streets of Bucharest and major cities; the riot police removed at least eight people, including a foreign journalist, from the protest site. Around 100,000 people gathered in a similar protest in Bucharest on August 10, which met with a disproportionate response by the riot police to what seemed to be small violent groups amongst the protesters. Video footage quickly spread across social networks, showing the indiscriminate use of tear gas and water cannons and the police violence towards completely peaceful protesters. Over 400 civilians received medical care on site.
and more than fifty had to be taken to hospitals, some with serious injuries. While the European Parliament
condemned this police intervention as disproportionate in its November resolution on rule of law in Romania, the
prime minister concluded that the police violence was justified by the fact that the protest was in fact a coup
d'état. Later, the Ministry of Interior officially proposed a promotion for the riot police coordinator of the August 10 operation.

LGBTI rights organizations led one of the most visible advocacy campaigns in 2018, focused on preventing a
constitutional change that would restrict the rights of same-sex couples. In 2016, thirty organizations supported by
the Orthodox Church submitted to parliament the signatures of close to three million citizens demanding a
referendum to narrow the definition of family to the union of a man and a woman (rather than that of two
consorts, as the constitution currently specifies). The initiative, which was strongly opposed by progressive civil
society, waited for final parliamentary approval for over two years. During the fall of 2018, the main governing
party decided that a referendum would take place in October. While most parliamentary parties officially or
unofficially supported the proposed change, progressive civil society successfully convinced citizens to reject the
proposed change by not turning out for this vote. Even after the government made a last-minute decision to
organize the referendum over two days to increase turnout, only 21 percent of eligible voters participated, falling
far short of the minimum 30 percent turnout needed for the referendum to be valid.

Informal, legal channels of communication exist between CSOs and state authorities. However, state authorities
selectively respect the provisions requiring consultations when making public decisions. Even when they do, the
process is often tarred by a lack of trust on both sides. Several children’s rights and protection organizations
worked with UNICEF and the Ministry of Education to draft a national Parental Education Strategy in 2018. The
ministry initially accepted the strategy and submitted it for public consultation. However, it quickly withdrew the
strategy from its official website, long before the consultation period was over, after the strategy was criticized for
being too progressive, for example, by stating that family is not considered to be an objective reality, but rather a
socio-cultural product that is constantly being reshaped.

Informal civic groups continued to advocate for change in their communities. One of the most notable successes
was when the Together for Highway A8 action group convinced parliament to adopt a law demanding the
government to initiate the first highway reaching Moldova.

The Association for Supporting Patients with Multidrug-Resistant Tuberculosis and the Romanian Angel Appeal
Foundation developed a bill providing social protections to patients diagnosed with tuberculosis. Following an
advocacy campaign that lasted three years, parliament finally adopted the bill in 2018. Similarly, after two years of
research and advocacy, a coalition led by PACT Foundation and MKBT: Make Better convinced a number of MPs
to initiate a legislative project aimed at alleviating the situation of the more than 64,000 families who live in
informal settlements in structures built without any legal approval.

Politicians started using tactics and arguments identical to those used by their civil society critics during the year.
For example, while civil society is constantly protesting in front of the governmental building, governmental parties
organized protests of their own to demonstrate that their supporters also have reasons to be upset. Similarly,
while CSOs consider the government to be threatening the independence of the judiciary and the rule of law
through various legislative changes, the government’s political response is that it is the most important guardian of
the rule of law and that the proposed legislative changes are designed to correct alleged abuses perpetrated by
judges and prosecutors. Such tactics pushed CSOs to quickly create new, clearer narratives to convince their
constituencies that their positions are better than the government’s; CSOs’ responses were only effective to a
limited degree.

CSOs continued to defend their enabling environment in 2018, but with limited success. The longest and most
visible campaign focused on opposing the reporting requirements proposed under the law aimed at implementing
the EU directive on preventing the use of the financial system for money laundering or financing of terrorism. The
campaign resulted in stalling the regulation’s adoption, rather than actually correcting the legislation, and the law
remained under discussion in parliament at the end of the year, despite having been declared unconstitutional by
the Constitutional Court. As described above, CSOs also successfully advocated against proposed changes in the
types of CSOs that could benefit from tax designations, as well as the reduction of the number of companies
eligible for sponsorship deductions.

In July 2018, the government approved an emergency ordinance prohibiting environmentally protected areas from
being managed by private custodians, thus affecting more than sixty organizations administering 127 protected
areas. Despite criticism by environmental protection organizations, the ordinance remained in place at the end of the year.

**SERVICE PROVISION: 3.4**

CSOs continue to provide a variety of goods and services, although the overall quantity of services provided by CSOs deteriorated moderately in 2018. Due to lack of staff and unstable funding, some social services reached smaller numbers of beneficiaries compared to previous years. CSOs continue to face challenges reaching rural or marginalized areas and some vulnerable groups. In addition, the governmental decision to prohibit the management of protected natural areas by private custodians (most of which were CSOs) affected environmental CSOs and diminished the number of services provided in this area.

Besides basic social services, CSOs provide services to protect the fundamental human rights of various vulnerable groups and to facilitate their social integration. In 2018, CSOs developed services in new areas such as alternative media. For instance, Recorder Community Association created an online platform to promote and develop journalism in Romania and provided more content in 2018.

CSO services generally meet constituents’ needs and respond to community priorities even though CSOs lack the capacity to develop research studies in order to assess trends and behavior. CSOs have yet to engage in constant evaluation impact or analysis.

CSOs from different fields of activity offer their expertise to stakeholders beyond their constituents, including governmental and local institutions, private companies, hospitals, and international institutions. CSOs are also involved in elaborating public policies and defining CSR programs. For instance, the Bucharest Community Foundation supported IKEA in developing a CSR program. Thus, in 2018, the IKEA Fund for Gender Equality was launched to provide financial support for three years to projects in Bucharest and Ilfov that stimulate the economic independence of women in vulnerable situations and promote gender partnership.

CSOs still have limited capacity to generate revenue through service provision. Although most services provided by CSOs are free of charge, some CSOs do charge fees for products and services such as home-care services, addiction treatment, informal or alternative education for children, and social enterprises. For instance, the Association for Training charges fees for its House of Experiments, a nonprofit science center for children. Nevertheless, the fees that CSOs charge for their services do not fully cover the costs of their interventions, necessitating them to seek supplementary sources of funding.

Government actions do not recognize the value that CSOs bring to service provision or their contributions to improving the quality of life for different vulnerable groups.

**SECTORAL INFRASTRUCTURE: 3.1**

The infrastructure supporting the CSO sector did not change significantly in 2018.

Dozens of CSOs continue to act as resource centers and provide support to CSOs. Most of these are located in larger cities, and very few have outreach programs to make their services available in small communities.

Local grant-making capacity continues to develop, but is still limited. The Romanian-American Foundation strategically supports the development of philanthropic infrastructure, primarily the network of local community
foundations. Currently, there are sixteen community foundations active across Romania, with prospects for the model to extend to other communities.

CSOs continue to form partnerships with the business sector. Several major corporate contributors have attempted to make their interventions more strategic by partnering with CSOs to increase their outreach. For example, Kaufland partners with the Civil Society Development Foundation, and LIDL Romania and Raiffeisen Bank both work with the Association for Community Relations to manage their grant programs.

CSOs' partnerships with independent media are strengthening. Some media outlets are starting to function as CSOs in order to increase their access to impartial and more flexible sources of funding. In addition, independent media outlets cooperate easily with CSOs due to the overlap in their topics of interest, such as anti-corruption and the needs of the most vulnerable social groups.

Training opportunities remain limited, and funding for organizational development is very scarce. For the same reason, formal coalitions were less active in 2018, although CSOs engage in spontaneous, informal coalition building to react quickly to public policy issues. For instance, a group of over 100 CSOs worked together to tackle the negative provisions in the anti-money laundering law, constantly communicating online, while over a dozen took part in face-to-face meetings on the subject.

PUBLIC IMAGE: 3.9

CSOs' public image deteriorated in 2018, largely as a result of the government's increasing rhetoric accusing CSOs of being foreign agents. In particular, the government referred to the civic protests and other efforts by civil society to protect and defend democracy as being led by George Soros and other foreign interests. The leader of the Social Democratic Party, for example, referred to civic protesters as rats and called the August 10 protest a foreign-funded coup d'état. This type of rhetoric also found fertile ground online. The PressOne independent media outlet reported that during the fall dozens of Social Democratic Party Facebook accounts published similar unverifiable and sometimes false information in a systematic manner.

CSOs still benefit from fairly wide media coverage, including on mainstream TV outlets. Although CSOs, especially health and social service organizations, do receive positive coverage, the foreign agent and anti-Soros rhetoric from the upper levels of the government still prevails in terms of media impact. Notably, according to a survey conducted by the Romanian Institute for Evaluation and Strategy (IRES) in December, over a third of Romanians (35.5 percent) now believe that Soros harmed Romania, despite the lack of any verifiable facts supporting this accusation. According to a special Eurobarometer survey conducted in September, over 60 percent of Romanians believe that civil society plays an important role in defending and promoting democracy. This belief, however, does not always translate into public trust in civil society.

The business sector has a largely positive perception of CSOs based on their shared concerns. As in 2017, business associations clearly stated their support for issues address by civil society, including rule of law, the independence of the judiciary, and access to education for all.
CSOs promote their work primarily through social media and, to a lesser extent, their websites. In addition, CSOs continue to communicate their achievements through regular public events, awards, and galas, but this happened to a slightly lesser extent in 2018, due to the sector’s more limited funding.

Many, but not all, CSOs draft annual activity reports to satisfy donor requirements; there are no legal requirements to do so. Various attempts have been made to draft a code of ethics or conduct for the CSO sector over the years, but these efforts have not benefitted from significant support or acceptance among CSOs.
Presidential elections took place in Russia in March 2018, in which Vladimir Putin won reelection with over 76 percent of the vote. Civic engagement increased during the year. The government’s decision to raise the retirement age, taken immediately after the presidential elections, caused widespread discontent among the population and led to a significant drop in the president’s approval ratings. According to the Center for Economic and Political Reforms, 2,526 protests took place in Russian cities in 2018 (compared to 1,479 in 2017), nearly half (46.5 percent) of which were in response to the decision to raise the retirement age. A significant number of protests were organized by supporters of Alexei Navalny, including one called He is Not Our Tsar on May 5, on the eve of the president’s inauguration. According to OVD-info, 1,600 people were detained in twenty-seven cities during this protest.

In essence, two civil societies exist in Russia. One consists of the numerous charitable, sports, youth, cultural, educational, and other organizations that provide social services. While these organizations are not necessarily loyal to the state, they do not express their disagreement publicly. The other civil society comprises human rights, environmental, and other organizations that actively advocate for public interests and are often critical of the authorities. The state has very different attitudes and approaches to these two types of CSOs.

On the one hand, in 2018, government funding for CSOs increased and volunteering developed rapidly. The government declared 2018 the year of the volunteer and for the first time, an enlarged meeting of the State Council with the participation of top public officials was devoted entirely to the development of volunteering and socially-oriented non-commercial organizations (SO NCOs). The regions received a signal from the Kremlin that they should support and cooperate with the nonprofit sector. The amount of media coverage of charity and SO NCOs increased, which led to a slight improvement in the public image of CSOs.

On the other hand, the legal environment for CSOs became more complicated in 2018, especially for organizations and activists that are more critical of the authorities. Existing legislation provides many opportunities for the state to put pressure on CSOs and to suppress dissent—including through the imposition of heavy fines, the closure of organizations, and the arrest of leaders—and the authorities continue to apply laws selectively to those organizations that it considers disloyal. In 2018, the number of threats and attacks on civic activists increased, the security services increasingly targeted CSOs, and documented cases of torture received widespread publicity. In addition, restrictions on the receipt and dissemination of information, including through the internet, have increased. In 2018, the Agora human rights group documented 668,000 cases of restrictions on internet freedom, mainly related to the unsuccessful blocking of the banned Telegram messenger, a dramatic increase from 115,706 incidents in 2017.
At the end of the year, there were approximately 218,000 non-commercial organizations (NCOs) registered with the Ministry of Justice. In addition to CSOs, this number includes state corporations, state funds and institutions, municipal institutions, professional sports clubs, and thousands of political parties. According to imprecise data from Rostat, the number of SO NCOs, which more closely matches the definition of CSOs used in the CSO Sustainability Index, has not significantly changed and is approximately 143,000. The number of active SO NCOs is much lower.

**LEGAL ENVIRONMENT: 5.9**

The legal environment in which CSOs operate deteriorated again in 2018 as pressure on independent CSOs and civic activists engaged in matters considered sensitive by the authorities continued to escalate. On September 21, 2018, the Apologia of Protest legal service presented a report on attacks on civil society activists, politicians, and journalists over the past four years. According to the report, there were twenty-one attacks and threats in 2015, thirty-five in 2016, and seventy-seven in 2017. Over the first eight and a half months of 2018, more than eighty attacks and threats had already been recorded, including beatings at two large-scale protests that took place in several Russian cities on May 5 and September 9.

There were also a number of other instances of harassment of independent CSOs and activists. In January, in Makhachkala (Dagestan), unknown persons set fire to a car belonging to the Memorial human rights center. A little earlier, the head of Chechen Memorial, Oyub Titiev, was arrested on trumped-up drug possession charges, and in summer, the previously acquitted head of the Karelian branch of Memorial, Yury Dmitriev, was arrested again. In October, unknown persons abducted and harassed Amnesty International employee Oleg Kozlovsky, who had come to the city of Magas to investigate mass protests in the Republic of Ingushetia.

Over the past year, the influence of the security services on the legal environment governing CSOs increased. In some regions, such as the Novosibirsk Region, security services initiated wholesale inspections of CSOs for extremism. Members of the youth organizations Novoye Velichiye (New Greatness) and Set’ (Network) were arrested for attempting to overthrow the authorities, although lawyers and many experts believe that these cases were incited and provoked by the Federal Security Service (FSB). Evidence indicates that the accused were subject to physical violence and torture, which the authorities deny. More than eighty criminal cases were brought against members of the Jehovah's Witnesses, a religious organization banned in 2017, as a result of which more than fifty people ended up in prison or under house arrest in 2018.

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. The number of CSOs deemed to be acting as foreign agents decreased again in 2018. By the end of the year, seventy-three organizations were on the register of foreign agents, down from eighty-five in 2017. During the year, seven organizations were placed on the register (down from sixteen in 2017). CSOs with foreign agent status are subject to increasing state pressure and oversight. At the federal level, organizations deemed foreign agents are prohibited from nominating candidates for elections and advancing referendums, as well as “participating in election campaigns in any other form.” Likewise, they are not able to become Providers of Public Benefit Services (PPBS). In November, a law was passed that prohibits foreign agents, as well as citizens with criminal records, from participating in “independent anti-corruption expertise of regulatory legal acts or drafts of regulatory legal acts.” Some CSOs were forced to pay devastating fines for breaching the Law on Foreign Agents in 2018. In Barnaul, for example, a court fined the Altai region branch of the Soglasie (Consent) civic movement 150,000 rubles (approximately $2,380) for not marking the information on its social media pages as being produced by a foreign agent sufficiently clearly.
According to the 2015 Law on Undesirable Organizations, an undesirable foreign organization (UFO) is a foreign or international organization that poses a threat to the defense or security of the state or to public order or public health. UFOs are not legally permitted to work in Russia and all contacts with them by Russian people and organizations are banned. In addition, it is illegal to store or distribute materials from UFOs. In 2018, four additional organizations were added to the list of UFOs, bringing the total to fifteen. A few days before the presidential elections in March, two European organizations involved in election monitoring—Germany’s European Platform for Democratic Elections (EPDE) and Lithuania’s International Elections Study Center—were declared undesirable. On March 21, the Department of Justice included the German Marshall Fund of the United States (GMF) on the list of UFOs, and in August the Russian Prosecutor General’s Office deemed the US-based Pacific Environment undesirable. At the end of the year, the State Duma of the Russian Federation adopted a law recognizing foreign and international organizations that influence the elections in Russia as “undesirable.” In 2018, several Russian citizens, mainly members of the Open Russia movement, were fined for having contact with “undesirable organizations” and some were forced to leave the country. In addition, several CSOs were forced to pay considerable fines for failing to remove references to UFOs from their websites.

In 2017, a law regulating the activities of foreign media organizations acting as foreign agents came into effect, and nine organizations were considered such. No new media organizations were declared foreign agents in 2018.

Some positive changes were also made to the legal environment governing CSOs in 2018. After the government declared 2018 the year of the volunteer, a law was adopted regulating volunteer relations. The law defined volunteering and outlined volunteer development programs, including specific measures to support the activities of volunteers and host organizations. In addition, the government issued a decree on November 28, 2018, that regulates relations between volunteer organizations and medical and social institutions. As a result, volunteers will now be able to serve in hospitals and children’s homes as long as they comply with the decree; previously, these institutions were closed to volunteers.

Another law adopted in 2018 partially amends an article in the Criminal Code to decriminalize the incitement of hatred or enmity; under this article, many absurd sentences have been handed down for posting offensive material on social media. Under the new law, criminal punishment for such an offense will only come into force if an administrative action was brought for a similar offense during the past year. As a result, dozens of criminal cases have been reviewed, and those arrested under this article have been released. In another positive development, the Supreme Court clarified that an extremist post on social networks or its repost cannot by itself be deemed evidence of a crime if the intention of the user to incite hatred or enmity is not substantiated. According to a Sova Center report, criminal prosecutions for extremist statements made in public declined in 2018 for the first time in many years, but the sentences have become stricter.

CSOs are exempt from taxes on grants, donations, and other funds received for charitable purposes. All other income is taxable. An individual has the right to an income tax deduction up to 25 percent of taxable income for total donations to CSOs or CSOs’ endowments. According to the Ministry of Economic Development, in twelve regions of the country, SO NCOs receive tax breaks, and six regions have stipulated tax breaks for donors to NCOs.

In April, the State Duma adopted changes to the tax legislation that exempt volunteers from taxes on income received in the course of volunteering, including the value of transportation, food, and accommodations. Individuals receiving grants and prizes from the president of the Russian Federation are also exempt from income tax on the income from these grants and prizes. Presidential grants are included in the list of income that is not subject to corporate income tax. Reduced insurance rates for SO NCOs were extended through 2024.

CSOs may engage in business activities, but these must be accounted for separately in the organization’s financial statements.

Lawyers note that registration officials are beginning to observe the deadlines for registering CSOs. In addition, the websites of a number of regional departments of justice now allow applicants to track their registration status, thereby increasing the transparency of the process. In addition, the Ministry of Justice developed a new service in 2018 that sends text alerts when documents are ready.

The regional network Lawyers for Civil Society provided legal consultations to CSOs in practically every region of the country during 2018. The NPO Lawyers’ Club provides free consultations and legal support through a federal
Although opportunities for CSOs to receive legal assistance have increased due to increased funding for these services, legal services continue to be intermittent and insufficient.

**ORGANIZATIONAL CAPACITY: 4.4**

The CSO sector’s organizational capacity improved slightly in 2018, thanks to the support and activation of volunteers during the year of the volunteer and the more active involvement of local stakeholders in CSO activities. These improvements have primarily benefited charitable organizations and CSOs providing social services. Use of the internet has also increased, primarily among small CSOs in rural areas. However, the organizational capacity of CSOs in Russia continues to vary widely.

In 2018, state funding for the development of volunteering activities increased, leading to an increase in the number of volunteers involved in the work of CSOs. The Ministry of Economic Development states that 2,377,000 people volunteered in SO NCOs in 2018, a significant increase from 1.1 million in 2011. According to a study by the Tsircon group, 22 percent of respondents in Moscow took part in the work of informal groups, and 14 percent of Muscovites participated in the work of NCOs. In the Kaliningrad region, the number of volunteers in NCOs in 2018 increased one and a half times. On the other hand, according to the Charities Aid Foundation (CAF)-Russia, the participation rate in volunteering fell from 22 percent in 2017 to 17 percent in 2018, while 15 percent of residents surveyed volunteered in NCOs.

During the year, CSOs actively engaged local communities in their activities. For example, more than 14,000 people from eighty regions of the country engaged in the flash mob Share with Us, in which participants took selfies in support of separated waste collection, refused to buy new plastic bags, and gave old items a second lease on life. The campaign was organized by the Era Foundation with the support of the Eka movement and the Coca-Cola Company in Russia. Another mass environmental project, Clean Games, organized a competition to pick up garbage. In 2018, Clean Games were held in 200 cities in Russia, and almost 30,000 people collected 630 tons of garbage.

In 2018, the number of internet users increased, and most CSOs now have access to the worldwide network. This has provided CSOs with more opportunities to access online courses and webinars, share best practices with other CSOs, communicate with partners in other regions, and use new web-based digital technologies, including mobile applications. New technological solutions are also emerging in the sector. Public environmental monitoring organizations increasingly use geographical information systems and cartographic services. The Deti Nashi (Our Children) Charity Foundation has developed a digital rights management (DRM) system for NCOs, and the Nuzhna Pomoshch (Need Help) foundation has developed the Benchmarking project to monitor key indicators in CSOs’ fundraising activities. Although the number of organizations using these products is still small, their emergence stimulates discussion of the use of digital technologies in CSOs’ work and an independent search for similar solutions.

The uncertain and changing conditions in the country continue to impede the development of strategic planning. Only large and strong organizations develop long-term plans for their work.

Many types of CSOs are legally required to have supervisory boards. However, these boards often do not work as required, and in practice, only stronger, more professional organizations have a true division of responsibilities. Due to the availability of training and efforts of resource centers, internal management structures are gradually becoming more functional.

