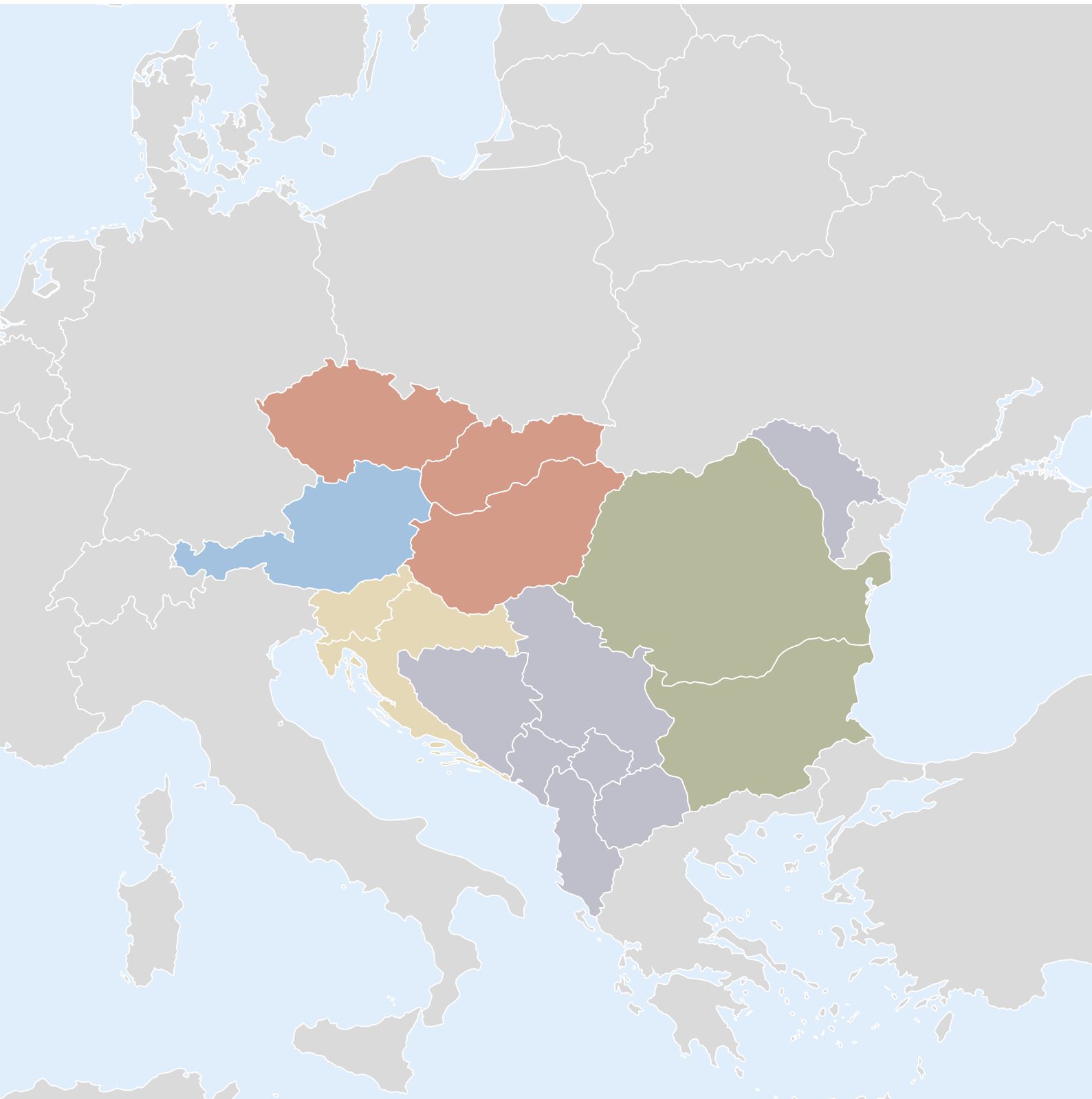




ERSTE Stiftung
Studies

**Civil Society in
Central and Eastern Europe:
Monitoring 2019**

Edited by Eva More-Hollerweger,
Flavia-Elvira Bogorin, Julia Litofcenko,
and Michael Meyer