Many organizations lack the funds and experience to develop internal management procedures. NCOs also lack resources to permanently engage specialists from various fields in their work. Although no official data is available about employment in the CSO sector, the number of employees in a given NCO generally depends on the
organization’s financial sustainability, which has been gradually increasing over the past few years. NCOs have more opportunities to engage professional volunteers. Since 2017, the Todogood platform has been working to popularize pro bono culture in Russia and create a community of young talented leaders capable of solving large-scale social problems. Volontim (http://www.volon.team/) recently created a tool to encourage interaction between social projects and experts from various fields—including lawyers, auditors, and fundraisers. Currently, over 300 social projects from different regions of the country are registered on this platform. Google, together with the Paseka Program, which provides pro bono services for CSOs, launched an initiative to enlist agencies and independent experts to help charitable organizations set up advertising campaigns in Google AdWords. TheLisa-Alert CSO commissioned young information technology (IT) specialists to conduct a hackathon and develop digital solutions to assist searches for missing children and adults.

The lack of premises is an ongoing problem for SO NCOs. According to the Vice-Speaker of the Federation Council, 72,500 organizations do not have their own premises.

**FINANCIAL VIABILITY: 4.8**

The CSO sector’s financial viability improved slightly in 2018. Government support and private donations increased, and more fundraising platforms to finance social projects were created. Government support benefits a wide range of registered CSOs, including many focused on environmental and human rights issues. However, the most active and visible human rights CSOs and foreign agents very rarely receive government support. Some CSOs registered as foreign agents prefer not to apply for governmental support because they fear additional inspections and control from official bodies. Private donations and fundraising platforms usually benefit charitable CSOs, although some human rights CSO also receive private donations and are pursuing this source of funding more intensively.

While overall levels of support for CSOs grew significantly in 2018, the financial sustainability of the sector remains limited. Government funding remains CSOs’ most significant source of funding. Businesses organize tenders and programs, but these mostly benefit NCOs in their own regions. There are few foreign donors and many CSOs are not willing to risk applying for foreign funding for fear of being labelled a foreign agent. According to a study by the Higher School of Economics in 2018, only 20 percent of NCOs have enough funds to fully implement their programs.

Following the introduction of reforms in 2017 aimed at making the distribution of funds more transparent, the Presidential Grants Foundation (PGF) held two large-scale grant competitions in 2018. In total, 7.8 billion rubles ($123.8 million) in funding was provided to 3,573 projects in all regions of the country, the largest number of recipients and total amount of grants ever awarded by PGF. Of this amount, 1.2 billion rubles ($19 million) was allocated to projects in small towns and villages, an increase of 200 million rubles ($3.2 million) compared to 2017. More than half of the successful applicants had not previously received presidential grants. Another innovation in the PGF tender was the support of long-term projects lasting up to three years.

Various ministries provided approximately the same amount of support for SO NCOs as the PGF. In addition, according to the Ministry of Economic Development, state support programs for SO NCOs are implemented in seventy-six regions. In total, at the regional level, SO NCOs received 11.6 billion rubles ($184 million) in 2017. Data is not yet available for 2018, but this amount is unlikely to have decreased. In addition, 87 percent (an increase from 62 percent in 2017) of municipal districts and urban districts supported SO NCOs in 2018. In general, government funds are often distributed in a manner that is not transparent.

State financing of social services by CSOs is developing slowly despite the fact that the government has declared this a priority. A number of NCOs from St. Petersburg had problems getting reimbursed for expenses for services they provided in 2018.
According to the Charities Aid Foundation’s 2018 World Giving Index, 21 percent of respondents in Russia donated funds to CSOs during the reporting period in 2017, an increase from 17 percent in 2016. In addition, the proportion of Russians who helped strangers increased from 30 percent in 2016 to 44 percent in 2017. According to the annual CAF-Russia report on charitable activity, in 2018 almost half of Russians (49 percent) gave money in the last twelve months, a slight decrease from 2017, when the comparable figure was 53 percent.

According to an online survey of over 1,200 people conducted by the Need Help Foundation in August 2018, 30 percent of respondents made charitable donations via the internet in 2018, an increase from 25 percent in 2017. According to Yandex.Money, while the amount of the average transfer decreased by about 10 percent in 2018, the number of transfers increased by more than 40 percent. At the same time, the number of donors who gave large sums to charity went down.

In December, the Need Help Foundation started a campaign called #onerubleperday. The campaign called on people to commit to making a small monthly donation (on average, a ruble a day), which will be automatically transferred to one of 132 approved charitable foundations. The campaign quickly became popular: from December 10 until the end of the year, 42,000 people made more than 140,000 subscriptions. The total monthly amount of donations at the end of December exceeded 7 million rubles ($111,000). Most of the funds raised, however, are aimed at helping specific people or purchasing materials and equipment for hospitals, and do not support the work of CSOs.

There are currently thirteen online platforms that allow people to make donations to an NCO or charity project quickly and safely. However, the number of NCOs raising funds through these platforms is still small, with only about 50 to 150 organizations registered on each of them. In 2018, several public fundraising collections were organized to pay the fines levied on popular media outlets and NCOs. The internet magazine 7×7, for example, collected 840,000 rubles ($13,300) in one day to pay a fine for an interview with a member of the Libertarian Party about the decriminalization of drugs, and The New Times magazine collected more than 25 million rubles ($400,000) in four days to pay a fine for the late notification of receipt of funds from foreign sources.

On November 27, Giving Tuesday was organized in Russia for the third time. The movement involved more than 2,700 partners from 275 towns and cities, who organized more than 2,000 charitable events. The volume of online donations doubled in comparison to 2017, reaching 2.6 million rubles ($41,300).

On the other hand, the difficult economic situation has had a negative effect on corporate philanthropy. The latest Leaders of Corporate Charity competition indicated that there are fewer companies willing to spend money on charity. Forty-six companies took part in the competition in 2018 compared with sixty in 2016. However, the philanthropy budgets for those taking part increased: in 2017, forty-five companies allocated 43.9 billion rubles, and in 2018, forty-one companies spent 50.6 billion rubles.

CSOs rarely earn money through the provision of paid services to businesses or the government. Social entrepreneurship is developing slowly. In cooperation with CSO experts, the Ministry of Economic Development has prepared a draft law on social enterprises, but it had not been adopted by the end of the year. In 2018, the Mayor of Moscow’s grant competition supported social entrepreneurship projects, while the Nashe Buduschee (Our Future) Foundation provided interest-free loans to twenty-four social entrepreneurship projects in twenty Russian regions worth a total of 55.8 million rubles ($886,000).

CSOs have to provide financial reports to the tax inspectorate and the Ministry of Justice, but rarely publish them. Most CSOs can not afford to hire professional financial managers or to conduct financial audits, unless required by law. In small organizations, the director often serves as the accountant as well.
CSOs’ capacity to protect their rights and public interests did not change significantly in 2018. For the last few years, legislative amendments and law enforcement practices have made almost all advocacy campaigns and protest actions impossible. Authorities rarely give consent to public protest actions; as a result, protests or demonstrations are often followed by arrests, detentions, or fines for participants and organizers. The success of CSO advocacy initiatives depends mostly on the issue at hand. Although public support and wide publicity can play a positive role, authorities rarely respond positively to advocacy initiatives on sensitive issues, such as the protection of rights. Despite these obstacles, as in previous years, CSOs successfully influenced several decisions made by the authorities or commercial companies.

The Public Chamber of the Russian Federation (PC RF), which was established in 2005, and the regional public chambers facilitate interaction between CSOs and government institutions. PC RF has 168 members and organizes over 1,300 public events a year, sending thousands of letters and hundreds of recommendations and suggestions to the authorities and local governments. PC RF is also responsible for the composition of Public Monitoring Commissions (PMCs), which monitor places of detention. The activities of the regional public chambers vary by region; however, regional public chambers are usually loyal to the local authorities and are not trusted by CSOs. According to data from PC RF, most third sector representatives do not interact with the regional chambers.

All federal ministries and departments have public councils, in which CSO representatives can take part. Public councils monitor the activities of federal executive bodies and participate in the discussion of draft laws and documents. Their activities are often of a formal nature, and their effectiveness depends on their composition and the willingness of the ministry to listen to them.

The state has created a vertical system to protect human rights, which consists of the office of the Human Rights Ombudsman, a network of regional commissioners (ombudsmen), and a network of ombudsmen for children’s rights. In 2018, the federal ombudsman’s office received 38,698 complaints, of which 1,728 were group complaints. The work of regional ombudsmen is mainly limited to forwarding complaints received to the relevant authorities. Anecdotal evidence indicates that the ombudsman’s intervention is often helpful and can help prevent the violation of certain rights, especially social ones.

In the summer, Dmitry Medvedev, the Chairman of the Government of the Russian Federation, participated in a large-scale conference entitled The State and Philanthropists: Together Towards a Common Goal. After the conference, the Russian government decided to work with CSOs to develop a new Concept for the Development of Charity and Volunteering in Russia. Decisions were also made to extend the preferential rate for charitable organizations’ insurance contributions and to develop other proposals made by CSO representatives.

CSOs interact productively with the authorities in the regions, as well. For example, more than 400 people from eighteen groups of experts took part in the creation of a draft Strategy for the Social and Economic Development of the Nizhny Novgorod Region.

CSOs continue to actively monitor the activities of state institutions, seeking greater openness and transparency. In May, the Legal Programs Center launched the third phase of the Monitoring Judicial Activities Involving Regional Activists project, through which independent observers will evaluate the accessibility and openness of district and magistrates courts. In June, a group of activists launched the online Police Map project, which shows up-to-the-minute information on police departments. The aim of this monitoring is to improve the information provided by the police and physical accessibility for visitors. Currently, data is available on the departments in St. Petersburg and Voronezh, but soon Moscow and other cities will be added.
Several advocacy campaigns were successful in 2018. For example, in March, the government adopted a decision to simplify the methods for assessing and re-assessing disabilities, a development that NCOs had long sought. This has affected tens of thousands of citizens who will no longer have to go through an annual re-assessment. The Law on the Responsible Treatment of Animals was passed in December 2018, after strong pressure from the animal welfare community. With the help of the #yakhochuzhit’ (I Want to Live) campaign, which was launched on social networks in early May, important medical products were excluded from the ban on foreign imports into Russia in response to foreign sanctions. A video showing the torture of prisoner Yevgeny Makarov, published in Novaya Gazeta, elicited a huge public response and led to the arrest of six penal colony employees. On August 15, the Mothers March took place in Moscow in support of Ana Pavlikova and Masha Dubovik, both arrested for intending to overthrow the authorities in the Novoye Velichiye (New Greatness) case. The next day, the teenagers were released from prison and placed under house arrest.

Although CSOs increasingly advocate for the protection of rights, protests and petitions generally do not achieve any results. During the year, for example, countless environmental protests, protests against the restriction of internet freedoms and the blocking of Telegram messenger, and campaigns by human rights activists and many well-known public figures to halt the criminal case against Oyub Titiev, the head of Chechen branch of Memorial, were all ineffective.

At the same time, government-organized NGOs (GONGOs) and a number of conservative CSOs defended their interests more actively during the year. In particular, a large number of so-called cyber-squads emerged, which monitor the internet and inform the authorities of anything they consider suspicious.

**SERVICE PROVISION: 4.2**

CSO service provision did not change notably in 2018. Although the government has made the transfer of responsibility for some social services to the nonprofit sector a priority, this process is developing very slowly. CSOs continue to provide fairly diverse services, ranging from charity meals for the homeless to legal aid and education. However, as a rule, the scale of these activities is limited and is considered to be a top-up to the large-scale system of services provided by the state. CSOs are providing an increasing share of social services in the country. According to data presented at the State Council in December, in the Kaliningrad region, the nonprofit sector only provided 5 percent of social services in 2015, while in 2018, this figure had risen to 37.5 percent.

Some CSOs participate in public procurements, but doing so takes a lot of time and effort. CSOs’ engagement in procurements is also limited by the fact that most procurements are structured so that contractors only get paid for their work after services are provided. This requires them to have sufficient resources to carry out the order, which most CSOs do not have. In addition, there is a lack of staff with the necessary skills in the field of procurement.

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 can register as Providers of Public Benefit Service (PPBS). CSOs with this status are eligible to receive state subsidies for at least two years, as opposed to just one year. However, in practice, the status does not currently bring any particular advantages, as these have not yet been defined by administrative regulations in the regions. As a result, entry into the PPBS register is primarily considered an indication of quality. As of December 1, only 187 NCOs had received PPBS status.

Regional and local authorities sometimes engage CSOs to help solve local problems, but they do not usually pay for these services. Some CSOs have received meaningful government support for the large-scale implementation of their innovative approaches. For example, in the summer of 2018, a pilot project was launched to create a long-
term palliative care system in six regions in Russia. This pilot is being implemented by the Starost v radost (Enjoyable Aging) Foundation, the Ministry of Labor and Social Protection, and the Agency for Strategic Initiatives.

Traditionally, CSOs provide a variety of services that meet community demand. Customers either pay for services themselves or CSOs seek donations to provide them. For example, since September, the legal aid line of the Pravmir Foundation has been available for all residents of Russia for free. Rusfond has created regional registries of bone marrow donors without help from the Ministry of Health, and the human rights organization Zona Prava (Rights Zone) runs a federal hotline on torture and the failure of law enforcement agencies and officials to act in cases of domestic violence.

**SECTORAL INFRASTRUCTURE: 3.9**

The infrastructure supporting the sector strengthened slightly in 2018. This was due to the active development of the volunteer movement and increased support for infrastructure projects by PGF, which has become an essential part of the sectoral infrastructure itself.

The federal and regional governments earmarked significant support for the development of the volunteer movement in 2018. In less than a year, the Association of Volunteer Centers, which was formed in 2014 with the support of the government, created a system for the development of volunteering among those over the age of fifty. By the end of the year, there were twenty centers of “silver” volunteers that implement their own programs. In 2018, the Association of Volunteer Centers also actively developed the Resource Centers for Volunteering program in Russia, engaging all regions in volunteer activities. By the end of the year, these types of regional centers were established in thirty-four regions, where they worked closely with the local authorities.

Resource centers operate in most regions of the country, although the quality of the services they offer varies. Resource centers provide training and consultations for CSO employees on management, marketing, financial management, program management, and fundraising. These services are generally provided to all types of CSOs without discrimination.

In 2018, PGF supported 182 projects worth 700 million rubles ($111.1 million) focused on the infrastructure of the sector. These projects provide continuing support to the most professional SO NCOs to act as resource centers. Nine of these SO NCOs received long-term funding through 2021. In the regions, resource centers also receive support from local authorities. For example, an extensive and full-time network of municipal resource centers was created in the Novosibirsk region, with individual organizations receiving between 200,000 and 600,000 rubles ($3,200 - $9,500) through competitive processes from both the regional and municipal budgets.

PGF itself has begun to play the role of an infrastructure organization, creating distance learning courses and organizing training events in thirty-five regions of the country, as well as hosting a forum in Novosibirsk. In 2018, PGF launched an online training course called Social Projects: From Idea to Presidential Grant, which consists of ten lessons with instructional videos and practical tasks.

Community foundations actively support citizens’ and CSO initiatives on the local level. Some large, Moscow-based private and corporate foundations run grant competitions in a number of regions aimed at supporting social projects by NCOs and municipal institutions. Regional resource centers often serve as the local operators of these competitions.

When necessary, CSOs form new alliances. In 2018, an independent environmental monitoring system, which is aimed at regularly monitoring air pollution, started operating in Russia. In April, representatives of leading Russian foundations working with people with mental disabilities signed an agreement on joint activities. Several charitable foundations joined forces for a new project that will help children fight bullying in schools. In October, the
Association of Social Service Providers was formed, which will bring together non-state social service providers in the Arkhangelsk region.

CSOs increasingly cooperate with businesses. For example, PROJECT911, created by several specialized CSOs with financial support from the RCG advertising and communications group, comprises an interactive movie, a news-feed covering domestic violence, the contact details of crisis centers, and a test to help women assess the risk of violence. The pharmaceutical company Teva has published an Accessibility Map on its website, which contains updated information on the accessibility of 12,000 urban infrastructure facilities in 2,210 locations in Russia.

CSOs continue to have access to diverse educational opportunities, such as the Social Technology Greenhouse. In addition, new training opportunities were created in 2018. The Druzya (Friends) charity foundation, created by businessmen, together with the Higher School of Economics, has opened a university-level educational program for heads of charitable organizations. Students are offered eight educational modules over a period of nine months. The D-Group.Social team offered a School for NPO Heads in seven cities around the country, in which 140 people took part. The Planeta.ru started the third round of its crowdfunding school in 2018. PRONKO_2.0 provides six training programs for NCO employees and volunteers and social entrepreneurs. The Chelyabinsk Regional Resource Center held the first NCO summer school dedicated to topical issues in the nonprofit sector in the Chelyabinsk region.

Due to the increasing accessibility of the internet and availability of financial support for these sorts of projects, CSOs also have additional opportunities to participate in online education. The OblastDobra.rf platform, together with the Center for Applied Urban Development, developed a course entitled Working with the Local Community for Activists and NCOs. The Center for the Development of Non-Profit Organizations in St. Petersburg developed several distance learning courses.

Various civic forums are held in Russia that allow CSOs to exchange information and discuss their most significant problems. In 2018, a record 2,080 speakers and participants from seventy-five regions of Russia participated in the Independent All-Russian Civic Forum (IACF). Half of them were newcomers to the Forum, and a third of all participants were under the age of thirty-five. PC RF organized Soobschestvo (Community) Forum, a series of 200 themed discussions in many regions of the country in which more than 15,000 people took part.

PUBLIC IMAGE: 5.0

The public image of the CSO sector improved in 2018, as the wave of publicity and positive messaging by the authorities linked with the year of the volunteer had a positive influence on the sector’s image as a whole. The sector’s public perception is largely dependent on coverage in the official state media, which is still watched by the majority of citizens of the country. This coverage focuses on loyal, socially significant, and charitable organizations, which therefore benefit from a more positive perception. The activities of human rights, environmental, and social justice organizations, on the other hand, are generally ignored in the official media, and if their work is mentioned, it is usually in a negative way. Therefore, these organizations continue to struggle to improve their public image.

On December 27, Russian President Vladimir Putin held an expanded meeting of the State Council that was attended by the heads of all regions and the country’s top leadership. It was entirely devoted to the development of volunteering and SO NCOs, the first time this topic was given this degree of attention at such a high level of government. The president said that support for volunteering would continue. He proposed simplifying the procedure for obtaining PPBS status and asked the heads of the constituent entities of the Federation to use the experience of PGF and hold open, public competitions to support CSOs in their regions.
At the official International Volunteer Forum held in Moscow in December, representatives of NCOs and officials discussed the prospects for the ongoing development of volunteer activities in Russia. The Forum was attended by 15,000 people from across the country, as well as representatives from 120 foreign countries. In December, President Putin presented the annual state award for achievements in charitable and human rights activities to Mikhail Terentyev, chairman of the All-Russian Society of Disabled People, and Lev Ambinder, founder of the National Register of Bone Marrow Donors and President of the Rusfond Foundation for Disabled Children, Orphans and Disabled People, which helps seriously ill children.

Such positive attention from the authorities towards the nonprofit sector and volunteers affected both the quantity and tone of media coverage during the year. Moreover, many training sessions, tenders, and meetings were held that were focused on improving the interaction between the media and CSOs. For example, the ASI-Blagosfera Media Club provides opportunities for journalists to meet NCO representatives, enabling them to establish working contacts and cooperation agreements.

According to the Higher School of Economics, there were 2,287 stories about NCOs in leading media outlets in 2018, an increase from 1,263 in 2012. The majority were news stories, most of which were neutral; only 2 percent were negative. Journalists are primarily interested in the interaction between CSOs and the state. Official media rarely covers human rights violations or protests, and if it does, the coverage is generally negative. Such news can only be found in a few independent and online media outlets, which are becoming increasingly popular, but gradually are being more restricted.

The Active Medium television program on the OTR federal TV channel regularly includes stories on charity and civic activists, and even more messages about charities and volunteering are posted on this program’s Instagram and Facebook pages. There are also frequent conversations and interviews about the work of CSOs and appeals to help various charitable organizations on other television and radio channels. In addition, CSOs have their own media outlets, including approximately a dozen e-magazines and portals, such as Philanthropist, Mercy.ru, and Takie Dela, which are run by professional journalists. The Agency for Social Information has almost 800,000 users, three-quarters of whom read the agency’s materials more than three times a week.

The use of social advertising, including on federal television channels, grew in 2018. In February 2018, the Coordination Council for Social Advertising and Social Communications was established under the auspices of the PC RF. With the assistance of the council, leading television and radio broadcasters set up commissions and developed transparent procedures for the placement of social advertising. Two channels—Zvezda and OTR—provide advertising for CSOs free of charge. The first social advertising competition was also held during the year. However, the quota for social advertising established in the Law on Advertising was not met.

In 2018, CSOs made significant efforts to increase public understanding of and interest in the sector. The Agency for Social Information, Potanin Foundation, and STADA Group in Russia created the NKO-Profi project to demonstrate the interesting opportunities for career and professional development that the third sector provides. In the run up to Giving Tuesday, Confession Week was organized, in which people told their friends and family about their participation in charities. Almost 23,000 people took part in Confession Week in 2018, a 30 percent increase compared to 2016. The Committee for Civil Initiatives launched a media project #Becausepeople about famous and successful people—actors, showmen, writers, musicians, businessmen, officials, and scientists—who spend their energy, money, and time on charitable and civic activities. The interviews with these people were viewed more than 15 million times.

In 2018, the Vse vmesne (All Together) Association of Charitable Organizations drafted a declaration of transparency and called upon all NCOs to sign it. In addition, nearly three hundred organizations have signed the Conscientiousness Declaration, a code of ethics for CSOs collecting private donations that was initiated in 2017. A group of sector experts has developed an Information Openness Standard for CSOs, which has been widely discussed, but so far there is a lack of motivation among organizations and donors to follow it. In 2018, 252 CSOs participated in Reference Point, the Donors Forum’s competition of CSOs’ annual reports, a slight increase from 244 in 2017. The number of participants indicates that only a small number of organizations issue public reports. According to the law, NCOs must submit annual reports to the Ministry of Justice. However, according to the Ministry of Justice, only 68.8 percent of organizations submitted reports for 2017. In addition, the reports that are submitted are not very informative.