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1. Introduction

*Eva More-Hollerweger, Julia Litofcenko, Flavia-Elvira
Bogorin, Michael Meyer*

1.1. GOALS & BACKGROUND

Civil society and its organizations play an important social, political and economic role in democratic countries. They provide (social) services, represent interests of minorities or vulnerable groups, perform a watchdog function towards politics and public administration, and contribute to community building by involving different people, e.g. in volunteering and membership. The existence of a vivid civil society is an indicator of well-functioning democracies that give space to the full variety of different opinions, concerns and solutions. Civil society organizations (CSOs) are often established where a particular social or political concern emerges. By combining a mix of various public and private resources - such as public funds, private donations, voluntary work and membership fees - they are often a source of social innovation.

The political and social environment shapes the operating conditions for CSOs. Political and legal frameworks can be designed in a way to be either supportive or impeding to a flourishing, engaged and pluralist civil society. The most important prerequisite for a vivid civil society is space for the public discussion of different perspectives. Above that, the voices of CSOs need to be taken seriously in the political process: As CSOs have a profound expertise in many fields of society, they play a key role in solving manifold social and environmental problems.

Presently, the culture of open discussion seems to be threatened in an increasing number of countries. In Central and Eastern Europe's (CEE's) democracies, recent political developments appear to jeopardize progresses made in the past. Against this background, this study aims at shedding light on the dynamics of CEE's civil society. Building on our prior research on civil society in CEE (Meyer, M., Moder, Neumayr & Vondor, 2019; Vondor, Traxler, Millner & Meyer, M., 2017), this report gives a brief overview of the status quo and recent developments that directly affect civil society. A further objective is to improve the visibility of civil society in its many facets, and to highlight the appreciation of CSOs as an integrative part of civil society. At last, we will list the most important challenges that civil society is currently facing.

The report is structured as follows: The remainder of the introductory chapter 1.2 contains methodological information in order to make transparent how the results presented further on were obtained. In chapter 2, a summary of the current state of affairs and general tendencies affecting civil society is provided. We present a synopsis of the individual country chapters (see chapter 2) as well as additional analyses based on the survey data. Chapters 3 to 17 cover one country each. They refer to the survey data and are substantially enriched by a literature review and the background knowledge of our country experts. The country-specific chapters (a) report key facts about the respective civil society sector, (b) summarize recent political events affecting civil society, (c) provide an overview of the legal and political framework relevant to CSOs' operations, and (d) analyse the funding possibilities and consequences thereof for CSOs.

1.2. METHODS

The study was conducted by the Competence Center for Nonprofit Organizations and Social Entrepreneurship at WU Vienna (Vienna University of Economics and Business), commissioned by and in collaboration with ERSTE foundation as well as with a group of country experts. The inclusion of expert assessments on civil society aims at giving a voice primarily to practitioners. Therefore, the study included an online survey in each participating country, addressing CSO representatives operating in various fields of activity.

1.2.1. Data collection

The online-questionnaire covers the central topics concerning civil society. These topics were identified in the course of the feasibility study conducted in preparation of the current study (More-Hollerweger, Moder, Meyer, M., Millner & Vandor, 2018). They comprise e.g. the legal and political environment, the financial viability and organizational capacity of CSOs and the CSOs' functions and available infrastructure.

With the assistance of the country experts, we drew a sample of organizations for each country. In most cases, these experts are also the authors of the country chapters. The sample is based on the following criteria:

- field of activity: a minimum of 5 CSOs from each field of activity according to ICNPO¹
- impact region: a minimum of 10 CSOs active on the local/regional, national and European/worldwide level
- function: a minimum of 20 CSOs engaging in service provision, advocacy and community building
- size: with regard to the organizations' number of employees, annual revenues etc.