In general, trust in CSOs and knowledge of the sector in the country remain at a low level. According to the 2019 Edelman Trust Barometer, which studied the level of trust in public institutions in twenty-eight countries, 23
percent of respondents trust NGOs in Russia, a decrease of 2 percent from the previous year and a lower percentage than in any other country. In comparison, 34 percent of respondents stated that they trust the authorities. According to a September 2018 survey by Levada-Center, 38 percent of respondents trusted charitable CSOs. CAF’s annual survey reported that around half of people in Russia think that charities have a positive influence both on the country as a whole and on their own local communities.
According to the Freedom in the World Report published in early 2019 by Freedom House, Serbia is now classified as a partly free country for the first time in several years. The decline is attributed to the concentration of power around President Vučić, which exceeds assigned constitutional roles; the conduct of elections; and harassment and smear campaigns against independent journalists and activists. Furthermore, Serbia’s score on Transparency International’s Corruption Perception Index has dropped significantly over the last three years. Serbia now has a score of 39 out of 100, moving it one step closer to being considered a “highly corrupt” country.

The 2018 CIVICUS report People Power Under Attack notes that intimidation and harassment of activists and journalists is a “worrying frequency” in Serbia, “creating [a] climate of fear.” The Human Rights Watch report for 2018 notes that human rights defenders in Serbia operate in a hostile environment, and are subject to regular threats and attacks. These attacks are only investigated slowly and there have been instances in which the courts failed to protect attacked activists. For example, a misdemeanor court in Ruma fined eight activists from Youth Initiative for Human Rights for interrupting a speech by convicted war criminal Veselin Sljivancanin.

In this context, overall CSO sustainability deteriorated in 2018, with negative developments noted in the legal environment, advocacy, service provision, sectoral infrastructure, and public image dimensions. Advocacy suffered the most due to “state capture that erodes citizens’ rights in Serbia,” as described in an independent report presented by the coalition prEUgovor in October 2018. CSOs continue to show resilience in this difficult context. Financial viability improved slightly, as CSOs made progress in securing local sources of funding in order to diversify their income, and organizational capacities remaining relatively strong. A new wave of informal civic initiatives emerged in 2018 that mobilized strong constituencies around topics such as environmental protection, freedom of media, and ownership of the airport in Nis.

1 The score for the Financial Viability dimension was recalibrated in 2018 to better reflect the situation in the country and to better align it with other scores in the region, rather than based on change from the previous year. This offset the deteriorations in other dimensions of sustainability, making it appear that overall CSO sustainability did not change, while in reality it deteriorated slightly from the previous year.
According to the Serbian Business Register Agency (SBRA), there were 32,240 associations and 830 foundations and endowments registered in Serbia at the end of 2018, an increase of 1,340 associations and 41 foundations and endowments compared to 2017. The number of foreign associations remained unchanged at 69.

**LEGAL ENVIRONMENT: 4.3**

For the fourth year in a row, the legal environment deteriorated slightly, primarily due to legal impediments to the work of CSOs, as well as recent changes in the legal framework.

The Law on Associations and Law on Foundations and Endowments continue to serve as the basic legal framework for CSOs in Serbia. The registration process for associations remains very simple. The registration of endowments and foundations tends to be slower due to lack of experience within the SBRA network. Networks still face tougher registration requirements, including mandatory submission of personal identification documents of the founders of their CSO members. There are no legal barriers to the existence of informal groups.

The legal framework fails to provide clear limits on government oversight of CSOs. CSO reporting requirements are the same as those for companies and relatively easy to meet.

In 2018, the state introduced an obligation for all existing CSOs to register their “real owners” as part of a wider state effort to determine the owners of all legal entities in the country after years of privatization. The instructions were unclear, leading to a variety of different practices among CSOs: some CSOs registered their directors, board members, and founding members, while others introduced new positions within their governance structures for this purpose. The deadline set for the registration of real owners was January 31, 2019.

The Law on Prevention of Money Laundering, adopted in 2017, began to be implemented in 2018 with the state organizing a series of public events focused on the risks of CSOs being used for money laundering and financing of terrorism. The action plan for implementing this law includes increased inspections of the work of CSOs; however, no clear information is available on the extent to which CSOs were subject to such inspections in 2018.

The Law on Providing Free Legal Aid was adopted in 2018. The law strictly prohibits lawyers from providing pro bono legal services through CSOs. This is a significant blow for civil society as women’s and human rights CSOs have been important providers of pro bono legal services in Serbia for the last twenty years. Lawyers working in CSOs will be banned from providing all legal services, except for support to migrants and work on anti-discrimination cases. The legal framework will still allow CSO lawyers to provide legal services if the client pays for them, which further fueled debate about the intentions of the lawmakers.

The Law on Local Self-Government was amended in June to encourage more public participation in local decision-making processes. The amendments lay out new obligations for local self-governments to organize public debates, but do not provide mechanisms for implementation. Some cities and municipalities introduced public debates at the end of 2018. CSOs note that their participation to date has been pro forma, and their proposals have not been debated or responded to.

The Law on Free Access to Information was in the process of being amended in 2018. The draft law included numerous articles that would limit access to information significantly. CSOs advocated against the law, which is expected to be adopted in 2019.

In 2018, the state created an online system to process value-added tax (VAT) exemptions, significantly easing the work for CSOs that receive VAT-exempt donations, including from the EU and USAID. This is particularly beneficial for CSOs outside of Belgrade since before this change they had to physically travel to Belgrade to get these exemptions.
State harassment of CSOs increased in 2018. State and ruling party officials, both on the national and local levels, frequently promote a narrative about “foreign mercenaries” when speaking about CSOs advocating for government transparency and accountability. In 2018, Civic Initiatives produced a report titled Association of Citizens: Shrinking Civic Space Serbia 2014-2018, which documents the closing environment for civil society in three areas: basic legal guarantees of freedom (including numerous cases of physical attacks on civil society activists, media campaigns against civil society, prohibition of civil society events), the framework for financial viability and sustainability of CSOs, and government-CSO relationships.

In one of the most notable cases of harassment, the department for organized crime in the criminal police raided the offices of the Podrzi zivot Foundation in October for allegedly misusing funds dedicated to the medical treatment of children. Podrzi zivot was led by a famous actor who was becoming increasingly engaged in opposition politics. Although these accusations proved to be unfounded, media outlets close to the government paid significant attention to this case, significantly damaging the foundation’s public image. In another case, unidentified persons forcibly entered the apartment of Predrag Petrovic, Executive Director of the Belgrade Center for Security Policy, in May following a series of threats. In addition, financial police blocked the work of the news portal Juzne Vesti for months in 2018; they also visited its suppliers and business partners, suggesting they should stop working with this civil society media outlet.

The tax framework for CSOs did not change in 2018. CSOs do not receive tax exemptions on income from donations, although some international grants are exempt from VAT in accordance with bilateral agreements. Legal entities can classify donations to CSOs as expenses, thereby lowering their taxable income.

The draft Law on Social Entrepreneurship remained under development in 2018 after CSOs publicly complained about an article in the existing draft that excluded the possibility of CSOs operating as social enterprises. CSOs can provide paid services but must use any profit generated to further their aims and organizational missions. However, the regulations are not very clear, which has led to different practices by tax authorities in different parts of the country, with some even concluding that CSOs do not have the right to charge for their services.

Legal capacities in the sector are still weak. Local organizations rely on legal advice from larger organizations. In 2018, activists could receive legal counseling and information from lawyers to deal with incidents of harassment through a USAID-funded project led by the Center for Research, Transparency and Accountability (CRTA).

ORGANIZATIONAL CAPACITY: 4.0

Organizational capacity did not change significantly in 2018.

A new wave of civic initiatives arose in Serbia in 2018 that mobilized citizens around local problems. Some of the most notable examples of this trend are Defend the Rivers of Stara Planina (which opposed the construction of mini hydro-power plants based on environmental concerns) and Defending Nis Airport (which opposed the change in ownership of the airport in Nis), as well as actions and protests against the high levels of pollution in several cities. Some of these initiatives mobilized more than 5,000 people to participate in actions and attracted significant media attention. Except for the Nis airport initiative, which was organized by CSO leaders, these initiatives were led by people not previously involved in civil society.

Existing CSOs are also investing more efforts into constituency building. The four-year USAID-funded Local Works program is focused on increasing citizen engagement and the positive role of local organizations in Serbia by: improving government and private sector economic policy dialogue; increasing community philanthropy; supporting citizen-led judicial reform; and promoting community initiatives to solve development problems. In 2018, the Local Works program awarded six projects to local CSOs, each ranging between $1.3 and 2 million for a
three- to four-year period. Re-establishing connections between CSOs and their constituencies is at the core of these projects.

Strategic planning is only practiced by a few mid-sized and large organizations. Most CSOs are focused primarily on project-based financing and adjust their activities to match donor priorities. According to trainers and consultants, some CSOs made efforts in 2018 to improve their communication with constituents, which resulted in changes to their mission statements and strategies.

Only a small number of strong organizations have functioning internal management structures. While most CSOs have boards, they are generally either not active or they do the managerial work within the organization. Only the strongest organizations have written procedures for their operations, including human resource policies, and employ regular staff members. Most CSOs do not have any paid employees, while a small percentage of CSOs engage project-based staff. Only the largest organizations employ full-time staff members.

In 2018, new volunteer centers were created in towns such as Sabac, Kragujevac, and Pancevo. Volunteering platforms such as http://www.volonter.rs/, http://volontiraj.rs/, and http://www.nvs.rs/index.php were used more in 2018 than in 2017 and are often referred to through websites that are either aimed at youth or through municipal level volunteer services. Well-established CSOs reported greater involvement by high school students. Some large organizations, such as Center for Social Preventive Activities GRIG and Duga, have protocols for cooperating with individual university faculties, such as the Faculty for Social Studies and the Medical Faculty, through which they offer students opportunities for practical work experience, while also providing additional services to their beneficiaries. However, small CSOs still lack the capacity to attract or organize volunteers.

All CSOs utilize the services of accountants, although CSOs in small communities have limited access to good accountants. Only the strongest organizations hire information technology (IT) managers and lawyers.

CSOs increasingly use the internet to communicate with stakeholders, with most using Facebook as their primary communication tool. CSOs have access to a variety of programs to receive licensed software. Most CSOs’ computers are outdated and few donors provide support for equipment upgrades. However, even small organizations can communicate effectively with the use of mobile phones and social networks.

FINANCIAL VIABILITY: 4.4

The CSO sector’s financial viability improved slightly in 2018. Larger organizations based in Belgrade, Nis, and Novi Sad are starting to invest systematically in the resources and capacities needed to secure local sources of funding in order to diversify their income. Well-established, mid-size CSOs based outside of major cities are also increasing their efforts and have had some success in approaching local businesses and community supporters. However, small CSOs, especially in south and eastern Serbia, are struggling to survive. While local foundations such as Trag and the Ana and Vlade Divac Foundation continue to support programs that help CSOs raise funds from local sources, small CSOs simply do not have enough human resources and any success they have is generally one-off.

Crowdfunding is an increasingly successful fundraising tool. In the first nine months of 2018, local organizations raised 50 percent more funds through Indiegogo than they did throughout the entire year of 2017. GlobalGiving is also a popular crowdfunding site among CSOs. In March 2018, Catalyst Balkans launched a local crowdfunding campaign.

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2 The score of 4.4 for Financial Viability represents a recalibration of the previous year’s score, combined with a slight improvement.
platform called donacije.rs. During the year, seventeen local, mostly smaller CSOs raised a total of $88,400 through this platform. Larger CSOs also used crowdfunding platforms. For example, the Organization for Respect and Care for Animals (ORCA) raised over $10,000 for its animal welfare work. Slavko Curuvija Foundation, in cooperation with Catalyst Balkans, launched a highly successful local crowdfunding campaign to raise support for a local journalist who had been threatened for his stories about local government corruption. The campaign raised over $21,000 in less than two months. In 2018, the Croatian organizations BRODOTO, which specializes in crowdfunding boot camps, opened a branch and a Crowdfunding Academy in Serbia.

According to a preliminary report by Catalyst Balkans, giving through philanthropic actions, which includes donations to CSOs, as well as hospitals, state institutions, and individuals, was estimated to be approximately EUR 25 million in 2018, slightly less than in 2017, when an estimated EUR 26.6 million was given. However, giving to CSOs actually increased, both as measured through the number of instances, as well as the overall amount donated. Diverging trends were noted among individual and corporate philanthropy. The number of donations by individuals increased, while the amount given decreased. On the other hand, the corporate sector gave more through fewer actions. The foundations and associations receiving the largest number of donations are Be Humane Foundation, the National Association of Parents of Children with Cancer (NURDOR), Serbs for Serbs (a diaspora organization), Together for Life, and Support Life.

A growing number of businesses sponsored grant and support programs for CSOs during the year. SBB, one of the largest cable network and internet operators in the Balkans, began providing grants to CSOs in 2017, and Mastercard Serbia began a program in 2018. Many companies, such as Erste Bank, Vojvodjanska Bank, and Coca Cola, continue to rely on foundations either to manage their grant programs or provide expertise. On the other hand, companies close to the ruling party, such as NIS a.d. Novi Sad, stopped granting funds to local organizations in 2018.

As noted above, CSOs benefit from a growing level of volunteer support. Other types of non-monetary support include donations of food, clothes, or support packages for those in need. The level of such support did not change in 2018.

CSOs continue to receive funds from the government through budget line 481, the public budget classification officially dedicated to non-government organizations. However, funding processes are still not fully transparent and there continue to be examples of local governments allocating funds to newly established organizations that lack experience and organizations that do not meet the stated criteria. In a positive development, in 2018, the government adopted a new bylaw on transparent funding of CSOs and, in cooperation with the United Nations Development Program (UNDP), established an e-calendar on which local governments are obliged to publish calls for proposals for funds from budget line 481. Both initiatives will begin to be implemented in 2019.

CSOs still rely on foreign support to a significant extent. With several new sources of funding, the overall amount of foreign funding available to CSOs increased in 2018. During the year, the USAID-funded Local Works program provided around $12 million to consortiums of CSOs in areas such as philanthropy development, rule of law, and advocacy. The Swiss Cooperation Office launched a call for proposals for large, longer-term grants, although no funds were awarded by the end of 2018. The Balkan Trust for Democracy increased its grant fund with support from Norwegian Development Aid. The Regional Youth Cooperation Office (RYCO) and the Western Balkans Fund continue to serve as additional, albeit smaller, sources of funding for CSOs. While overall funding is increasing, private, flexible sources of funding are continuing to withdraw. The Charles Stewart Mott Foundation’s new strategy, for example, moves away from its regional focus, which included a focus on the Balkans. Instead, it will now provide thematic support, for which Serbian CSOs can compete. Bilateral and multilateral donors increasingly award support to large (often foreign) organizations and/or consortiums. While such programs often offer sub-grants, the overall effect on smaller CSOs is limited. Foreign support to service providers continues to decline, while support for advocacy, philanthropy, and social entrepreneurship is on the rise.

The extent to which CSOs earn revenues did not change significantly in 2018. CSOs that have specific areas of expertise are able to sell services such as accredited trainings and seminars and research, mostly to foreign organizations, as well as businesses to some extent. Governmental institutions avoid using CSO services, even in cases where their expertise is undeniable.

Foreign organizations and some businesses, such as GIZ and the Erste Bank Step by Step program, continue to invest in social enterprises. As a result of these investments, capacities are increasing and some new social
enterprises, such as the Center for Integration of Youth, which supports children living on the street, have been founded. However, the number of social enterprises did not rise notably during the year.

Larger, well-established CSOs have sound financial management systems in place and regularly conduct audits, which other CSOs cannot afford. While mid-level CSOs generally have basic financial procedures in place, smaller organizations have almost no systems in place, and use bookkeeping services only for mandatory annual financial reports to the state. CSOs increasingly use financial management software.

**ADVOCACY: 3.9**

CSOs’ ability to participate in decision-making processes deteriorated in 2018 for the fourth year in a row. Throughout the year, the government treated any outside suggestions or initiatives, or critiques of the government’s policies or decisions, as attacks on the state or personal attacks on the president. Furthermore, according to research conducted by the National Democratic Institute (NDI), the regime successfully shifts public focus to the ongoing dispute with Kosovo through media controlled by the ruling party or state whenever voices are raised on issues citizens care about, including economic well-being and poverty, public health, youth issues, freedom of press, and free elections.

Other data also demonstrates the government’s resistance to public dialogue. No public hearings were organized on the national level in 2018. The government has effectively taken over legislative functions, proposing 97 to 98 percent of laws adopted in the last three years. In 2018, members of parliament (MPs) from the ruling party used parliamentary practices like filibustering and submitting a vast number of identical amendments to exhaust the time allotted for discussions and to limit the airtime for opposition members of parliament (MPs) on media broadcasts of parliamentary sessions. Most importantly, reports by independent bodies, including the Anti-Corruption Agency, Ombudsman, and Commissioner for Information of Public Importance and Personal Data Protection, were not presented in the parliament. Ruling party MPs, leaders, and ministers frequently accused these independent bodies of working against national interests, further incapacitating them.

The process of drafting the Law on Social Protection demonstrates how the government limits opportunities for CSO participation. The working group for the draft law, assembled by the Ministry of Labor, Employment, Veteran and Social Affairs, was kept secret, and no CSOs dealing with these issues or serving beneficiaries affected by the law were invited to join it. Furthermore, there were no public records of the working group’s meetings, and the public discussion on the law was organized over the summer, when few people were able to participate.

CSOs continue to participate in decision-making processes when possible. In 2018, for example, CSOs were engaged in work on the strategy for public administration reform, the national media strategy, and various local anti-corruption strategies. However, several CSOs publicly resigned from these groups during the year to protest their ineffectiveness. For example, media and journalists’ associations resigned in protest from the media strategy working group, and CSOs publicly left the City of Nis’ local anti-corruption group.

The Law on Planning System, which clearly defines the relationship between the two sectors, especially in terms of public participation in decision-making processes, and the Law on Public Administration, which requires public participation in decision-making processes in the initial phases of draft legislation, were both adopted in 2018. The impact of these laws on public participation will only be clear in future years.

The Office for Cooperation with Civil Society continues to be responsible for connecting the government with CSOs, but it employed fewer staff in 2018 than previously due to budget cuts. More importantly, the Office did not propose any policy changes in 2018. The draft Strategy for Enabling Environment for Civil Society Development was developed in previous years, but is currently not a government priority. CSOs were reluctant to push for the adoption of the strategy due to the unnecessary delays and frequent changes made by different ministries.
The mandate of the Commissioner for Information of Public Importance, Rodoljub Šabić, expired in December 2018. Mr. Šabić was universally acclaimed for his persistent work ensuring that the state would provide information. As of the time of writing, the state had not yet announced his replacement, but the ruling party chief of the MP group in parliament stated that the new commissioner will be “a sharp contrast” to Mr. Šabić.

CSOs had no major advocacy successes in 2018, although they did have some minor successes related to issues that lack significant public interest. For example, an article prohibiting the farming of fur animals that was adopted in 2009 was finally implemented in part to the efforts of animal protection groups.

In addition, throughout 2018 numerous citizens’ groups initiated protests and actions on a number of issues. Most notably, in December 2018, a nationwide protest was organized to demand media freedoms, and other political demands. The protest was organized by citizen activists, with the involvement of the political opposition. Weekly anti-government protests continued to be held in 2019.

In addition, protests were organized during the year on various other topics, including to prevent environmental disasters caused by mini hydro-power plants on Stara Planina; create air pollution prevention policies in Valjevo and Nis; protect historical parts of Belgrade; and prevent corruption in public investments in local infrastructure in Pozega and Aleksinac. Most of these actions relied on digital activism, primarily through Facebook, as well as grassroots actions that gathered supporters. Some of the protests managed to win legal battles against their opponents. For example, investments on the Rakita river were stopped.

There are a number of formal and informal CSO advocacy coalitions, including several that were established in 2018. For example, the Coalition for Giving was formed within the USAID-funded Framework for Giving project; in 2018, it successfully advocated for the establishment of the Philanthropy Council within the prime minister’s cabinet, although advocacy initiatives directed through the council have not yet achieved any concrete policy changes. Two more coalitions, one led by CRTA and the other by the National Coalition for Decentralization (NCD), were established to promote government accountability and transparency and to facilitate citizen engagement and local resource mobilization.

Government-organized NGOs (GONGOs) and political party NGOs (PONGOs) continue to emerge in Serbia. As these organizations become more active publicly, the credibility and legitimacy of independent CSOs decreases. For example, the PONGO Levijatan openly threatened key animal rights activists and organizations, and state security officials used a high-profile event organized by another PONGO, National Avant-garde, to publicly accuse “some individuals” from media, opposition parties, and CSOs of working against Serbia.

In 2018, CSOs advocated against the draft Law on Social Entrepreneurship, arguing that it discriminates against CSOs by not recognizing them as potential social entrepreneurs. Despite these efforts, the ministry did not introduce amendments reflecting the concerns raised by the civil sector or domestic and European experts and institutions.

**SERVICE PROVISION: 4.3**

CSO service provision deteriorated slightly in 2018. CSO services continue to consist predominantly of social services, including various psychosocial support services, SOS hotlines, and daycare centers, as well as informal education. CSOs also provide some health-care services, although these are limited to information and counselling in line with the legal limitations CSOs face in terms of the types of health services they can provide.

At the same time, the government—both on the national and local levels—increasingly tries to push CSOs out of service provision. For example, in 2018 the government-founded Center for Protection of Victims of Human Trafficking, whose role is to identify victims and coordinate support for them through CSOs, did not refer a single victim to ASTRA, one of the main CSOs
supporting victims of trafficking. In another example, after a prolonged process, responsibility for running the National SOS Hotline for victims of gender-based violence was awarded to a governmental institution with no previous experience or expertise working on gender-based violence. Moreover, several conditions for running the National SOS Hotline, such as a requirement that all conversations with victims are taped, violate the Council of Europe Convention on preventing and combating violence against women, known as the Istanbul Convention, which Serbia has ratified.

As described above, in 2018 the government adopted the new Law on Providing Free Legal Aid, which will come into force in 2019. The law gives the right to provide free legal aid only to attorneys/barristers and lawyers working in or engaged by local self-government units, thus discriminating against lawyers based on their place of employment. This effectively excludes CSOs from providing most forms of free legal aid to individuals (other than providing information), most notably in areas of gender-based violence and human rights.

Larger, well-established civil society service providers regularly assess the needs of their beneficiaries through research and assessments and then adapt their services accordingly. Other organizations are less likely to do needs assessments, and instead often create or offer services according to foreign donors’ priorities or calls for proposals. Local governments and CSOs do not cooperate to map community needs.

Membership associations provide services mostly to their members, rarely offering them to the wider community. CSOs generally do not charge beneficiaries for their services, but instead continue to raise funds from donors.

CSOs continue to provide trainings to government institutions in such areas as project management and access to EU funds, and to social and educational institutions in specialized areas of expertise such as human trafficking and protection from gender-based violence. However, government and institutions continue to prefer to engage individual trainers from CSOs directly, rather than the CSOs themselves, to provide these services. As a result, CSOs receive no financial benefits from such engagements and fail to create institutional relations and partnerships. To a lesser degree, CSOs also provide services such as trainings and other types of support to businesses.

**SECTORAL INFRASTRUCTURE: 3.4**

The infrastructure supporting the CSO sector deteriorated slightly in 2018, in part because the EU-funded Technical Assistance for CSOs (TACSO) program ended in November 2017. From 2012 until late 2017, the TACSO Resource Center provided critical support, advice, and technical assistance to CSOs. The process of choosing a new consortium of CSOs to run the program was postponed for a variety of technical and administrative reasons, with a contract finally being signed in late December 2018. The new project is expected to kick off in mid-February 2019.

CSOs increasingly open co-working spaces, even in smaller communities. In 2018, Timok Youth Center opened a new co-working space in Zajecar, and several CSOs are cooperating to launch one in Pancevo.

There are three community foundations in Serbia—Front in Novi Pazar, Obrenovac Youth Foundation, and Step Forward in Zajecar—but little of their funding comes from local sources. National foundations, like Trag and the Ana and Vlade Divac Foundation, re-grant international funds from donors such as the EU, USAID, and private foundations. Similarly, large national organizations provide grants for specific topics with donor funding, such as CRTA for communications-related projects and Belgrade Open School on EU integration topics. Mid-size local CSOs in ten to fifteen cities in Serbia provide various types of support for local and regional initiatives, such as connections to local stakeholders, support on project proposal design, and legal advice, although they do not provide funding.
As in previous years, no CSO coalitions provide broad support to the sector or act as sector-wide advocates. Existing and new coalitions tend to be issue-based, and provide services and information to their members. In 2018, a few new coalitions, such as the aforementioned Coalition for Giving, were founded. In addition, formerly established coalitions continued to operate. These include the Coalition for Development of Solidarity Economy; Coalition 27 (focused on monitoring Serbia’s EU integration progress related to chapter 27 - Environment and Climate Change), prEUgovor (which oversees the implementation of policies in the field of judiciary and fundamental rights (Chapter 23) and justice, freedom and security (Chapter 24) in regards to the EU integration process); and the Coalition for Monitoring of Public Finances. Also, civil society media in several cities, including Novi Sad, Prijepolje, Dimitrovgrad, Pancevo, Kragujevac, and Leskovac, formed the Network of Civil Society Media in 2018.

Most of the training and technical assistance available are offered on an ad hoc, project basis and focus on particular skills. For example, in 2018, Trag Foundation offered training in local advocacy, CRTA in communications, Smart Kolektiv in social entrepreneurship, and Catalyst Balkans on crowdfunding. There are rare examples of CSOs offering training on topics such as internal policies, strategic planning, or financial management. For example, Trag Foundation offers such trainings to the approximately twenty women’s organizations it supports through its Issues Affecting Women program. However, emerging organizations rarely have opportunities to access fundamental skills. At the same time, some new local citizen-led initiatives are strongly against formalization and institutionalization, as they fear this will weaken their connections with the communities they represent.

While there are fewer partnerships between the public and civil sectors, CSO partnerships with small and medium enterprises and large companies seem to be on the rise. The Coalition for Giving—led by Ana and Vlade Divac Foundation, in coalition with Trag Foundation, Catalyst Balkans, SMART Kolektiv, Serbian Philanthropy Forum, the Responsible Business Forum, and Serbian Chamber of Commerce—has been the main catalyst of this cooperation. This coalition provides synergies between the two sectors and joint approaches to raising public awareness on philanthropy and policy developments related to the enabling environment for philanthropy development. IKEA started a grant program supporting the economic empowerment of women in cooperation with the Divac Foundation in 2018.

**PUBLIC IMAGE: 4.7**

CSOs’ public image in Serbia worsened slightly in 2018 due to the increasingly negative media narrative toward civic activists and public attacks by state and local government officials. The worsened situation was enabled by the fact that state officials, individuals, and organizations close to the ruling party acquired ownership of national media outlets that were previously viewed as neutral, such as TV Prva.

Coverage of advocacy groups decreased in 2018 on both state and private media at the national and local levels. For example, Daily Politika refused to publish an advertisement for CRTA, one of the leading organizations demanding political accountability in Serbia. After negative reactions from the local government and in consultation with the Regulatory Authority of Electronic Media in Serbia, local radio station MAG in Obrenovac also stopped airing it. Government officials and media close to the ruling parties attacked media outlets that regularly and professionally report on CSO advocacy actions, such as N1, Danas newspapers, and Juzne Vesti portal. The database of the Independent Association of Journalists in Serbia (NUNS) contained information on fifty-seven attacks—both physical and verbal—on journalists in the first eight months of 2018. Civic activists were also attacked in the media, particularly for their role in civic protests. For example, during the protest over the ownership of the airport in Nis, national and local government officials publicly accused local CSO leaders of being “foreign mercenaries” and “representatives of anti-Serbian interests,” and the president of Serbia himself stated that citizens protesting in Nis are “stupid.”
The hostile environment in the country is demonstrated by the case of Podrzi zivot Foundation, which raises money for health interventions for sick children, specifically for treatments not available in Serbia. After the founder, the famous actor Sergej Trifunovic, became increasingly engaged in politics, the foundation was attacked in pro-regime media and tabloids, resulting in completely unfounded criminal charges and public attacks in the parliament.

CSOs have more access to radio outlets than television and print media. Service-providing CSOs are treated better in local media, but lack significant access to national media. As in previous years, media report on the activities of service providers, but do not provide space for CSOs to explain their missions or broader aspects of their work. Media in general still have a problem distinguishing between public service announcements and corporate advertising and still refuse to report on businesses that support CSOs, claiming that such coverage would amount to free advertising.

There is a difference in public opinion between organizations that attract empathy due to their core missions (such as NURDOR, an association of parents of children with cancer), which are viewed in a much more positive light, and CSOs that work on advocacy or issues that are considered “political.” Trag Foundation research on the public perception of philanthropy, published in October 2018, finds that private foundations are positively perceived and increasingly recognized as working for the common good, with 42 percent of respondents claiming that they would donate to foundations.

Data from the CRTA Political Audit for 2018 shows a decline in the percentage of respondents who think that CSOs work on solving problems in their local communities from 20.5 percent in 2017 to 11 percent. This same percentage of respondents stated that they initiated or participated in local initiatives to resolve local problems in 2018. Among the key reasons for lack of participation, 31 percent claim they do not have enough time, 33 percent are not interested, and 19 percent do not believe that such engagement is effective. A positive trend was noted in the percentage of respondents who would like to influence local decision making, which reached 36 percent in 2018, the highest percentage in the last six years. The level of interest is highest for those between the ages of thirty and sixty.

Government perception of CSOs is increasingly negative, despite the fact that many advocacy CSOs and service providers are regularly invited to participate in local and national government working groups regarding different legislative processes. The business perception of CSOs seems to be improving, as demonstrated by the growing number of business-sponsored grant and support programs for CSOs, as described above.

Most CSOs have yet to improve their efforts to promote their image and still commonly use language that is not tailored to a wider audience. Some CSOs, particularly strong advocacy organizations, use infographics and other tools to make their messages more understandable.

CSOs increasingly use social networks, including Facebook, Twitter, and Instagram, both for promotion and to build their constituencies; however, the reach of these tools is limited. A Facebook pilot system implemented in Serbia from October 2017 to March 2018 forced CSOs to pay to promote their posts and get them viewed by more people. This had a very negative impact on CSOs’ visibility. For example, some of the most popular CSO pages, such as that of Istinomer, experienced a decrease in visitors of more than 40 percent. In 2018, the projects supported by the USAID-funded Local Works program included campaign activities and actions to promote civil society’s image, which will be implemented in 2019.

There were no new activities regarding civil society self-regulation in 2018. Previous efforts to develop a code of ethics and fundraising standards for CSOs did not continue in 2018. While obligatory financial reports are publicly available through SBRA, a very small percentage of organizations publish their financial reports on their websites, or report to the public otherwise.
In late February 2018, Jan Kuciak, a young investigative reporter, and his fiancée, Martina Kušnírová, were shot dead in their home. Shortly after, it was alleged that the shooting was related to Kuciak’s investigative work for the news website Aktuality.sk, a fact later confirmed by the Slovak police. Kuciak was the first journalist ever to be killed in independent Slovakia.

The murder caused widespread public shock and led to a wave of mass protests in Slovakia and around the world. On March 2, 25,000 people marched in Bratislava in memory of Jan and Martina, despite the freezing cold. Afterwards, the informal initiative For a Decent Slovakia organized fairly regular Friday protests. On March 8, as many as 60,000 people demonstrated in Bratislava, making it the largest demonstration in Slovakia since the Velvet Revolution of 1989. Over forty-eight towns and cities around Slovakia and seventeen cities around the world also hosted protests. The initiative continued to organize demonstrations through 2018 and 2019 to demand a thorough, independent investigation of the murders.

Before his murder, Kuciak had reported on Slovak links with the Italian organized crime syndicate ‘Ndrangheta, and elaborate tax fraud schemes by Slovak businessmen, including some with close links to the ruling Smer-SD party. One of these businessmen, Marián Kočner, threatened Kuciak and his family in 2017, leading Kuciak to file a criminal complaint in September 2017. In June 2018, the National Criminal Agency arrested Kočner for various tax-related crimes. By the end of 2018, the investigation into Kuciak’s murder had resulted in eight arrests. Three of those charged with first-degree murder, as well as the woman charged with ordering the assassination, allegedly had close personal connections to Kočner.

Since Kuciak’s reporting focused primarily on tax fraud and links between the mafia and political leaders in Slovakia, the murder and subsequent findings threw the country into chaos. The political crisis culminated with reshuffles in ministerial posts, as well as the dismissal of the President of the Police Force. Most importantly, on March 15, Prime Minister Fico himself resigned. However, the country’s three-party governing coalition—Smer-SD, Most-Híd (a Hungarian minority party), and the nationalist Slovak National Party—remained in place. Analysts believe that as the chairman of the ruling Smer-SD party, Fico will continue to pull the strings from behind the scenes.

Local elections for mayors and councilors were held in November 2018. A historic number of individuals from the nonprofit sector ran for political posts in the elections and many won, signifying a trend of civil society activists entering politics. The campaign for the presidential election in March 2019 also began in 2018. The current president, who supported the protests, stated that he will not run again. Meanwhile, one strong candidate for president is from the nonprofit sector, while other candidates centered their campaigns on negative rhetoric.
against For a Decent Slovakia and the CSO sector as a whole. In this context, verbal attacks on the sector have become common.

Overall CSO sustainability deteriorated slightly in 2018. The public image of CSOs deteriorated moderately as CSOs were the subject of an intensive smear campaign, while positive developments were reported in advocacy as the sector activated in the face of high tensions in society, not only in the capital, but in the regions. No changes were noted in the other dimensions of CSO sustainability.

According to the Ministry of Interior of the Slovak Republic, there were 54,847 registered CSOs in Slovakia in 2018. This number includes: 52,079 civic associations; 509 non-investment funds; 1,673 nonprofit organizations providing public benefit services; 116 entities with an international element; and 470 foundations.

**LEGAL ENVIRONMENT: 3.0**

The legal environment governing CSOs did not change significantly in 2018 and continues to be fairly enabling. CSOs must be officially registered to carry out their activities. CSOs can choose to register as civic associations, non-investment funds, nonprofit organizations providing public benefit services, or foundations. Each legal form has its own registration process. The laws regulating the registration process are generally enabling, making the process of registering fairly simple. Registration costs EUR 66. The registration process for a civic association is the easiest. Civic associations register with the Ministry of Interior, and the process can be completed within fifteen days.

A foundation is a purposeful association of assets that supports a public service purpose. Foundations also register with the Ministry of Interior. A foundation can be established by a natural person or a legal entity, or a combination thereof, and is created by filing a foundation deed signed by all founders. If no grounds for refusing the registration are found, the foundation is registered within thirty days.

Non-investment funds are nonprofit legal entities that bring together funds to support the implementation of a public benefit purpose or to provide specific humanitarian assistance to an individual or group of individuals. Such funds may be set up by a natural person or a legal entity. Non-investment funds register with district offices according to the seat of the fund.

A nonprofit organization providing public benefit services is a legal entity providing public benefit services for predetermined persons and for all users under the same conditions. Its profits must be used in their entirety to provide public benefit services. A nonprofit organization providing public benefit services can be established by a natural person, a legal entity, or the state, and is based on a foundation deed. The registry office is the district office in the seat of the county where the organization will be based.

In 2018, Act No. 346/2018 on the Register of Non-Governmental Nonprofit Organizations (hereinafter the NGO Register Act) was approved, with an effective date of January 1, 2019. The purpose of this long-awaited Act is to establish a single reliable and up-to-date register of all non-governmental, nonprofit organizations (NGOs). The Act does not change the registration process itself, but only the information that an applicant is required to provide in order to register. If an NGO does not provide the data required by the NGO Register Act, it will not be eligible for public funds, subsidies, contributions, tax allocations, or other benefits.

The European Union’s (EU’s) General Data Protection Regulation (GDPR), which requires the protection of natural persons with regard to the processing of personal data and the free movement of such data, went into effect in May 2018. However, the Personal Data Protection Authority failed to issue any legal interpretations or practices specifically focused on helping CSOs implement this regulation, leading to a degree of uncertainty in the sector.
Several topics were discussed in 2018 that could affect CSOs’ activities. Long-standing discussions about the introduction of a lobbying regulation continued during the year. In addition, former Prime Minister Fico proposed allowing taxpayers to assign 2 percent of their taxes to individuals, in addition to NGOs, claiming that this would contribute to greater transparency in the funding of CSOs. However, no formal legislative proposals were introduced in 2018 to further either of these ideas.

The Social Economy Act came into effect in May 2018. The Act provides a comprehensive regulation for the functioning and support of social enterprises in the Slovak Republic.

The laws on individual legal forms clearly set out the rules for the functioning of organizations, as well as reporting requirements and the extent of state supervision. CSOs and their representatives are free to operate in accordance with the laws. The state may only abolish or restrict them for specific reasons stated in the law. CSOs can openly express criticism and take part in public protests. CSOs have the same legal right to challenge government decisions as other components of society.

In 2018, top government officials—mostly at the central level—once again verbally attacked CSOs. Representatives of For a Decent Slovakia, which organized the protests described above, were accused of attempting a coup d’état, and several organizations were accused of being “political” organizations.

Taxation of CSOs did not change in 2018. Individuals and businesses that support organizations still do not receive tax benefits. However, the Income Tax Act allows companies as well as individual taxpayers to assign between 0.5 and 2 percent of their owed taxes to eligible CSOs.

Some CSOs can earn income through fees and service provision, but this income must be reinvested in the organization’s operations and activities. CSOs can freely engage in fundraising campaigns and accept funding from foreign sources.

The Pro Bono Attorneys Program, which is managed by the Pontis Foundation, continues to provide legal advice and services. While this initiative is coordinated from Bratislava, its services are available throughout the country. CSOs can also receive online legal information from the First Slovak Nonprofit Service Center (1.SNSC).

**ORGANIZATIONAL CAPACITY: 3.1**

CSO organizational capacity did not change significantly in 2018.

CSOs and civic initiatives actively built relationships with their supporters in 2018. During the municipal elections in November, several former CSO representatives won elections to become mayors or councilors as they were able to translate their positive relationships with their CSO constituents into electoral support. The percentage of people working in the business sector who engage in volunteer activities, including as mentors and consultants, in various programs is also growing. CSOs continue to communicate with their constituents through social media outlets, newsletters, as well as fundraising events, such as markets, happy hours, and discussions.

Most organizations have clearly defined goals and visions. Smaller, local organizations devote most of their time and attention to planning and implementing funded projects, while larger organizations can afford to undertake strategic planning. Failure to engage in strategic planning can reduce CSOs’ impact on decision making and systematic change. For example, the initiative We Want to Believe, which was created in response to the murder of Kuciak and his fiancée, called for systematic changes in the police and the prosecutor’s office. More than 6,200 respected individuals from the fields of culture, science, education, and the CSO sector supported a petition drafted by the initiative and representatives of the initiative participated in working groups to change laws.
However, as the founding organizations failed to strategically plan their future activities and did not have the human or financial resources to continue, the initiative fell apart and no longer works with its supporters.

As corporate donors increasingly seek the greatest impact for their “investments” in projects, CSOs have started to focus more on impact measurement and evaluation. Impact assessments also provide CSOs with stronger arguments for introducing or improving public policies to decision makers. For example, from 2012 to 2017 Slovak Telekom supported a program implemented by the Pontis Foundation called Mobile Teacher, which was focused on fieldwork and early intervention for deaf children and their parents. In 2018, Slovak Telekom and Pontis commissioned a Cost-Benefit Analysis of Field Early Intervention for Children with Hearing Disabilities by state analysts from the ministries of finance, education, labor, social affairs and family, and health in cooperation with CSOs from these areas. According to this analysis, early interventions for children with hearing impairments is a cost-effective investment, and a Euro invested by the state in this type of assistance is returned more than three times, strengthening the arguments for a new state policy dealing with early intervention for deaf children.

CSOs’ internal management structures did not change notably in 2018. Larger organizations are more likely to have clearly defined responsibilities than smaller organizations. The degree of involvement of board members varies significantly. Some organizations only establish boards of directors to meet legal requirements, while others actively engage board members in their activities, fundraising efforts, and strategic decisions. The law does not require CSOs to have written policies, procedures, and guidelines, although some donors require these. Larger organizations, such as the Pontis Foundation, have codes of ethics that regulate conflicts of interest.

CSOs struggle to maintain staff because of their unstable funding and the low wages and limited benefits they can provide. Most CSO staff work as consultants on a project basis instead of under employment contracts. As a result, CSOs are faced with the constant need to train new employees. Furthermore, there is a labor shortage in the capital and western Slovakia, which has increased wages in these areas and exacerbated CSOs’ staffing issues. As a result of these unstable conditions, work in the nonprofit sector is increasingly thought to be suitable only for young people without children. CSOs are not involved in policy discussions focused on employee rights because they lack the human resources needed to engage in this area. As a result, the state does not view CSOs or their employees as relevant stakeholders when designing labor regulations.

According to the Charities Aid Foundation’s 2018 World Giving Index, 22 percent of respondents in Slovakia reported that they had volunteered in 2017, up from 16 percent in 2016 and 11 percent in 2015.

CSOs’ technical advancement did not change in 2018. CSOs’ ability to modernize their equipment depends on project funding. CSOs have ready access to the internet.

**FINANCIAL VIABILITY: 3.6**

CSOs’ financial viability did not change significantly in 2018.

CSOs have access to diversified domestic and foreign resources. Most available funding opportunities, however, are focused on the implementation of specific projects and not organizational development, making it difficult for CSOs to ensure their long-term sustainability.

During the year, the long-awaited Active Citizens Fund (ACF), funded by Iceland, Liechtenstein, and Norway, was finally launched. ACF in Slovakia is managed by the Ekopolis Foundation in partnership with the Open Society Foundation and the Carpathian Foundation. Between 2018 and 2023, a total of seventeen calls will be issued to award EUR 7.7 million of funding. A portion of this funding is intended for support activities, including training in project management, organizational development, and self-financing. The first call for proposals, issued in October 2018, received a total of 167 applications. Grants had not been issued by the end of the year.
In 2018, CSOs began to implement ninety-eight projects valued at EUR 28 million supported by the EU Operational Program Effective Public Administration. These projects are focused on increasing participatory public policy making and civic awareness. This funding involves significant administrative burdens, frequent policy changes, and extremely long payment processing times, and is therefore very risky for implementers. Some organizations receiving this funding borrow funds to bridge the periods between payments.

Civitates, a new philanthropic initiative supporting democracy and solidarity in Europe, awarded a grant to a coalition led by Via Iuris for a project aimed at creating a platform of actors to defend civic space in Slovakia.

Several ministries, including the Ministry of Foreign and European Affairs and the Ministry of Labor, Social Affairs and Family, issue annual calls for funding for which CSOs can apply. The Ministry of Justice’s annual call for funding is notable as it is focused broadly on the protection of human rights and freedoms and the prevention of discrimination, racism, xenophobia, anti-Semitism, and other forms of intolerance, and results in a significant number of grants each year. Many CSOs apply for these funds, which have much simpler administrative requirements than EU funds. The level of funding for these programs did not change significantly in 2018.