Although the sample is not fully representative, it is designed to reflect the diversity of CSOs in each country. It was supplemented by means of a snowballing procedure. For this purpose, we asked the survey respondents to forward the invitation to participate to other relevant organizations.

Over the course of the Civil Society Survey (2018), three data collection phases were carried out:

- August to September 2018: Pre-survey conducted online by WU Vienna in cooperation with the local experts
- September to October 2018: Civil Society Survey conducted online by WU Vienna
- November 2018: Follow-up in selected countries through own research, telephonic contact, purchase of CSOs' contact information, sharing on various online platforms, by activating various multipliers/disseminators etc.

Table 1-1 below provides an overview of the return rate of the main survey conducted between September and October 2018. In view of the low return rate in Poland, the country was excluded from further analysis.

¹ The category system for fields of activity is based on Salamon & Anheier, 1996.

TABLE 1-1: CIVIL SOCIETY SURVEY 2018 – RETURN RATE

Country	Number of contacted CSOs	Number of participating CSOs	Return rate	Dropout rate
Albania	198	58	29%	44%
Austria	357	48	13%	69%
Bosnia and Herzegovina	153	54	35%	44%
Bulgaria	209	42	20%	54%
Croatia	193	37	19%	57%
Czech Republic	248	54	22%	51%
Hungary	596	49	8%	56%
Kosovo	235	85	36%	36%
North Macedonia	188	58	31%	43%
Moldova	208	90	43%	40%
Montenegro	204	68	33%	58%
Poland	875	13	2%	70%
Romania	205	58	28%	55%
Serbia	248	78	31%	37%
Slovakia	535	51	10%	44%
Slovenia	195	45	23%	42%
Total (excluding Poland)	3,972	875	22%	51%

Source: Civil Society Survey, 2018

1.2.2. Data analysis

Overall, 1,758 organizations participated in the online survey. In some cases, different members of one organization completed the online questionnaire. These cases were compared manually, to identify the most complete and plausible questionnaire for each organization. This procedure led to the removal of 102 duplicate cases, which were not considered in the further analyses. 768 participants did not give consent to use their data, did not provide information to identify their organization, and/or did not provide information considered essential². Those cases were not considered in the analysis of data either. 13 completed questionnaires from Polish CSOs were excluded, because the overall return rate in Poland was too low to allow for any meaningful analyses at the country level. 875 cases with mostly complete and plausible data remained. These form the basic population for all analyses presented in this study.

The data was mainly analysed descriptively (e.g. frequency analyses, cross table analyses). We used bar graphs and boxplots to visualize the results. For an instruction of how to interpret boxplots, see chapter 2, where the boxplot is displayed for the first time. For analysing and interpreting the answers to open questions, we applied a qualitative categorical system. This was used for the coding and summarizing of responses.

² I.e. the organizations' characteristics & fields of activity, the respondents' position within the organization, the funding sources and opportunities for their own organization as well as the whole field of activity and an assessment of the legal and political environment.