CSOs actively address potential individual and corporate donors. During tax season, CSOs launch campaigns aimed at increasing tax assignments from businesses and their employees. According to the Financial Administration, tax assignments in 2018 were over EUR 68 million, up from EUR 63.4 million in 2017.

CSOs raise an increasing amount of funds for different projects through various crowdfunding platforms. CSOs raised EUR 466,465 on Startlab.sk, run by the Center for Philanthropy, in 2018, compared to EUR 351,000 in 2017; EUR 1,068,971 on darujme.sk, compared to EUR 904,402 in 2017; over EUR 1.68 million on ludialudom.sk, compared to EUR 1.36 million in 2017; and EUR 391,300 on dakujeme.sk, compared to EUR 297,352 in 2017. However, such fundraising efforts are still not effective for “sensitive” or complicated topics affecting migrants, lesbian, gay, bisexual, transgender, and intersex (LGBTI) individuals, or Roma communities, or legislative changes.

Some CSOs charge for their services, although there is a perception in society that CSO services should be free. Social enterprises began to develop in 2018. For example, Nosene upcycles clothing and uses part of the income to support a crisis center for mothers and children. The most common form of self-financing is membership fees. Only in exceptional cases do CSOs seek contracts at the central or local level, as their chances of success are very low.

Well-established organizations strive to be transparent and therefore have sound financial management systems.

**ADVOCACY: 2.5**

Advocacy improved in 2018 as the sector activated in the face of high tensions in society, not only in the capital, but in the regions. As described above, For a Decent Slovakia organized the largest protests since the founding of the independent republic; the protests effectively mobilized the public, pushed for clear goals, and helped ensure a positive outcome.

In 2018, Institute SGI, Aliancia Fair-Play, Via Iuris, Stop Corruption Foundation, Human Rights League, Open Society Foundation, and Pontis Foundation also launched the Initiative We Want to Believe in response to the murder of Kuciak and his fiancée. We Want to Believe demanded the resignation of the President of the Police Force of the Slovak Republic Tibor Gašpar and Special Prosecutor Dušan Kováčik, and that the post of the Minister of Interior be held by a person with broad trust, undisputable professionalism, and high moral standards. The initiative also submitted a petition on the new law on the police corps, had several meetings with top representatives of the government, and took part in events organized by For a Decent Slovakia and others. These efforts contributed to the resignations of the minister of interior, prime minister, and president of the police force.
The informal Joint Civic Initiative formed in 2018. Joint Civic Initiative has created a closed Facebook groups, providing a venue for We Want to Believe, students, teachers, nurses, artists, and scientists to exchange information and support. The initiative also organized several joint press conferences and received media attention. The JournalN (DenníkN) wrote, for example, that “Civic initiatives appearing in protests on the remembrance of Ján Kuciak and Martina Kušnírová have teamed up with teachers, sisters and students, asking for real changes, not just “moving figures on the chess board.”

Other new citizens’ initiatives were also active in 2018. We are the Forest, which started at the end of 2017, fought against the devastation of national parks and rare woods. The Initiative of Slovak Teachers united local teacher initiatives from around the country to focus on issues in the area of education. Inklucoalition brings together pedagogical and professional staff, families, professionals, and organizations to cooperate and jointly develop inclusive education efforts for all children in Slovakia, regardless of their physical, intellectual, emotional, social, linguistic, or other conditions. The sustainability of these initiatives, however, is limited, and they often fall apart when the seriousness of the matter decreases or because of a lack of capacities.

The Office of the Plenipotentiary for Civil Society Development acts as an advisory body to the state focused on promoting active citizen participation. In 2018, the Office of the Plenipotentiary launched a national project supporting pilot schemes for the creation and implementation of participatory policies involving twenty-five public institutions and CSOs.

The Council of the Government for CSOs began to meet regularly again in 2018. The Council played a significant role in the preparation of the NGO Register Act. However, out of twenty-seven platforms in the Council, eight did not meet during the year.

CSOs participate in many committees and working groups, but their participation is often only formal, with the majority of members coming from the government sector and voting with the ministry on all topics. Another persistent problem is that CSO representatives are usually expected to participate in these committees without remuneration. CSOs often initiate the creation of interdepartmental working groups to help solve problems, but these rarely lead to the adoption of laws or good practices. Politicians began to question the benefits of cooperating with CSOs in 2018, even though this contradicts their own governmental program, which encourages participation.

There is no legal regulation of lobbying in Slovakia.

CSOs were involved in the development of the NGO Register Act, but did not engage in any other advocacy initiatives to promote a more favorable legal and regulatory framework for the CSO sector in 2018.

**SERVICE PROVISION: 2.6**

CSO service provision did not change in 2018. CSOs continue to provide services in many areas, with social services and education remaining the primary areas of focus. CSOs launched some new services in 2018, including the provision of early childcare. The first social enterprises also began to appear. CSO services respond to either community demand or donor priorities. In some cases, CSO services—including pro bono legal services—are not able to fully meet demand.

Two social service providers faced financial crises during the year when they had to pay overtime and employee bonuses from their own funds after the ministry funding their work changed the rates it would pay after contracts were signed.

While many CSOs provide their services on a pro bono basis, other CSOs charge for their services, but still rely on supplemental funding from other sources. For
example, Partners for Democratic Change Slovakia (PDCS) charges fees for the many trainings and seminars it provides.

CSOs provide services to a broad range of constituencies. For example, PDCS provides training courses to companies and CSOs, while Good Clerk (Dobrý úradník) provides trainings for local government employees on codes of ethics. CSO services are provided without discrimination based on race, gender, sexual orientation, or other criteria.

Many CSOs provide services to fill gaps in state service provision. For the most part, the government allocates public resources to public service providers, while CSOs are categorized as private providers. The public prefers services from public providers because they are cheaper. According to the Office of the Plenipotentiary for Civil Society Development, there are plans to change the regulations in order to equalize private and public service providers. Local governments are more appreciative of CSO services and more likely to collaborate with CSOs than the national government. However, collaboration depends largely on the leadership in a particular region, as well as a CSOs' brand and visibility.

**SECTORAL INFRASTRUCTURE: 2.9**

The infrastructure supporting the CSO sector did not change significantly in 2018. In contrast to other countries in the region, Slovakia does not have intermediary support organizations (ISOs) and resource centers. As a result, CSOs have limited access to relevant information, technology, training, and technical assistance.

Eight community foundations in Slovakia use their knowledge of local conditions to raise funds from both domestic and foreign sources, which they then use to provide assistance to people and CSOs in their regions. In 2018, these foundations provided $410,000 in support to local projects. They also spent about $145,000 on their own programs. For instance, the Bardejov Community Foundation supported efforts to create a list of military cemeteries, while Revia – Small Carpathian Community Foundation organized a Give a Book campaign to provide books to those who cannot afford it. Many foundations have good cooperation with local governments. As part of the city's participatory budget process, Nitra Community Foundation worked with the city council to enable local people to nominate small projects for grants up to $7,000. Community foundations raise a significant portion of their budget from local sources using creative methods. Liptov Community Foundation organized a Giving Circle while Healthy City Community Foundation in Banská Bystrica ran a campaign called 500 Friends in Action to raise funds for local projects. In addition, a number of foundations provide grants to CSOs with funding received through tax assignments. For example, Pontis Foundation receives tax assignments from individuals and companies and then uses the funds received to award grants to CSOs through competitive calls for proposals.

CSOs mainly form coalitions to address hot topics, but these often fall apart over time as they lack stable human and financial resources. The initiative We Want to Believe was established during the year to demand the resignation of the prime minister and government officials suspected of being involved in the murder of Ján Kuciak. The informal CS Defense platform, which primarily exchanges information to help the sector defend itself, grew to almost 200 people in 2018 and is expected to start operating formally in 2019.

Several organizations, including Pontis Foundation, Voices, Slovak Fundraising Center, getADVANTAGE, and Maxman, offer training to CSOs, often on a pro bono basis. Trainings in 2018 addressed the new GDPR law, time management, public speaking and presentation skills, accounting, fundraising, and other topics. Companies have begun to provide CSOs training on various topics, including leadership skills. While there are many opportunities for education, CSOs struggle to take advantage of them as they are understaffed. In addition, some of the more attractive trainings are offered for fees that are out of reach for CSOs.
In 2018, CSOs cooperated intensively with the commercial sector, especially in the context of the protests organized by For a Decent Slovakia. The Investigative Center of Ján Kuciak was established as a CSO at the end of the year to work closely with the media and investigative journalists.

**PUBLIC IMAGE: 3.0**

The public image of CSOs deteriorated moderately in 2018 as CSOs were the subject of an intensive smear campaign. CSOs’ role in the protests following the murders of Kuciak and his fiancée were covered extensively in both private and public media. While traditional media provided positive coverage about CSOs, negative coverage and disinformation became more prevalent in alternative media (especially online media outlets) over the past year. Following Robert Fico’s statements that the protests were organized with the financial support of George Soros, there were frequent stories about “Soros Foundations” and “paid agents from abroad,” aimed especially at CSOs engaged in advocacy. Ultimately, a criminal complaint was filed against the organizers of For a Decent Slovakia for attempting a coup d’état, although the charges were dismissed due to the lack of evidence.

Society is increasingly polarized in Slovakia, with some mobilizing around civil society and its values, while others support anti-system narratives. As governing parties realize that their conflicts with CSOs improve their public image, these conspiracies have entered mainstream political debate, whereas they previously had been confined to the extremist part of the political spectrum. Since spring 2018, there have been concerted efforts to discredit the civil sector, with both political leaders and extremists in parliament questioning the work of CSOs and presenting the third sector as foreign agents or the political enemy.

Government mistrust of CSOs has also increased as more CSO leaders enter politics. In 2018, some politicians, as well as alternative media outlets, alleged that public service activities are a means of making economic profit. In addition, some questioned the motives of CSOs offering various types of education at schools, questioning if this is a means of self-promotion among young people. The business sector’s perception of CSOs did not change in 2018, and businesses remain allies of CSOs.

The public discourse has also impacted the public’s attitude towards CSOs. CSOs and CSO activists—particularly those focused on corruption—have received written threats and been subject to personal encounters and verbal attacks.

Despite these large-scale efforts to discredit CSOs during the year, there was significant public support across the country for For a Decent Slovakia. In addition, during its events, For a Decent Slovakia provided some CSOs with space on stage to explain what they do, thereby increasing public awareness of their work. Similarly, local CSOs have space to promote their activities at local community-building events.

According to a poll titled Representative Survey of Participation in Slovakia, which was conducted by the Office of the Plenipotentiary for Civil Society Development in cooperation with the Institute of Applied Psychology and the Focus research agency in late 2018, 5 percent of respondents completely trust CSOs while another 40 percent rather trust CSOs.

CSOs were more concerned with their public image in 2018, and actively responded to misinformation and misleading articles. However, the sector lacked the capacity to react to all of these incidents as there is still a shortage of people in the sector, including people with public relations skills. CSOs extensively use Facebook to promote the visibility of their work; in 2018, a growing number of CSOs also used Instagram.

Foundations, non-investment funds, and nonprofit organizations providing public services are required to submit annual reports to the Ministry of Finance; civic associations, on the other hand, have no such statutory duty. Many
larger civic associations choose to publish such reports anyhow, in a bid to be transparent. CSOs generally lack codes of ethics.
2018 was an election year in Slovenia, with parliamentary elections in June and local elections in November. During the election period, CSOs were more present in the media and engaged actively in advocacy efforts. However, the focus on elections also slowed down the pace of legislative processes and decreased public funding for part of the year, which negatively impacted CSOs.

CSO sustainability in Slovenia improved slightly in 2018. The largest improvement was noted in the legal environment dimension, with smaller improvements recorded in financial viability, advocacy, service provision, sectoral infrastructure, and public image. Most significantly, the Non-Governmental Organizations (NGO) Act was adopted in March 2018, after being under development for several years. Financial viability grew, with significant increases in public funding and improvements in the procedures for awarding and distributing public funds. CSOs continued to innovate and expand the range of services they offer to their constituencies and to implement broad-based advocacy campaigns. The growth in partnerships between CSOs and other sectors contributed to the strengthening of the sectoral infrastructure. The sector’s public image improved slightly, as mainstream media coverage of CSOs and their activities continued to be widespread.

According to an analysis by the Center for Information Service, Co-operation and Development of NGOs (CNVOS), more than 27,750 CSOs were registered in Slovenia at the end of 2018. This number includes around 24,081 associations; 3,446 private institutes; and 253 foundations. While not all registered organizations are active, over 96 percent of all registered organizations submitted annual reports for 2017. There are 261 registered social enterprises in the country, although many more companies operate as social enterprises without registering as such.

1 Scores for three of the seven dimensions of CSO sustainability—Organizational Capacity, Financial Viability, and Advocacy—were recalibrated in 2018 to better reflect the situation on the ground and to better align them with other scores in the region. This resulted in a 0.4 change in the overall CSO sustainability score, which would normally represent a dramatic change, while in reality CSO sustainability only improved slightly from the previous year.
The legal environment governing the CSO sector improved significantly in 2018 with the adoption of the NGO Act in March. The law provides a clear definition of NGOs as nonprofit legal persons established by private persons and independent from the government, other public legal persons, political parties, for-profit persons, economic associations, and chambers. The Act also defines new legal bases of funding for NGOs. Most importantly, it establishes a Fund for the Development of NGOs, which will be financed through unallocated income tax designations. Since 2007, individual taxpayers have been able to allocate 0.5 percent of their income taxes to an organization with public benefit status (also known as a public benefit organization or PBO) of their choice. Not all individuals use this option, leaving around EUR 4.5 million in the budget, which will now go directly to the new Fund. The Act also provides a legal definition of horizontal networks, regional hubs, and thematic networks, thereby acknowledging their importance. Finally, it obligates the government to regularly prepare strategies and define measures for the development of NGOs.

In addition, the Act improves the position of PBOs. First, it allows all legal forms of CSOs to acquire PBO status regardless of their programmatic focus. This replaces the previously discriminatory provision that allowed association to receive public benefit status regardless of their programmatic focus, while other forms of CSOs could only receive it if they worked on certain areas, in accordance with sector-specific legislation. It also significantly simplifies the reporting requirements for PBOs, by changing the reporting period from every year to every other year, and changes the focus of reports to accomplishments and goals achieved. It also stipulates that PBO status should be a criterion in public tenders for funding from the state budget, giving these organizations an advantage in such competitions.

Shortly after the NGO Act was adopted, the government also adopted the Development Strategy of Voluntary and Non-Governmental Organizations, which analyzes the state of development of NGOs and voluntary organizations and defines goals and measures for their future development.

The NGO Act does not affect the core legislation that regulates the registration of CSOs, which includes the Societies Act, Institutes Act, and Foundations Act. In practice, therefore, registration procedures remained the same for all types of CSOs in 2018. CSOs can complete the registration process in less than a month at a low cost, typically less than EUR 100. CSOs still cannot register online.

The government can only legally interfere in the registration or management of CSOs in a few cases, for example, if a CSO pursues profit or criminal activity, if an association does not submit annual reports for two years in a row, or if the board of a foundation does not fulfill its legal or statutory obligations. The law protects CSOs from being dissolved for political or arbitrary reasons. CSOs generally are able to express criticism of the government freely. However, there was one case of a state institution smearing the reputation of a CSO in 2018. In a report from July 2018, the Legal-Informational Center for NGOs (PIC), which works with migrants, claimed that the Slovenian police do not allow foreigners who enter the country illegally to submit asylum applications instead return them over the border in breach of international agreements. PIC also made calls to the police announcing in advance that particular individuals would be filing requests for asylum and requesting updates on these cases, thereby letting the authorities know that they were monitoring these cases. In response, the then-Minister of Internal Affairs publicly attacked PIC, saying that its activity is “absolutely unacceptable” and suggesting that it was acting illegally and interfering in the work of the police. Although this did not ultimately result in an investigation into the CSO, a major Slovenian newspaper published an article suggesting that CSOs working with migrants are performing illegal activity, which damaged their reputation and work promoting the interests of migrants.

In 2018, significant changes were made to the Social Entrepreneurship Act that simplify the process and requirements for CSOs to register as social enterprises. According to the new requirements, social enterprises
must now be 100 percent nonprofit and must only prove that their activity has a positive impact on society. The previous rules involved employment quotas and other quantitative conditions that were difficult to meet and detracted from more important questions about the quality and impact of social enterprises’ activities.

CSOs were also affected in 2018 by the introduction of the General Data Protection Regulation (GDPR), a new European Union (EU) regulation on data protection and privacy. GDPR introduced some new administrative burdens that required CSOs to get new statements from their members and users regarding the processing of their personal data.

The tax treatment of CSOs is still relatively unfavorable. Individuals can allocate 0.5 percent of their income taxes to PBOs, trade unions, or political parties. The tax deduction rate for corporate donations is only 0.5 percent. CSOs can carry out economic activities like other legal entities, but this income is taxed at the corporate rate. CSOs do not pay taxes on donations or grants.

Intermediate support organizations (ISOs), including CNVOS, twelve regional CSO hubs, and PIC, continue to offer free legal aid to CSOs.

**ORGANIZATIONAL CAPACITY: 3.1**

Organizational capacity did not change significantly in 2018.

CSOs continued to have strong relationships with their local constituencies in 2018, as demonstrated by their ability to mobilize funds and volunteers to respond to local issues. Smaller CSOs keep track of their constituencies’ needs by continuously working in close coordination with them, but rarely engage in more systematic analysis. As CSOs get bigger, their links with their constituencies often weaken. As a result, larger CSOs often need more time to identify and respond to emerging needs.

CSOs have clearly defined missions in their statutes, as required by law. Strategic planning, however, continues to be a relatively weak aspect of organizational development for Slovenian CSOs. Instead, most CSOs prioritize other issues, such as obtaining sufficient funds for their operations, often by adapting their services and activities to meet the requirements of public tenders. In 2018, the regional CSO hubs and CNVOS continued to implement organizational development programs for many CSOs, which, among other things, emphasize the importance of strategic planning.

CSOs continue to have management and governance structures in accordance with the laws regulating the establishment of CSOs. However, boards of directors play a limited role, generally meeting just once or a few times a year to confirm or reject annual programs and other documents prepared by executive directors or presidents.

The number of employees in the CSO sector continues to grow, with the most recent data indicating 7,569 full-time employees in 2016 and 7,811 in 2017, an increase of approximately 250. However, the percentage of the working population employed in the sector remained the same at 0.82 percent, which is relatively low in comparison to other countries. In May 2018, the Ministry of Administration published a tender for the development and professionalization of CSOs that provides EUR 2 million worth of employment subsidies for 100 new positions in the sector, twenty of which were subsidies for volunteer mentors. The subsidies provided EUR

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2 The Organizational Capacity score was recalibrated in 2018 to better reflect the situation on the ground and to better align it with other scores in the region. The score does not reflect an improvement in Organizational Capacity, which remained largely the same in 2018 as in 2017.
20,000 per position, which covered a large share of the total costs, making this a more accessible program for CSOs than previous subsidy programs that required CSOs to cover more than half of the costs of salaries. CSO staffing improved as a result of the subsidies, which started to be implemented in September 2018.

According to the Ministry of Public Administration’s 2017 report on volunteering, 287,588 volunteers performed 9,282,195 hours of volunteer work in 1,499 registered voluntary organizations in 2017; in 2016, 307,262 volunteers provided 10,605,418 hours of volunteer work in 1,307 registered voluntary organizations. Despite an increase in the number of registered voluntary organizations, both the number of volunteers as well as well as the number of volunteer hours decreased. The number of volunteer hours per volunteer also dropped slightly. The report attributes this to reduced unemployment in the country. According to the Charities Aid Foundation’s 2018 World Giving Index, 35 percent of respondents in Slovenia reported that they participated in voluntary action in 2017, a 3 percent increase from 2016.

In general, CSOs are well-equipped with information and communications technologies (ICT). The majority of CSOs continue to use social media, especially Facebook and Twitter, widely; many rely on these tools as their primary channel of communication.

**FINANCIAL VIABILITY: 3.6**

The financial viability of CSOs improved moderately in 2018. According to data collected by CNVOS, the sector’s total income increased by 9 percent from 2016 to 2017, the highest rate of growth in the last ten years. Public funding of CSOs also increased significantly, by 9.5 percent, after growth of less than 1 percent over each of the last eight years. In 2018, ministries allocated EUR 99.9 million to CSOs, a significant increase from 2017, when they allocated EUR 85.3 million. Municipalities allocated EUR 115.4 million in 2018, slightly more than the EUR 112.3 million allocated in 2017. Public sources continue to be the largest source of funds for CSOs, accounting for 35.6 percent of total CSO income. While CSO funding sources have gradually become more diversified over the last few years, diversification has not yet reached a level that would ensure long-term sustainability.

Procedures for awarding and distributing public funds have improved. On the national level, for example, prepayment has now become standard, while at the local level, some municipalities have simplified their regulations, and others have made changes to their calls for proposals that improve eligibility and selection criteria, introduce multi-year support, accept voluntary work as an in-kind contribution, and simplify application forms and reporting requirements.

The vast majority of public funding is focused on project and program funding without basic support for CSOs’ ongoing operations, organizational development, or innovation. In addition, there are very few public calls available for advocacy activities at the national or local levels.

Slovenian CSOs do not face any legal limitations to accessing foreign funding; however, Slovenia is not a target country for many donors. Only a few foreign foundations, such as the Google Foundation and Open Society Fund, provide financial support to Slovenian CSOs, and the levels of funding are minimal and do not affect the sustainability of the sector as a whole.

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3 The Financial Viability score was recalibrated in 2018 to better reflect the situation on the ground and to better align it with other scores in the region. In addition to the recalibration, the score reflects a moderate improvement in 2018.
Slovenian CSOs have access to funds that are distributed through the government budget, and also can apply for EU funds directly from EU institutions. However, no data is available about the total level of these funds.

CSOs’ capacities to raise funds are still quite limited, with most still relying on proposals to institutional donors to raise funds. However, there are a growing number of innovative fundraising practices. For example, Ana Monro, an organization that performs street art, organized a “friendraising” event called For Ana’s New Shoes that was focused on building a community of supporters for their work; through this effort, the organization raised approximately EUR 2,500 in a single day. Humanitarček has established a web portal (https://humanitarcek-portal.firebaseapp.com) where potential donors can see current actions that they can support; some are the direct wishes of the homeless people the organization serves, while others, such as Christmas dinner for the homeless, are more general.

While there is no precise data, it is estimated that CSOs earn approximately one third of their annual revenues from the sale of services and products. Many CSOs receive contracts from government bodies, other public institutions (such as schools), and local businesses. For example, the municipality of Ljubljana contracted the cultural association Prostorož, a CSO that does creative landscaping of public spaces, to improve the appearance and make use of a dormant construction site in the city, as well as three small concrete platforms along the river which no longer serve their original purposes.

As of the end of 2018, there were 261 social enterprises registered in the country, a slight increase from 257 at the end of 2017. In addition, many more organizations function as social enterprises without registering as such. In 2018, the Ministry of Economic Development and Technology published several calls for proposals supporting different aspects of social entrepreneurship, the most important being a call for mentoring schemes for social enterprises and another competition focused on the development of social entrepreneurship in Pomurje region.

According to the 2018 World Giving Index report, 35 percent of respondents in Slovenia reported that they donated to charities in 2017, an increase from 32 percent in 2016, but still lower than previous years (41 percent in 2015 and 38 percent in 2014). Donations tend to increase when there are specific causes or crises; donations for the ongoing operation of CSOs, which contribute to the long-term financial sustainability of humanitarian organizations, are less common.

After several years of annual growth in personal income tax designations, the total funds allocated through this mechanism remained fairly stable in 2017, the most recent year for which data is available, at approximately EUR 4.6 million. However, the number of individuals donating a share of their income tax to CSOs increased by 20,000 or 0.5 percent. After multiple years of relative stagnation, corporate donations increased from EUR 24.8 million in 2016 to EUR 26.8 million in 2017. However, incentives for corporate donations continue to be unfavorable, and less than 7 percent of corporate taxpayers apply for tax deductions for donations to CSOs.

CSOs’ financial management systems did not change significantly in 2018. CSOs are subject to accounting requirements that vary according to the type and size of organization. All CSOs must 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 EUR 1 million, CSOs are not required to undergo audits. Some CSOs publish reports on their websites, but these rarely include clear descriptions of their activities or descriptions of how their finances relate to performed activities.

**ADVOCACY: 2.6**

Advocacy improved slightly in 2018, mostly due to improvements in the consultations processes.

After the national elections, the government formed new consultative bodies, including a ten-member consultative body at the Ministry of the Environment and Spatial Planning, a five-member dialogue group at the Ministry of Culture, and various working bodies focused on preparing particular laws or regulations. Some of these bodies

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The Advocacy score was recalibrated in 2018 to better reflect the situation on the ground and to better align it with other scores in the region. In addition to the recalibration, the score reflects a slight improvement in 2018.
must be formed or include CSO representatives by law, but more are created through special decisions by the government or ministry, which shows the government’s increased awareness of the importance of engaging in dialogue with CSOs. While many of these groups have limited powers, they represent an important channel for CSOs’ advocacy efforts.

Similar to the previous government, the new government continues to breach rules for public consultations. According to monitoring conducted by CNVOS, the new government breached the rules for public consultations 52 percent of the time (an improvement from 59 percent in 2017), either failing to organize consultations, providing inadequate deadlines, or not providing deadlines at all. In total, 438 draft laws were prepared in 2018; 383 (79 percent) of the drafts were presented for public comment, of which 172 (39 percent of all drafts) had consultations that were in compliance with the government’s Resolution on Legislative Regulation.

Although still below the legal limit of thirty days, the average length of government consultations has increased by three days to twenty-one days over the last four years. The practice of early consultations, which allow CSOs to provide their input before or during the initial drafting of a law, continues to be rare. Most consultations are organized after a draft law is already prepared, which limits the public’s scope of influence. In addition, there is still a lack of plain language summaries or analyses of draft laws, which limits public understanding of the solutions proposed and therefore hinders effective public consultations.

CSOs are gradually becoming more active participants in local decision-making processes. In October 2018, regional hubs implemented a project aimed at empowering CSOs to affect the legislative agenda at the local level during the local election campaigns. Regional hubs organized one-day workshops in which mayoral candidates and CSOs jointly discussed a number of topics important for their communities. Workshops were held in twelve municipalities and included approximately 127 CSOs and 110 candidates or representatives of political parties.

CSOs continued to implement broad-based advocacy campaigns in 2018. Many CSOs have direct lines of communication with decision makers and regularly engage in successful advocacy and lobbying activities. However, CSO advocacy continues to be hampered by CSOs’ somewhat limited advocacy skills and a shortage of funds for advocacy activities. Most successful advocacy efforts at the national level are implemented by a small number of professional advocacy organizations or larger coalitions.

CSOs quickly form coalitions to respond to emerging issues. Towards the end of the year, CSOs formed a broad coalition to support an increase in the minimum wage and helped push the Minimum Wage Act through parliament. CSOs also formed a coalition to oppose the appointment of a Secretary of National Security known for his intolerant statements towards immigrants. Although CSOs’ campaign and petition received broad media attention and the prime minister responded to the issues in a statement to the media, the appointment was still ultimately made.

CSOs also respond quickly when cross-sectoral issues arise. For example, before the national elections, a prominent member of the main opposition party said that he would increase the defense budget by cutting the EUR 300 million in budget funds “wasted” on CSOs each year. The director of CNVOS responded in an open letter, which CSOs widely promoted. In response, the opposition party stepped back and posted a number of tweets on the importance of CSOs, especially local groups.

CSO advocacy efforts, particularly when they are in favor of marginalized groups or the CSO sector, often meet with pushback from populist media and political parties. For example, when PIC demanded that the police process all asylum requests, a journalist writing for a reputable mainstream newspaper attacked it. This story was then picked up by many other media outlets, resulting in many attacks on CSOs working with migrants in media and on social media.
CSOs are aware of the importance of legal reforms affecting CSOs. Before the national elections, CSOs advocated for the inclusion of the Fund for the Development of NGOs into the NGO Act. Although CNVOS had been advocating for the Fund since 2014, the measure only gained traction in the lead-up to the elections. In another example, cultural organizations were able to pressure the government to reject the inclusion of unfavorable amendments to their core law in the national strategy prepared by the Ministry of Culture in early 2018.

### SERVICE PROVISION: 3.1

CSO service provision improved moderately in 2018. CSOs continue to provide services in a wide range of areas, including health and other basic social services, fire prevention, social assistance, culture, sports, emergency preparedness, environmental protection, and equal opportunities. For the most part, goods and services accurately reflect the needs and priorities of their constituencies. Many CSOs identify needs through direct contact with their users and constituencies, as well as through social media.

In 2018, CSOs continued to innovate and expand the range of services they offer to their constituencies. For example, CSOs offered new and expanded multi-year health programs, including prevention programs, and better access to services on the local level, including for drug addicts. CSOs are also the main providers of social activation services—services intended to prevent or reduce the risk of poverty by employing, educating, re-qualifying, and otherwise empowering groups vulnerable to unemployment and poverty, including the long-term unemployed, recipients of social assistance, older people with professions that have become redundant, the disabled, and Roma people. Several CSOs have been granted funds by various ministries for projects piloting various activities in this area. For example, the project OrientAkcija promotes the social inclusion of women from the Albanian community in the region of Gorenjska by helping them build a social network through various activities, including sports and recreation, and teaching them various skills.

CSOs also introduced some new services in the area of environmental protection, such as Green Consultancy, a hotline for questions related to environmental protection run by PIC.

In 2018, Ecologists without Borders again organized Clean Slovenia on World Cleanup Day. Clean Slovenia is focused on cleaning illegal dumpsites in Slovenia and raising awareness of the need to reduce waste. Over 28,000 people from 134 municipalities participated in this year’s cleanup, making it one of the most successful campaigns implemented by environmental CSOs over the last decade. The effort also involved companies, municipalities, and schools.

Humanitas, a CSO working in the area of human rights and global development, received a GENE Global Education Innovation Award in 2018 for its Club of Teachers of Global Learning, which supports teachers trying to incorporate global issues into the standard school curriculum. Association SOS Helpline for Women and Children—Victims of Violence implemented two innovative campaigns in 2018. It collaborated with a Slovenian rapper who recorded a song about a young woman who was a victim of sexual violence, drawing significant attention to the issue. It also won a competition called Plaktivat for a poster addressing violence against women. The annual competition is sponsored by an advertising company, which then covers printing costs and provides advertising space for the winning poster all over the country. To enhance its support and diversify its activities, the Slovenian Paraplegic Association and Slovenian Beekeeper’s Association opened an educational beehive accessible for people in wheelchairs, the first of its kind in Europe.

CSOs market their products to other CSOs, as well as the business and public sectors. CSOs usually do not conduct thorough market analyses and do not realize the potential of cost recovery, but an increasing number of CSOs, especially social enterprises, are making progress in this area. Many CSOs have on-line shops for their products. For example, the enterprise Bolje, d.o.o., co-founded by Association Ozara, which works in the area of
mental health, has an online shop that sells candles and toolkits for making and decorating candles made of waste oil. The candles are made by people with long-term mental health issues.

The government actively recognizes the value of CSO service provision. A growing number of regulations and national and local strategies, including laws in the fields of culture, fire prevention, social assistance, and mental health, recognize the role of CSOs in offering services in the public interest. In addition, the government finances many CSO services. Furthermore, there are a growing number of cases of local governments working hand in hand with CSOs to revive their communities, for example by revitalizing old city centers or cultural monuments. For example, in the project Baza 20 in the municipality of Dolenjske toplice, local CSOs revitalized a monument from World War II, turning it into a vibrant tourist entry point for the exploration of the cultural and natural heritage of the area. The municipality and public institutes funded and implemented the project, but relied on CSOs to coordinate the preparation of the strategy and project activities.

**SECTORAL INFRASTRUCTURE: 3.2**

The infrastructure supporting the sector improved slightly in 2018, as partnerships between CSOs and other sectors are growing.

CSOs commonly form partnerships with public relations (PR) agencies that offer pro bono support and services. These partnerships are often initiated by the PR agencies. In some cases, CSOs partner with lawyers to engage in strategic litigation or offer pro bono legal aid to individuals. The humanitarian organization Friends of Youth Moste-Polje has a long-term partnership with national radio program Val 202 to promote the CSO’s work. In addition, in 2018, Friends of Youth Moste-Polje formed a new partnership with the media company PRO PLUS, which owns several media outlets, including POP TV, the biggest commercial TV station in the country. The partnership will jointly implement the initiative a Chain of Good People, which will support youth and families in poverty: the CSO offers support services to families and children, while the media partner produces promotional content, including ads, articles, and TV stories. Through Clean Slovenia, Ecologists without Borders fostered many partnerships with businesses, some of which have transformed into longer-term partnerships.

Intermediary support organizations (ISOs), including national umbrella networks, regional NGO centers, and a variety of thematic networks, continue to provide CSOs with legal, tax, advocacy, and accounting support, as well as consulting, information, technical support, and trainings in a variety of other areas, such as strategic planning, human resource management, fundraising, project management, lobbying, and PR. They cover all regions of the country and all areas of operation. Many ISOs rely on public funds and membership fees, but some also charge fees for their services. The European Social Fund provides financial support for CNVOS, the regional hubs, and four thematic networks.

ISOs address many needs of local CSOs. However, local CSOs could benefit from additional support in areas such as communications, public relations, and financial sustainability, in particular financial planning, funding diversification, and innovative fundraising. ISOs are still trying to find the proper balance between shorter trainings for larger numbers of CSOs and more focused mentoring programs that reach fewer organizations but have more long-term impact. CSOs also have access to a vast number of handbooks and manuals, both general ones applicable for all CSOs and tailor-made ones for specific types of organizations, such as youth organizations.

Many grantmaking organizations that were registered a decade ago still operate, but they generally do not re-grant funds anymore. The only local grantmaking in 2018 was that done in the scope of Community Led Local Development, a special financial mechanism of the European Cohesion Funds. Through this program, thirty-seven Local Action Groups (LAGs), consisting of municipalities, companies, CSOs, and individuals, re-granted funds to local organizations and partnerships to implement local projects.
There are approximately 200 thematic networks in Slovenia, including in the areas of culture, urban planning, environment, and voluntary work. There are also networks of pensioners’ associations, alpine associations, firefighters’ associations, disability organizations, and many others. The range of support and services for network members varies significantly. CSOs share information with each other either through these thematic networks or informal coalitions, which are usually established around ad hoc initiatives or objectives. One organization usually serves as the coordinator of these informal coalitions, or coordination switches from one organization to another. In addition, there are some long-standing coalitions, such as the section of safe houses in the scope of the Social Chamber of Slovenia.

**PUBLIC IMAGE: 3.0**

The public image of CSOs improved slightly in 2018. Mainstream media coverage of CSOs and their activities continued to be widespread in 2018. All forms of media—print, television, radio, and online media—continue to publish stories about CSOs. CSOs working in certain areas, such as immigration, democratic rights, and the environment, are significantly more likely to receive negative media attention, mostly in populist media, but sometimes in the mainstream media as well. The public response on social media is more likely to be negative towards these CSOs as well. The most notable case of negative media coverage in 2018 was related to PIC. As described above, PIC claimed that the police do not allow foreigners who enter the country illegally to submit asylum applications and instead return them to Croatia en masse. To prevent this, PIC made phone calls to the authorities to let them know in advance that certain individuals would apply for asylum and demanded to be notified about the procedure. In some cases, PIC threatened to report the police if they did not process the asylum requests. Even though the warnings to the authorities were completely legal, the Minister of Internal Affairs interpreted them as threats and questioned PIC’s mission. This was followed by an article in the mainstream media questioning PIC’s actions. The public also responded on social media by attacking CSOs involved in immigration issues. In addition, as mentioned above, an opposition politician started a debate during the elections about the unnecessary government spending for CSOs, which was picked up by the media, especially on social media.

Despite this, the public generally understands the role and value of civil society. However, when issues concerning CSOs are discussed publicly, certain types of organizations, including firefighters and organizations working with children, are generally able to garner decisive public support, while most others may be looked at with a degree of skepticism. To improve the public image of the CSO sector, Slovenia joined the European campaign No Day Without Us. In the scope of this campaign, CNVOS published a video showing people working in the sector and demonstrating their social impact. The reach and coverage of the video was among the highest in the EU.

Very few CSOs have employees focused on public and media relations; instead, these tasks are done by volunteers or other employees that lack expertise in this area. The average CSO relies on social media and its organizational website to promote its work but does so without a professionally prepared communications strategy. However, many advocacy organizations are making progress in this area. CNVOS and some regional hubs run support programs for CSOs to improve their PR and communication strategies.

National and local governments have varying levels of respect of CSOs. Some ministries and municipalities have good relations with CSOs, while others do not. In general, the national government cooperates with CSOs on both service provision and advocacy, while local governments rely on CSOs primarily for service provision. Authorities still often neglect to consult CSOs in decision making, especially early in the process. The business sector’s perception of CSOs is also mainly positive. CSOs and businesses jointly tackle common challenges, as exemplified by the extensive cooperation between companies and CSOs in various cause marketing projects in 2018. For example, the insurance company Generali, Toyota Slovenija, and the Institute Vozim jointly implemented...
the project Heroes in Pajamas, which encourages parents and other adults to pick up young people after parties in the middle of the night in their pajamas, instead of taking the chance that young people drive while drunk. The project included a widespread media campaign funded by the companies involved, workshops, and the mobilization of various Heroes in Pajamas who volunteer to pick up young people from parties, with campaign activities reaching over 12,800 people.

Measures prescribed by law guarantee a certain degree of transparency in the CSO sector. For example, all associations, which account for 90 percent of CSOs in the country, must publish their annual reports on the website of AJPES. However, these reports are often not reader-friendly and fail to make it clear to the public how money was actually spent, and therefore do little to increase public trust. Codes of conduct are not very common among Slovenian CSOs, although CSOs have adopted codes for some areas of work, including social assistance and organized voluntary work.
Overall CSO sustainability in Ukraine deteriorated slightly in 2018, with negative developments noted in the legal environment and advocacy dimensions. In March, the 2017 Law on Asset Declarations for Anti-Corruption Activists came into force, which requires anti-corruption activists to publicly declare their assets. In addition, parliament tried to introduce additional financial reporting requirements on CSOs receiving foreign funding. Moreover, more than fifty activists were physically attacked during the year. CSO advocacy also deteriorated.

While the CSO sector continued to be a key driver of reform in the country, CSOs’ efforts were not as successful in 2018 as in previous years. Financial viability, on the other hand, improved as CSOs had increased access to financial resources from both the public and private sectors.

The armed conflict between Russian-backed separatists and Ukrainian forces in Ukraine’s eastern Donbass region, which includes parts of Donetsk and Luhansk oblasts (regions), continued in 2018. The number of internally displaced people (IDPs) remained the same as in 2017, at 1.5 million. Since 2014, over 40,000 civilian homes on both sides of the conflict line in the Donetsk and Luhansk oblasts have been damaged or destroyed as a result of hostilities. In its reports on the human rights situation in Ukraine, the Office of the United Nations High Commissioner for Human Rights documented 402 human rights violations and abuses between May and December 2018, including sexual violence, ill-treatment, and torture. CSOs continue to monitor human rights violations on both sides of the conflict and to support victims both in occupied territory and territory under the control of the Ukrainian authorities. They also raise human rights violations at the national and international levels. In addition to the ongoing conflict in the Donbass region, Russia continues to occupy the Crimean peninsula, claiming it as a Russian territory, a position that the international community does not recognize.

CSOs continue to be affected by the conflict in the east. Many CSO employees have fled the conflict zone, some organizations from Donetsk and Luhansk oblasts have moved their offices from the occupied territories, and some have terminated their operations. At the same time, an increase of international donor funding for this region has had a positive impact on CSO sustainability in the east.

According to the Ukrainian Unified National Register of Companies and Organizations (UUNRRCO), as of January 1, 2019, there were 84,608 public associations, 1,455 unions of public associations, 26,075 religious organizations, 28,026 trade unions, 314 creative unions, 18,433 charitable organizations, and 1,572 self-organized bodies registered in Ukraine. The data does not include CSOs registered in the Autonomous Republic of Crimea or the city of Sevastopol, as there is no access to these areas.
LEGAL ENVIRONMENT: 3.6

After positive changes over the last few years, the legal environment for CSOs deteriorated slightly in 2018 due to new asset declarations for anti-corruption activists and attempts by members of parliament (MPs) to introduce additional financial reporting requirements for CSOs. Moreover, over fifty activists were physically attacked during the year. Furthermore, critical issues remain unresolved. For instance, the process for liquidating a CSO is still burdensome, there is no standard practice for granting nonprofit status to CSOs conducting entrepreneurial activities, there are limited forms of public support for CSOs, and CSOs do not have the option of registering online.

According to the United Nations Development Program (UNDP), as of July 2018, 70 percent of the activities envisaged by the National Strategy for Promoting Civil Society Development in Ukraine 2016-2020, including steps to simplify CSO registration, reduce registration timelines, improve CSO taxation, and increase CSO access to public procurements, had been implemented. Laws still slated for adoption include legislation on local referendums, peaceful assemblies, and townhall meetings. The 2018 Action Plan for implementing the National Strategy, which was passed in May 2018, includes activities focused on creating an enabling environment for CSOs (including the introduction of online registration for CSOs), improving participatory democracy (including improving the work of public councils and introducing online contest-based public funding of CSOs), and improving intersectoral cooperation.

CSOs generally can register easily. It only takes three days to register a public association and one day to register a charitable organization. The registration process is free of charge. CSOs can register at the regional or national levels in Justice Departments located in twenty-five oblast centers, Administrate Services Centers, or Centers of Free Secondary Legal Aid. The practice of CSO registration throughout the country is still not uniform and some CSOs have been denied registration because state registrars misinterpret the law. In particular, CSOs engaging in entrepreneurial activities continued to have difficulty obtaining nonprofit status in Zakarpattya, Vinnytsya, Kharkiv, Odesa, Kherson, Donetsk, and Kyiv.

In 2018, the Law on Asset Declarations for Anti-Corruption Activists entered into force. The law requires members of anti-corruption CSOs to submit asset declarations as “persons authorized to execute state functions.” In response to advocacy by civil society, in particular the Reanimation Package of Reforms (RPR), sixty-five members of parliament (MPs) and the ombudsperson addressed the Constitutional Court of Ukraine (CCU) to determine if the law is unconstitutional. A number of individuals decided not to attend anti-corruption seminars and other events organized by anti-corruption CSOs during the year, as they feared they would also have to declare their assets. No penalties were imposed during the year for failure to declare assets.

During the year, MPs introduced bills that would require additional financial reporting from CSOs receiving more than $18,500, or half of their financial support, from abroad. These CSOs would be obliged to submit additional financial reports with information about the amounts received, goals and intended purposes of expenditures, and personal information about the members of their governing bodies. Parliament rejected one of these laws in March, while the others were still pending at the end of the year. In addition, the president and several MPs discussed the need for a law on foreign agents, although no draft law was introduced.