2. Cross-border overview – the state of civil society in 15 CEE countries

Michael Meyer, Flavia-Elvira Bogorin, Julia Litofcenko, Eva More-Hollerweger

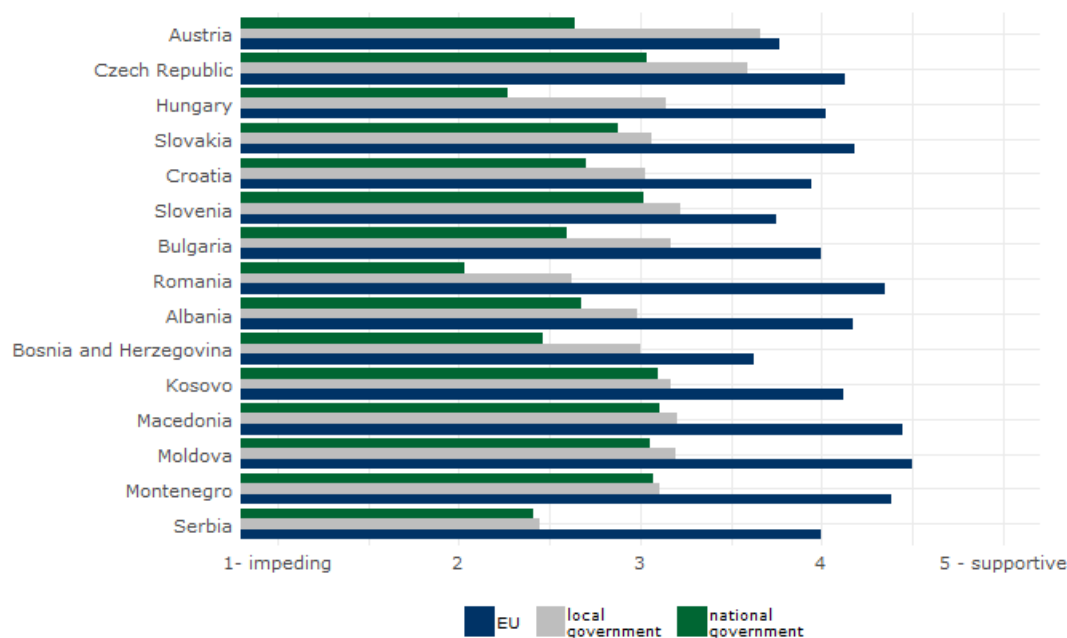
2.1. POLITICAL AND LEGAL ENVIRONMENT

The political and legal environment considerably determines the fertility of the soil on which CSOs operate. It defines to what extent CSOs can act independently and freely, their position in the socio-political discourse and the resources available for their purpose. Political actors at different levels, i.e. local, regional, national and supranational, shape the political and legal environment. Across all countries, both in EU and non-EU countries, the European Union (EU) is perceived as the most supportive political institution towards CSOs (see Figure 2-1). As most CSOs in the sample indicate the national level as their range of impact (59%), this is somewhat surprising. To some extent, this may be due to the fact that larger, more professional CSOs tended to participate in the study. Almost 80% of the surveyed CSOs receive funding from the EU or foreign foundations (among others). These numbers support the theory of CSOs being part of a *world society*, with the local environment and international actors instead of nation states as the main focal points (Meyer, J.W., 2010).

Nevertheless, the national political climate exerts a major influence on CSOs. Overall, there is a trend towards a **shrinking space** for civil society: In Austria, the center-right national government, which is in office since 2017, appears to be a major impeding factor for the work of many CSOs. The same is true for Hungary under the Orbán-government. Whereas the Austrian institutional framework is still rather stable and CSOs can operate freely and enjoy a high prestige within society, CSOs in Hungary report major concerns regarding their scope of action. This is restricted by the government's preferential treatment of state-affiliated CSOs when it comes to the allocation of public funds. This course of action might threaten CSOs that are critical of right-wing politics. The tendency of shrinking space for civil society resulting from restrictions and attacks from leading political actors can be identified throughout the entire CEE region and is supported by the country chapters.

In summary, Figure 2-1 provides a clear picture: Across all countries, the EU is the most supportive actor for CSOs. For all countries, the local (regional, municipal) level of government proved to be more supportive than the national level. As mentioned above, this might be explained by the CSOs' criticism of populist and right-wing governments in some countries, where the discrepancy is particularly high, e.g. in Austria, Hungary, and Romania. In other countries, it might be a result of central government's paralysis, e.g. in Bosnia and Herzegovina (BiH). It is still surprising that the EU has such a positive reputation amongst CSOs in all countries. In times of trouble, the EU seems to be a tower of strength for civil society.