In 2018, pressure on civil society intensified. The Security Service of Ukraine accused CSOs working in Crimea and the east of Ukraine of financing terrorism. According to a study by the State Financial Monitoring Service of Ukraine, Ukrainian CSOs were being used to finance terrorism and launder money, and 108 CSOs were subject to criminal prosecution in 2018. The study identified all CSO support to legal persons or individuals in the occupied territories, including humanitarian assistance, as a potential threat of money laundering and financing terrorism. The study also provided recommendations for eliminating risks for CSOs. Moreover, local regulations and Article 185-1 of the Code of Administrative Crimes on the organization of assemblies were used to limit the right to
peaceful assembly on several occasions. In Kharkiv alone, three cases were filed against organizers of peaceful assemblies.

Over fifty activists, mostly in the regions, were physically attacked in 2018, significantly more than in previous years. Many of these attacks were on CSO activists involved in anti-corruption activities and seemed to be aimed at intimidating CSOs before the elections. None of these attacks were properly investigated, making it impossible to accurately determine the perpetrators, although there are indications that a mixture of politicians, local authority representatives, and criminals were behind many of the attacks.

Some positive changes were also made to the laws affecting CSOs. Changes made in 2018 to Cabinet Decree No. 1049 on Procedures for CSO Public Funding simplified the procedures for funding contests, and reduced co-funding requirements from 25 percent to 15 percent. Organizations that violated budget laws in the past two years are not eligible to take part in these funding contests. In addition, the decree made the review process more transparent. For example, committee members must make short bios public.

In addition, amendments to Cabinet Decree No. 156 on Veterans CSO Public Funding allowed the launch of contest-based public funding for veteran CSOs for the first time. Previously, only a limited number of veteran CSOs with all-Ukrainian status—meaning that they have branches in over half of the oblasts in Ukraine—could receive funding from the state budget, and this was done without the use of contests. In addition, the Budget Code was amended at the end of 2018 to allow local associations of veterans to receive public funding. The amendments were developed by UCIPR and the Ministry of Economic Development and Trade.

Amendments to the Law on Public Associations passed in 2018 permit organizations of collective management, which manage the intellectual and property rights of certain groups, such as musicians and writers, to make payouts to their members after the revenues from intellectual property rights are distributed.

CSOs can choose to obtain nonprofit status, which exempts them 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 their activities. Individual and corporate donors can receive tax deductions up to 4 percent of the previous year’s income for donations to CSOs. In addition, corporate donors can claim an 8 percent tax deduction from the previous year’s income for support to sports CSOs. Draft Law No. 8237 on tax benefits for charity, which would provide tax exemptions for charitable assistance for medical treatment, was pending in parliament at the end of the year.

CSOs are allowed to receive funding from international donors, from the state budget in the form of grants, and from physical and legal persons. CSOs are also allowed to compete for government contracts and procurements at the local and central levels and to conduct economic activities. However, CSOs in at least three oblasts—Kharkiv, Odessa, and Kyiv—have been unable to engage in entrepreneurial activities due to misinterpretation of the legislation by tax officers.

The Centers of Free Secondary Legal Aid and an increasing number of lawyers and CSOs, including the Center of Civic Advocacy in Lviv and Civic Center New Generation in Kherson, provide legal support to CSOs regarding registration and operation. Vulnerable groups had increased access to legal aid in 2018 as the network of legal clubs PRAVOKATOR, with branches in Dnipro, Lviv, Kharkiv, Odesa, and Kyiv, was established to provide free legal aid and legal consultations. In addition, CSOs can access legal acts, court decisions, and templates of procedural acts on WikiLegalAid.

**ORGANIZATIONAL CAPACITY: 3.2**

CSO organizational capacity did not change significantly in 2018. Organizational capacity continues to vary significantly among the different regions of the country. For instance, many capable CSOs are located in the Lviv, Dnipropetrovsk, Kharkiv, and Odesa oblasts, while CSOs in Zakarpattya, Khmelnytskyi, Volyn, Chernivtsi, and Sumy tend to have lower capacities.

With support from ISAR Ednannia, Peace Corps Volunteers, and other CSOs, many CSOs improved their relationships with clients and beneficiaries during the year. Some CSOs developed social media accounts, websites, and other tools to reach out to their target audiences more effectively. In addition, enhanced organizational capacity and the development and promotion of new services helped CSOs expand their constituencies.
According to ISAR Ednannia, CSOs increasingly understand the importance of organizational development and have improved their strategic planning capacities. Networks and coalitions of CSOs, including the Network of Local Development and Network of People Living with HIV, started to provide support to their CSO members to develop strategies. This increasingly strategic approach to CSOs’ work was recognized as one of the top ten trends of civil society development for 2019 at the 7th Civil Society Development Forum held in Kyiv in November 2018. However, CSOs still do not always follow their strategic plans and policies.

International donors, including USAID, the Swedish International Development and Cooperation Agency (Sida), the International Renaissance Foundation, and the Peace Corps, continued to support the institutional development of CSOs and CSO resource centers. CSOs also invested their own resources into their organizational development. Associations of veterans still require additional support in organizational development, project management, and strategic planning as demonstrated by the fact that the Ministry of Social Policy only granted UAH 13 million of the UAH 20 million budgeted for veteran CSOs because of the poor quality of proposals received.

CSOs continued to improve their governance and internal management systems in 2018. CSOs made efforts to create management structures and more clearly distribute powers among managing bodies, including the board, general assembly, and executive director. Some CSOs revised and formalized their governing systems. Many CSOs developed and adopted policies and procedures and an increasing number of CSOs improved their internal regulations.

CSO staffing continued to be a problem in 2018, with many employees working on a pro bono basis. Some CSOs, such as the Network of Social Workers, engage staff as private entrepreneurs as they cannot afford the high taxes on employees. Only CSOs with stable funding can hire full-time employees. On a positive note, according to the Civic Space website, the number of vacancies for paid positions in the civil society sector has increased significantly, indicating that a growing number of CSOs can afford to hire staff. With the upcoming elections, however, there has been a significant outflow of activists and CSO staff to political parties, especially at the local level. CSOs, especially those at the local level, utilize interns and volunteers, including Peace Corp Volunteers and interns from the Open University of Reform, to help implement discrete activities.

CSOs started to pay more attention to digital security in 2018. This was particularly true of anti-corruption organizations, CSOs working in the east of Ukraine and Crimea, and journalists, as they are the most frequent targets of hacker attacks. A growing number of CSOs use licensed software, and some use software for CSOs provided by GURT at a discount. All CSOs have access to modern communication tools and use corporate messengers such as Slack and project management tools such as Asana and Trello. Despite this, a survey conducted by GURT regarding CSO digital capability conducted in November 2018 shows that 95 percent of surveyed CSOs have not conducted a digital capability audit and 30 percent have never even heard of such audits despite the fact that they use digital technologies to manage and promote their work.

**FINANCIAL VIABILITY: 4.1**

The financial viability of CSOs improved slightly in 2018 as CSOs had increased access to financial resources from both the public and private sectors.

CSOs try to diversify their funding sources, but these efforts are not always successful. According to the most recent data available on the website of the State Committee of Statistics, in 2017, 25,988 public associations declared $269.3 million in income, up from the $258.9 million in income reported by 23,237 public associations in
The 2018 CSO Sustainability Index for Ukraine

2016. Total income included $7.5 million from the state budget, $9 million from local budgets, $26 million in membership fees, $137.1 million in charitable donations (which includes donations from companies and individuals, as well as international funding), $39.8 million from economic activities, and $43.1 million from other sources.

In 2018, the Ministry of Social Policy, Ministry of Youth and Sport, and Ministry of Culture allocated a combined total of $13.6 million for CSO funding, an increase of 1.7 times compared to 2017 and 2016. Funds were allocated for associations of people with disabilities and veterans, youth and children CSOs, sports CSOs, creative unions, and nationalistic and patriotic CSOs. The Ministry of Social Policy alone allocated $3.7 million to CSOs serving veterans and people with disabilities.

Only a small percentage of state funds are provided on a competitive basis. The Ministry of Youth and Sport selected forty-one CSOs to implement fifty-seven projects focused on youth and children with a total budget of UAH 11 million (approximately $408,000). In addition, the Ministry of Youth and Sport provided grants to nineteen CSOs to implement thirty national and patriotic projects with a budget of UAH 7 million (approximately $270,000), almost twice as much as was awarded in 2017 (UAH 4 million).

For the first time, the Ukrainian Cultural Fund, a public institution, conducted three funding contests that provided full and partial support for 298 CSO projects with budgets of UAH 148,770 ($5,500) each. Participatory budgeting, which provides opportunities for citizens and CSOs to submit projects to be funded from local budgets, was implemented for the second time in Ukraine in 2018; over 100 CSO projects were funded through this process during the year.

A platform for SMS donations was launched in 2018, and eight CSOs, including the Ukrainian Philanthropic Marketplace, Caritas Ukraine, Your Support, and Charitable Foundation Zaporuka, started to collect funds through this platform. Ukrainian Philanthropic Marketplace collected UAH 387,235 (approximately $14,000) though SMS donations in 2018. According to the Charities Aid Foundation’s 2018 World Giving Index, 29 percent of respondents in Ukraine gave donations in 2017, the same percentage as in 2016.

Foreign donors continue to be an important source of funding for CSOs and the level of foreign funding increased significantly in 2018. Data from the State Committee of Statistics indicates that foreign funding continued to account for about 33 percent of the sector’s total revenue. According to the Open Aid Ukraine portal supported by the Ministry of Economic Development and Trade, the biggest donors to Ukrainian CSOs include the European Union (EU), USAID, and Sida. The Ministry of Economic Development reported that 264 new technical assistance projects from contributors such as USAID and the US government were registered in 2018 with $953 million of total funding, a 50 percent increase from 2017. Traditionally, international technical assistance focuses on governance, citizen engagement, and regional development. Many of these resources are directed to community and CSO development, including CSOs in the east of Ukraine. UNDP, EU, Peace Corps, and various USAID-funded projects—including Enhance Non-Governmental Actors and Grassroots Engagement (ENGAGE), Ukraine Support to Anti-Corruption Champion Institutions (SACCI) project, Democratic Governance East (DG East), and Ukraine Confidence Building Initiative II (UCBI)—support CSO capacity building.

Membership-based organizations collect membership fees, which account for about 10 percent of the total income reported by all CSOs. CSOs also generate revenue by engaging in economic activities, sometimes through social enterprises registered as nonprofit organizations, which accounted for about 15 percent of CSOs’ total income in 2018. CSOs sell services, primarily related to public relations and the implementation of social projects, to businesses. Social entrepreneurship continues to develop, and the number of social enterprises is increasing. In 2018, there were over forty successful social enterprises, a significant increase from ten in 2017. For example, Urban Space 500 is a restaurant that uses 80 percent of its income to support development projects around Kyiv.

CSOs increasingly participated in public procurements through Prozorro, an online platform for public procurement. Over twenty CSOs won public procurements through Prozorro in 2018. For instance, Public...
Association Svitanok received a contract for almost UAH 1 million (approximately $38,000) to reconstruct the premises of the Administrative Services Center, and the Associations of Local Self-Governance Bodies Carpathian Euroregion–Ukraine received UAH 200,000 (approximately $76,000) to organize the Forum of Local Development.

Some CSOs have flexible funds, endowments, and income from deposits to cover unexpected expenditures, although this is still rare.

According to the State Committee of Statistics, companies provide about 15 percent of the total income received by CSOs. For example, in 2018, Sinevo Ukraine provided $11,300 to Tabletochki Charity Fund; Winner supported fifty-six civic projects with a total value of $461,600; and Coca Cola provided funding to the Olena Pinchuk Foundation for the women’s empowerment project I Can.

Financial management is still weak among CSOs, despite continuing attempts to improve it. An analysis of the number of vacancies available in CSOs indicates that there is great demand for financial management and financial specialists.

ADVOCACY: 2.2

CSOs continue to engage in advocacy campaigns to influence governmental and parliamentary decisions. According to a survey of RPR members conducted by the Democratic Initiative Foundation in June 2018, civil society and western partners are perceived as the major drivers of reform in the country. Throughout 2018, CSOs carried out advocacy campaigns aimed at raising public awareness and shaping the reform agenda in Ukraine. These campaigns were primarily focused on anti-corruption efforts, judicial matters, issues of national defense, and security and electoral reform. However, these efforts brought few visible changes, and public authorities continued to resist adopting and implementing necessary reforms, resulting in a slight deterioration in the score for this dimension.

Several draft laws initiated by civil society were rejected during the year or no action was taken on them. For example, draft laws on the handling of animals and safety belts that civil society had advocated for were rejected. The Draft Law on Public Consultations, which CSOs helped develop to regulate public participation in national and local decision making, was resubmitted for additional amendments by MPs. Draft Law No. 7372 on improving CSO registration, developed by UCIPR experts and the Ministry of Justice, and Draft Law No. 8237 on tax benefits for charity were registered in parliament on December 7, 2017 and April 5, 2018, respectively; both were still pending at the end of the year. CSOs, including RPR, initiated appeals through the ombudsperson and MPs regarding the unconstitutionality of asset declarations for anti-corruption activists; the Constitutional Court has been considering the appeals since December 2018. In the meantime, the asset declarations are still required. In general, RPR’s advocacy was less effective in 2018, as the relationship between government and civil society deteriorated during the year.

Advocacy successes during the year included the adoption of the Law on National Security, changes in the Budget Code that extend the right to public funding for local veteran CSOs, and improvements in the regulations governing contest-based distribution of public funding. In addition, as a result of advocacy by RPR and other CSOs, including the Network of People Living with HIV, the Ministry of Health transferred procurement of all medicine to international health organizations (the United Nations Children’s Fund (UNICEF), UNDP, and Crown Agents) to avoid the risk of corruption. Moreover, ENGAGE partners managed to prevent four potentially negative pieces of legislation and suspend the review of another five draft laws which, if adopted by the parliament, could worsen the framework for the activities of anti-corruption bodies.
Advocacy at the local level improved. Many cities, including Zaporizhzhya, Kyiv, Kramatorsk, Kropyvnytskyi, Lviv, Khmelnytskyi, and Chernivtsi, introduced public consultation processes during the year. Mariupol, Kryvyi Rih, Bila Tserkva, and Kramatorsk all improved their local regulations on public hearings and local initiatives and amended their city charters. Mariupol also adopted a local act on participatory budgets, which envisages the allocation of part of the city budget for funding of public projects. According to the City Democracy Index 2018, conducted by UCIPR under the USAID-funded Citizens in Action Project, the quality of procedures for local democracy improved by 17 percent in comparison to 2017.

National CSOs continue to have functional lines of communication with the government and local CSOs continue to cooperate with city councils, including through working groups, public hearings, and participatory budgets. Although the number of working groups has increased, public authorities still do not always organize legislative consultations. In 2018, thirty-one public assessments of executive bodies were initiated, in which CSOs assessed the efficiency of decision making, the development of proposals to solve critical issues, and other functions, half the number initiated in 2017.

New advocacy coalitions, including the Coalition to Protect Civil Society and regional RPR coalitions, were established both at the national and local levels in 2018. However, many coalitions are established for a single activity and are not sustained. Sometimes advocacy by one group of CSOs meets with resistance from other CSOs. For instance, some CSOs, as well as the police, support the legal regulation of public assemblies, while others believe that there is no need to regulate this right and do not support the idea of holding organizers of assemblies responsible, including for violence.

### SERVICE PROVISION: 3.2

There were no significant changes in CSO service provision in 2018. CSOs continue to provide a broad spectrum of services, ranging from assistance to people in conflict-affected areas, as well as IDPs, veterans, and people with disabilities, to providing training, consulting, and analytical services. CSOs use surveys to assess the needs of their clients and beneficiaries and try to meet those needs. They distribute their goods widely to the public, public institutions, corporations, and other CSOs. In 2018, reports by ISAR Ednannia subgrantees showed that CSOs slightly improved their abilities to define target groups and the services they require.

CSOs provide most services for free, but the number of organizations selling their goods and services continues to rise. For instance, the CSO Agency of Economic Development in Voznesensk, Mykolaiv oblast receives almost 30 percent of its income through the provision of services, including training in energy efficiency, as well as accounting, consultancy, and sociological research.

CSOs also participate in social contracting and public procurement. The government buys services from CSOs at the national and local levels. Some city councils procure services from CSOs. For example, according to Prozorro, Kyiv City Council procured $2,800 of consulting services related to entrepreneurial activities from the Public Association League of Life and awarded $7,700 to ISAR Ednannia to organize the Kyiv Civil Society Development Forum. However, this is still not a widespread practice. Although the Ministry of Social Policy has developed standards for social services, public institutions need more training in how to procure social services from CSOs. If adopted, the Law on Social Services, which passed its first reading in parliament in 2018, is expected to improve this situation by providing improved regulations for service provision.
SECTORAL INFRASTRUCTURE: 3.2

The infrastructure supporting the CSO sector did not change significantly in 2018. ENGAGE supports a variety of CSO resource centers, including fifteen UNDP CSO hubs that support initiative groups at the local level. Some local authorities also support resource centers. In addition, the NGO Forum provides services to its members, and the Ministry of Youth and Sport supports youth centers that provide services to youth-targeted CSOs. CSOs can turn to these resource centers for information, training, consultations, and technical support.

Over fifty CSOs provide grants to other CSOs with funds raised from international donors, national and local budgets, individuals, and businesses. These efforts mostly support service provision or arts-focused projects.

According to the USAID Civil Society Sectoral Assessment published in 2018, 50 percent of Ukrainian CSOs reported that they participate in coalitions. Coalition building is largely ad hoc and there is mistrust and competitiveness among coalitions. Despite this, CSOs continued to form coalitions to defend their interests and rights with the support of donors. For instance, ENGAGE provides core support to nine national CSOs that demonstrate potential to engage with or lead coalitions around key reforms. In 2018, in response to the growing number of attacks on civil society and individual activists, CSOs established the Coalition to Protect Civil Society. The Coalition, which is administered by Freedom House Ukraine, has fifty-seven CSO members. It has developed an interactive map to track violations and potential threats to activists. RPR has tried to build regional coalitions, although their effectiveness varies.

The Marketplace, administered by ISAR Ednannia with funding from USAID, continues to provide grants and trainings to CSOs.

CSOs have access to a number of training opportunities at the national and local levels that cover a wide range of topics, including human rights, finances, and organizational management. In 2018, many national and local CSOs, including ISAR Ednannia, UCIPR, UNDP, Volyn Institute of Law, CenterUA, and Transparency International Ukraine, held trainings and webinars for CSOs from the capital and regions. Prometheus provides online courses on a variety of issues, including civic education, corruption-related research, management, decentralization, conflicts of interest, and access to information. Audit firms such as Compass provide trainings on CSO financial management and accounting on a paid basis. The Ukrainian Catholic University continued to offer a certified program for CSO managers and leaders, with fifty-two graduates from all regions of Ukraine in 2018.

Partnerships between CSOs, businesses, and the media improved in 2018. CSOs and media started to cooperate to protect activists and journalists in response to the attacks during the year. Businesses partnered with CSOs on a number of projects. For example, PWC Ukraine partnered with several CSOs, including the Charitable Foundation SOS Children Village. Staff volunteered for these organizations, provided pro bono services, and fundraised for them. KPMG staff also participated in volunteer projects and cooperated with ecological CSOs.

Cooperation with national authorities deteriorated in general, although cooperation between some ministries and CSOs improved. For instance, the Ministry of Youth and Sport and the CSO Global Office signed a memorandum of understanding regarding the implementation of projects to create conditions for educating the new generation. Also, the Ministry of Education worked with CSOs to develop a draft law to counteract bullying and launched an online course to reduce bullying in schools. At the same time, partnerships between CSOs and local authorities improved. For example, in 2018 Lviv City Council covered the cost of rent for twenty CSOs through a competitive process. The Vinnytsya City Council provided UAH 3 million from the city budget to support the CSO Hub City of Content, which involves a network of twenty-nine CSOs.
The public image of CSOs did not change significantly in 2018. According to the ENGAGE Program Survey conducted in July 2018, trust in civil society has grown during the last year: 60 percent of respondents trust volunteer groups and 45 percent trust civic organizations, compared to 53 percent and 40 percent respectively in 2017. The public mostly considers CSOs as an alternative to the Ukrainian government. At the same time, many public officials do not perceive CSOs as productive partners. A survey conducted by the Razumkov Center in June indicates that trust in CSOs has remained stable, with 43.4 percent of respondents trusting public associations and 65.2 percent trusting volunteer organizations (in 2017, the level of trust in public associations and volunteer organizations was 43.6 percent and 66 percent respectively).

Despite the growing levels of trust, there is still limited interest among the Ukrainian population in participating in civil society activities. Only 29 percent of respondents (up from 25 percent in September 2017) were involved in at least one civil initiative in the last year, while 69 percent (compared to 73 percent in September 2017) did not participate in any civic engagements. According to the Democratic Initiatives Foundation Survey conducted in May 2018, 60 percent of respondents consider CSOs as necessary in their cities and villages, although only 35.5 percent of respondents know any CSOs working in their cities and villages. Three-quarters (76 percent) believe that the state should support civil society development, mostly volunteer and charitable organizations supporting the sick and people with special needs, while 42 percent of respondents expressed a willingness to redirect part of their income to support CSOs. Respondents further note that state support to civil society should be in the form of contest-based public grants (48 percent) and timely response to CSO appeals (48 percent).

CSOs work closely with journalists and media companies. Due to this cooperation, CSOs enjoy broad media coverage on the national and local levels. During the year, a few TV projects were launched, including Right to Dignity about the fight against corruption and the New Leader Project, which aims to improve the public image of civil society activists. The Piranha Club, a network of CSO public relations (PR) managers and experts, ran a contest called Piranha of the Year to recognize the best communication among CSOs. In some cases, CSOs engage professional PR agencies to organize their events, such as the Park of Corruption, the first interactive space focused on the fight against corruption.

At the same time, there is still targeted negative coverage of certain CSOs and activists in the media. After asset declarations for anti-corruption activists entered into force, there were a few negative stories published about Anticorruption Action Center, Transparency International Ukraine, CenterUA, and others. In 2018, there was also an increase in politicians’ attacks on activists, physical attacks on activists, and cyberbullying of activists.

In 2018, the business sector was increasingly interested in cooperating with CSOs to improve their corporate social responsibility practices.

CSOs continue to use social media, especially Facebook and Telegram, to improve their public image. Donors and Peace Corp Volunteers supported the development of CSOs’ communication skills.

Although CSOs have not adopted a code of ethics, leading CSOs try to operate in an open and transparent manner and publish annual reports on their websites. Twice as many CSOs, including many from the regions, entered the UNDP contest for CSO reports in 2018 as in the previous year.
ANNEX A: CSO SUSTAINABILITY INDEX METHODOLOGY

INSTRUCTIONS FOR CSOSI IMPLEMENTING PARTNERS

2018 CSO SUSTAINABILITY INDEX

I. INTRODUCTION

USAID’s Civil Society Organization Sustainability Index (the Index or CSOSI) reports annually on the strength and overall viability of CSO sectors in Africa, Middle East and North Africa (MENA), Central and Eastern Europe and Eurasia, and Mexico. 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 2018 Civil Society Organization (CSO) Sustainability Index.

I. 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 2018 calendar year (January 1, 2018, through December 31, 2018).

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.

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, 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.

**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.”

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. 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>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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</tbody>
</table>

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 worse score (i.e. a higher number on the 1-7 scale).

A change of 0.1 should generally be used to reflect modest changes in a dimension. Larger differences may be warranted if there are more significant changes in the sector. The evidence to support the scoring change must always be discussed by the panel and documented in the dimension narrative. See CSOSI Codebook – Instructions for Expert Panel Members for more details about this scoring scale.

In addition, for each dimension score, review the relevant description of that dimension in “CSOSI Codebook – Tiers and Scores: 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 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, please note this when submitting proposed scores in your narrative report, and the Editorial Committee will discuss whether one or more scores needs to be reset with a new baseline. 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.

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1 Arithmetic mean is the sum of all scores divided by the total number of scores.
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 2018 (January 1, 2018, through December 31, 2018).

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 upfront. 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/](https://monitor.civicus.org/)
- World Giving Index - [https://www.cafonline.org/about-us/publications](https://www.cafonline.org/about-us/publications)
- Varities of Democracy (V-Dem) - [https://www.v-dem.net/en/analysis/analysis/](https://www.v-dem.net/en/analysis/analysis/)
- Media Sustainability Index - [https://www.irex.org/projects/media-sustainability-index-msi](https://www.irex.org/projects/media-sustainability-index-msi)
- Nations in Transit - [https://freedomhouse.org/report-types/nations-transit#.VdugbqSFOhI](https://freedomhouse.org/report-types/nations-transit#.VdugbqSFOhI)
- ITUC Survey of Violations of Trade Union Rights: [https://survey.ituc-csi.org/](https://survey.ituc-csi.org/)
- U.S. Department of State Human Rights Report: [https://www.state.gov/j/drl/rls/hrrpt/](https://www.state.gov/j/drl/rls/hrrpt/)
- Carnegie Endowment for International Peace: [https://carnegieendowment.org/regions](https://carnegieendowment.org/regions)

Please limit the draft reports to a maximum of ten 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 2018 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. 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 to FHI 360 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 your Use and Visibility Plan. Documentation that you have conducted these activities as described in that Plan must be submitted to FHI 360 before it will authorize the final payment.

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

Introduction

USAID’s Civil Society Organization Sustainability Index (the Index or CSOSI) is a tool developed by USAID to assess the strength and overall viability of the CSO sectors. By analyzing seven dimensions that are critical to sectoral sustainability on an annual basis, 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 CSOSI 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. In 2018 the CSOSI was implemented in 72 countries.

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. To develop the Index each year, FHI 360 provides small grants to local CSOs to serve as implementing Partners (IPs) that implement the CSOSI methodology in country. ICNL is primarily responsible for editing the country reports once they are drafted by IPs. A senior staff member from both FHI 360 and ICNL serves on an Editorial Committee that reviews all reports, as do one or more senior USAID/Washington officials.

The expert panel members for whom this Codebook is designed participate in in-country panel discussions on the seven dimensions of sustainability covered by the Index. The IP convenes these panel discussions annually to assess the situation of civil society in their countries and determine scores based on an objective analysis of the factual evidence.

The CSOSI team is continually striving to ensure the cross-country and cross-year comparability of the Index’s scores, as well as to improve the reliability and validity of measurements, standardization of definitions, local ownership of the Index, and transparency of the Index’s methodology and processes.

Therefore, FHI 360 has created this Codebook to inform and guide expert panel members through the scoring process. The Codebook provides definitions of the key concepts used to assess the overall strength and sustainability of the civil society sector in a given country, explains the scoring process, and standardizes the scale to be used when proposing score changes.

This is the first part of the Codebook, providing an overview of the concepts and processes that guide the expert panel members’ role in the CSOSI’s methodology. The second part of the Codebook provides descriptions, or vignettes, of each score for each dimension, to standardize expert panel members’ understanding of the scoring scale and to assist them in ensuring that scores are accurate.

CSOSI Methodology

The CSOSI measures the sustainability of each country’s CSO sector based on the CSOSI’s seven dimensions: legal environment, organizational capacity, financial viability, advocacy, service provision, sectoral infrastructure, and public image. Its seven-point scoring scale mirrors those used by Freedom House in its publications “Nations in Transit” and “Freedom in the World.”

The Implementing Partner (IP) in each country leads the process of organizing and convening a diverse and representative panel of CSO experts. Expert panels discuss the level of change during the year being assessed in each of the seven dimensions and determine proposed scores for each dimension. The scores are organized into three basic “tiers” representing the level of viability of the civil society sector: Sustainability Impeded; Sustainability Evolving; and Sustainability Enhanced. All scores and narratives are then reviewed by a Washington, D.C.-based Editorial Committee (EC), assisted by regional civil society experts. The graph below summarizes the approach and process.
Definition of Concepts

The overall goal of the Index is to track progress or regression in the CSO 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, panel members need a shared understanding of the key concepts underlying their assessment.

Civil Society Organization

Civil society organizations are defined:

“...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.”

This definition of CSO includes informal, unregistered groups and movements, but to be included in the CSOSI, the movement must possess the structure and continuity to be distinguished from a single gathering of individuals and from personal or family relationships. In many countries political parties and private companies establish and support CSOs, but these entities are usually either public, for-profit, or not self-governing.

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Seven Dimensions of Sustainability

The CSOSI measures sustainability across seven dimensions by analyzing a series of indicators related to each dimension.

1- **LEGAL ENVIRONMENT**: The legal and regulatory environment governing the CSO sector and its implementation

<table>
<thead>
<tr>
<th>Indicator</th>
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</thead>
<tbody>
<tr>
<td>Registration – Legal procedures to formalize the existence of a CSO</td>
</tr>
<tr>
<td>Operation – The enforcement of the laws and its effects on CSOs</td>
</tr>
<tr>
<td>State Harassment – Abuses committed against CSOs and their members by state institutions and groups acting on behalf of the state</td>
</tr>
<tr>
<td>Taxation – Tax policies that affect CSOs</td>
</tr>
<tr>
<td>Access to Resources – Legal opportunities for CSOs to mobilize financial resources</td>
</tr>
<tr>
<td>Local Legal Capacity – Availability and quality of legal expertise for CSOs</td>
</tr>
</tbody>
</table>

2- **ORGANIZATIONAL CAPACITY**: The internal capacity of the CSO sector to pursue its goals

<table>
<thead>
<tr>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constituency Building – Relationships with individuals or groups affected by or interested in issues on which CSOs work</td>
</tr>
<tr>
<td>Strategic Planning – Organizational goals and priorities for a set timeframe</td>
</tr>
<tr>
<td>Internal Management – Structures and processes to guide the work of CSOs</td>
</tr>
<tr>
<td>CSO Staffing – Quality and management of human resources</td>
</tr>
<tr>
<td>Technical Advancement – Access to and use of technology</td>
</tr>
</tbody>
</table>

3- **FINANCIAL VIABILITY**: The CSO sector’s access to various sources of financial support

<table>
<thead>
<tr>
<th>Indicator</th>
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</thead>
<tbody>
<tr>
<td>Diversification – Access to multiple sources of funding</td>
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<tr>
<td>Local Support - Domestic sources of funding and resources</td>
</tr>
<tr>
<td>Foreign Support – Foreign sources of funding and resources</td>
</tr>
<tr>
<td>Fundraising – CSOs’ capacity to raise funds</td>
</tr>
<tr>
<td>Earned Income – Revenue generated from the sale of products and services</td>
</tr>
<tr>
<td>Financial Management Systems – Processes, procedures and tools to manage financial resources and operations</td>
</tr>
</tbody>
</table>

4- **ADVOCACY**: The CSO sector’s ability to influence public opinion and public policy

<table>
<thead>
<tr>
<th>Indicator</th>
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</thead>
<tbody>
<tr>
<td>Cooperation with Local and Central Government – Access to government decision-making processes</td>
</tr>
<tr>
<td>Policy Advocacy Initiatives – Initiatives to shape the public agenda, public opinion, or legislation</td>
</tr>
<tr>
<td>Lobbying Efforts – Engagement with lawmakers to directly influence the legislative process</td>
</tr>
<tr>
<td>Advocacy for CSO Law Reform – Initiatives to promote a more favorable legal and regulatory framework for the CSO sector</td>
</tr>
</tbody>
</table>

5- **SERVICE PROVISION**: The CSO sector’s ability to provide goods and services

<table>
<thead>
<tr>
<th>Indicator</th>
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</thead>
<tbody>
<tr>
<td>Range of Goods and Services – Variety of goods and services offered</td>
</tr>
<tr>
<td>Responsiveness to the Community – Extent to which goods and services address local needs</td>
</tr>
<tr>
<td>Constituencies and Clientele – People, organizations and communities who utilize or benefit from CSOs’ services and goods</td>
</tr>
<tr>
<td>Cost Recovery – Capacity to generate revenue through service provision</td>
</tr>
<tr>
<td>Government Recognition and Support – Government appreciation for CSO service provision</td>
</tr>
</tbody>
</table>

6- **SECTORAL INFRASTRUCTURE**: Support services available to the CSO sector

<table>
<thead>
<tr>
<th>Indicator</th>
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</thead>
<tbody>
<tr>
<td>Intermediary Support Organizations (ISOs) and CSO Resource Centers – Organizations and programs that provide CSOs with training and other support services</td>
</tr>
<tr>
<td>Local Grant Making Organizations – Local institutions, organizations or programs providing financial resources to CSOs</td>
</tr>
<tr>
<td>CSO Coalitions – Cooperation within the CSO sector</td>
</tr>
<tr>
<td>Training – Training opportunities available to CSOs</td>
</tr>
<tr>
<td>Intersectoral Partnerships – Collaboration between CSOs and other sectors</td>
</tr>
</tbody>
</table>
7. **PUBLIC IMAGE:** Society’s perception of the CSO sector

| Media Coverage – Presence of CSOs and their activities in the media (print, television, radio and online) |
| Public Perception of CSOs – Reputation among the larger population |
| Government/Business Perception of CSOs – Reputation with the government and business sector |
| Public Relations – Efforts to promote organizational image and activities |
| Self-Regulation – Actions taken to increase accountability and transparency |

**How to Score**

The CSO Sustainability Index uses a seven-point scale from 1 to 7. **Lower numbers indicate more robust levels of CSO sustainability.** These characteristics and levels 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. The levels of sustainability are organized into three broad clusters:

**Sustainability Enhanced (1 to 3)** - the highest level of sustainability, corresponds to a score between 1.0 and 3.0;

**Sustainability Evolving** (3.1 to 5) - corresponds to a score between 3.1 and 5.0;

**Sustainability Impeded (5.1 to 7)** – the lowest level of sustainability, corresponds to a score between 5.1 and 7.0.

<table>
<thead>
<tr>
<th>Sustainability Enhanced</th>
<th>Sustainability Evolving</th>
<th>Sustainability Impeded</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0 – 3.0</td>
<td>3.1 – 5.0</td>
<td>5.1 – 7.0</td>
</tr>
</tbody>
</table>

**Scoring Process**

The primary role of the expert panel is to provide an assessment of the CSO environment based on the seven dimensions mentioned above. During the panel discussion, panel members are tasked with discussing their initial scores for each dimension, including their evidence for these scores, and determining their final proposed scores for each dimension. The overall score for the country will be an average of these seven scores. Below are the steps to be followed by members of the expert panel:

**Step 1:** Please start by reviewing last year’s report and other sources of information about sectoral developments from the last year of which you are aware. 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. See “Scoring based on Level of Change” on page 8 below for guidance on how to determine proposed scores.

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 the weight of the impact the developments will have at the sector level and the scoring guidance below. In determining the level of change, look at the evidence of change and the various factors over the year being assessed that led to those changes (events, policies, laws, etc.).

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2 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.
**Step 3:** Once you have scores for each dimension, average these seven scores together to arrive at an overall CSO sustainability score and provide all these scores to the Implementing Partner before you attend the Expert Panel discussion.

**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. The Implementing Partner will use the consensus score as the final proposed score. If consensus is not reached during the discussion, the Implementing Partner will average the Expert Panelists’ scores, removing one instance of the highest and lowest scores, to arrive at the final scores that will be proposed to the Editorial Committee.

It is very important that the discussion includes specific examples and information that can be used to justify the Expert Panelist’s 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 Based on Level of Change**

The level of change in a dimension from one year to the next is determined by assessing the impact of multiple factors including new policies and laws, changes in implementation of existing policies and laws, various organization-level achievements and setbacks, changes in funding levels and patterns, as well as contextual political, economic, and social developments. While individual examples may seem impactful on their own, ultimately a sector’s long-term sustainability only changes gradually over time as the implications of these positive or negative developments begin to be felt and their long-term effects take hold. Therefore, dimension-level score changes each year should not in normal circumstances exceed a 0.5-point change from the previous year.

When determining what weight to give different trends and developments in how they affect the scores, consider the relative scope of the changes and the duration of their impacts. Those trends and developments that will have larger and longer-term impacts on the sector as a whole should be weighted more heavily compared to those that affect only limited parts of the sector and are more likely to change from year to year. For example, a demonstrated increased capability to mobilize domestic resources (e.g. through corporate philanthropy or crowdfunding), or a new mechanism for long-term funding of CSOs (e.g. through a basket fund or a tax designation mechanism) would signal a longer-term change in a sector’s financial viability than a one-year increase in donor funding to CSOs conducting work around national elections.

In determining how the level of change in the dimension of sustainability should translate into a change in score, the following scale can be used to assist expert panel members’ decision making:

**What was the overall impact of the change(s) on the dimension?**

<table>
<thead>
<tr>
<th>Deterioration</th>
<th>Cataclysmic deterioration: Trends and developments have had a completely transformative negative effect on at least one or two indicators in the dimension and significantly affected other dimensions as well.</th>
<th>0.5 or greater</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Example: Legal Environment – A law has banned all international CSOs and their affiliates from the country, as part of the government’s systematic crackdown on civil society organizations.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Extreme deterioration: Trends and developments have had very important negative effects on at least one or two indicators in the dimension.</td>
<td>0.4</td>
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</table>

\[Note: This scale has been adjusted for the 2018 CSOSI to more accurately reflect the scale at which trends and developments should impact a score given the definitions of the scoring scale above.\]
<table>
<thead>
<tr>
<th>Dimension</th>
<th>Example: Organizational Capacity – Economic depression and instability have led donor basket funds to close abruptly, leaving many major CSOs without funding for their activities. Outreach efforts to constituencies have been halted due to funding shortages and many major CSOs have lost their well-qualified staff members.</th>
<th>Significant deterioration: Trends and developments have had important negative effects on at least one or two indicators in the dimension. Example: Public Image – The government conducts a relentless media campaign to discredit the image of CSOs by calling them agents of foreign actors seeking to destabilize the country. At the same, the government intimidates media outlets and threatens them with retaliation should they partner with or cover CSO activities without prior approval by the government.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Moderate deterioration: Trends and developments have had a somewhat negative impact in at least one or two indicators in the dimension. Example: Legal Environment – In an effort to increase public revenue, the government has decided to increase fees by 100% for some types of government services, including CSO registration renewal fees, which were already very high according to many CSOs. As a result, some CSOs, particularly community-based organizations (CBOs), had to delay or suspend their activities.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Slight deterioration: Trends or developments have had a slightly negative impact on at least one or two indicators in the dimension. Example: Legal Environment – The government has decided that CSOs should submit their financial statement and annual activity report to the registration agency every year. This may have a long-term positive effect but in the short-term it has increased bureaucratic hurdles and the possibility of harassment by overzealous government officials.</td>
</tr>
<tr>
<td></td>
<td>No Change</td>
<td>The country has not encountered any significant trends or developments in the dimension or developments have been both positive and negative in equal measure.</td>
</tr>
<tr>
<td>Improvement</td>
<td>Slight improvement: Trends or developments have had a slightly positive impact on at least one or two indicators in the dimension. Example: Legal Environment – To facilitate CSO registration, particularly for those in rural areas, the government has decided its registration agency will allow the agency to take applications locally and process registration directly at the district level. Now, CSOs in rural areas are not required to travel to the capital to apply. However, this measure is accompanied with a small increase in the registration fee.</td>
<td></td>
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<tr>
<td></td>
<td>Moderate improvement: Trends and developments have had a somewhat positive impact in at least one or two indicators in the dimension. Example: Service Provision – To improve the effectiveness of public service delivery, the central government has decided that at least 10% of local government contracts for basic service delivery will be set aside for CSOs.</td>
<td></td>
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</tbody>
</table>
The law is lacking in specificity, particularly around the application process, but it reinforces CSOs’ image as credible partners.

**Significant improvement:** Trends and developments have had important positive effects on at least one or two indicators in the dimension.

Example: Public Image – There has been a net increase of CSO partnerships with businesses. CSOs have also agreed to and published a general code of conduct for the sector, reinforcing a positive trend of greater transparency and accountability.

<table>
<thead>
<tr>
<th>Extreme improvement: Trends and developments have had very important positive effects on several indicators in the dimension.</th>
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<tbody>
<tr>
<td>Example: Organizational Capacity – The government and international donors have launched a five-year multi-million dollar basket funds to support CSO-led activities and to strengthen CSO capacity, with a special focus on skills training for CSO staff members, particularly those from CBOs.</td>
</tr>
<tr>
<td>Transformative improvement: Trends and developments have had a completely transformative positive effect on at least one or two indicators in the dimension and will potentially affect other dimensions as well.</td>
</tr>
<tr>
<td>Example: Legal Environment – A nonviolent revolution that toppled an authoritarian regime and installed a more democratic regime has produced sudden political and legal changes that will protect basic freedoms and human rights.</td>
</tr>
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<table>
<thead>
<tr>
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Instructions for Baseline Recalibration

Background
To enhance its methodology, the Civil Society Organization Sustainability Index (CSOSI) incorporates recalibration as one the pilot activities for 2018 CSOSI. Recalibration is introduced to adjust dimension-level scores that are not accurate, either because their baseline scores lack accuracy or because they have not moved significantly enough over time to reflect structural changes in the sector’s sustainability. The goal of resetting these scores is to improve the cross-country comparability of scores and to increase the analytical usefulness of the CSOSI to its target audiences. The scores to be recalibrated have been selected after review by the Editorial Committee and verification by regional experts and have been finalized after consultation with the Implementing Partner (IP).

Instructions
1. Communicate with participating expert panel members – The IP communicates to the expert panelists the purpose and the scores that have been selected for recalibration.

2. Use Sustainability Categories and Scores – A Closer Look and a comparison to other scores in their region to determine new score(s) – Instead of using the scoring guidance whereby proposed scores are determined by analyzing the level of change from the previous year, the scores identified for recalibration are determined by analyzing where they fall on the one-to-seven scoring scale, as well as a comparison with the other scores for that dimension in the other countries covered by the CSOSI in the region. The expert panelists should review the vignettes and illustrative examples in Sustainability Categories and Scores – A Closer Look to familiarize themselves with how various levels of CSO sustainability should correspond to the CSOSI’s scoring spectrum. Scores should be proposed based on how well they match the descriptions of the various full-point scores listed in this codebook. To help narrow proposed scores to the tenth decimal point, experts can review other countries’ scores listed for that dimension in the most recent regional report (which are provided to the IP with the other scores to be recalibrated removed to avoid confusion).

3. Discuss evidence for recalibrated scores, as well as trends and developments in the past year that led to improvements and deterioration in the dimension – The narrative report should be drafted the same as the other dimensions, reviewing the current situation and discussing what has changed over the previous year. A note will be included into the final report that clarifies that the new score for that dimension is based on a recalibration and should not be compared with the previous year’s score to make assertions about improvement or deterioration.
ANNEX B: STATISTICAL DATA

2018 CENTRAL AND EASTERN EUROPE AND EURASIA SCORES

To further explore CSOSI’s historical data and past reports, please visit - www.csosi.org.

<table>
<thead>
<tr>
<th>Country</th>
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<th>Financial Viability</th>
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## COUNTRIES RANKED BY SCORE

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## COUNTRIES RANKED BY SCORE

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### Sustainability

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- **Evolving**: Hungary 3.1, North Macedonia 3.1, Romania 3.1, Moldova 3.2, Slovenia 3.2, Ukraine 3.2, Serbia 3.4, Kosovo 3.6, Montenegro 3.6, Albania 3.7, Bosnia 3.7, Russia 3.9, Georgia 4.3, Belarus 5.0.
- **Impeded**: Azerbaijan 5.4, Azerbaijan 5.8, Belarus 5.4, Azerbaijan 5.7.
ANNEX C: REGIONAL MAP

SUSTAINABILITY

Impeded | Evolving | Enhanced
---|---|---
7 | 5 | 3 | 2 | 1