FIGURE 2-1: SUPPORTIVENESS OF POLITICAL INSTITUTIONS FOR CSOs

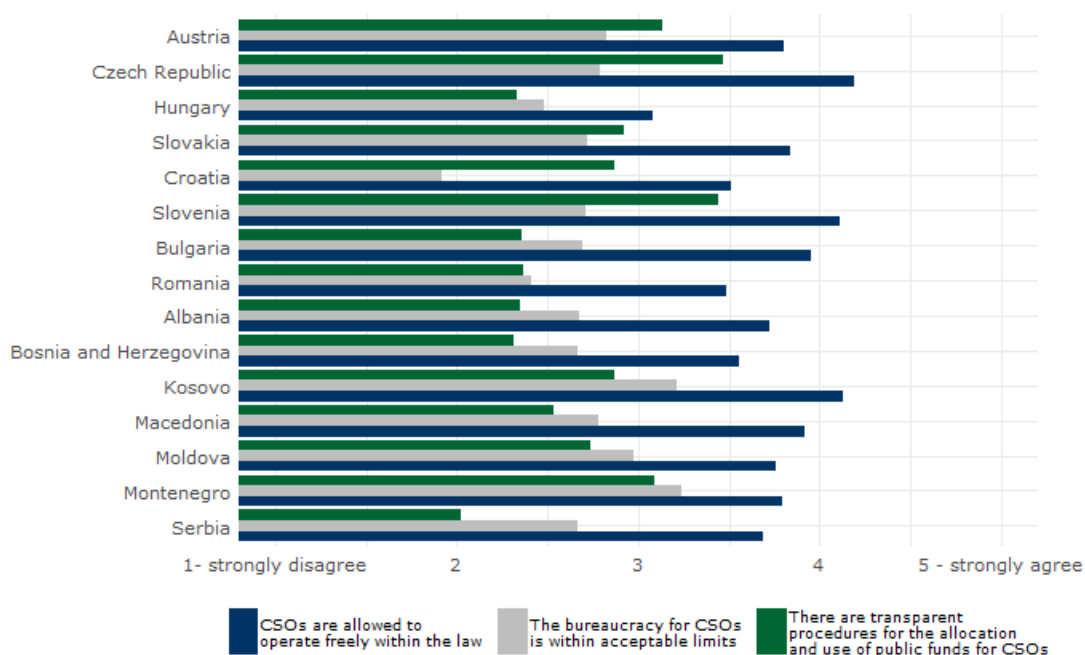


Source: Civil Society Survey, 2018, n = 866 to 867

In addition to the general political climate, the legal and administrative environment shapes the CSOs' scope of action. Figure 2-2 shows the assessment of some of the relevant aspects in a cross-country comparison: Firstly, a general assessment whether CSOs feel they can operate freely within the law, secondly, the appropriateness of the bureaucratic burden for CSOs and thirdly, the transparency of the allocation of public funds.

As Figure 2-2 shows, CSOs in Hungary and, to a lesser extent, in Croatia, Romania and Bosnia and Herzegovina feel that the legal framework restricts their actions. Czech, Slovenian and Kosovan CSOs declare a high degree of freedom of operation. The allocation and use of public funds is considered particularly problematic in Serbia, Bulgaria, Romania, Albania and Bosnia and Herzegovina, while in the Czech Republic, Slovenia, Austria and Montenegro the procedures are assessed more positively.

FIGURE 2-2: LEGAL FRAMEWORK



Source: Civil Society Survey, 2018, n = 863 to 864

The following country reports provide an overview of the most important legal regulations for CSOs and the current state of political discussion in this respect. As an example, the **legal public benefit status** of CSOs is currently debated in many countries with different results. In Hungary, the procedures for registration have changed and put additional administrative burden on CSOs. They have to re-register under new disadvantageous conditions. In Kosovo, adopted amendments make the status of CSOs insecure. In North Macedonia, the adoption of advantageous changes to the legal status was postponed to an indefinite date. In the Czech Republic, the parliament has finally ruled out the legal status, which was defined in the Civic Code 2012, but implementing laws were never passed. This legal uncertainty yields serious consequences for CSOs. For instance, their ability to receive redirected income taxes from individuals by means of the 2% tax designation mechanism (e.g. in Croatia, Moldova, Slovakia and Romania) or to benefit from tax exemptions (e.g. in the Czech Republic, Moldova and Kosovo) is dependent on their public benefit status.

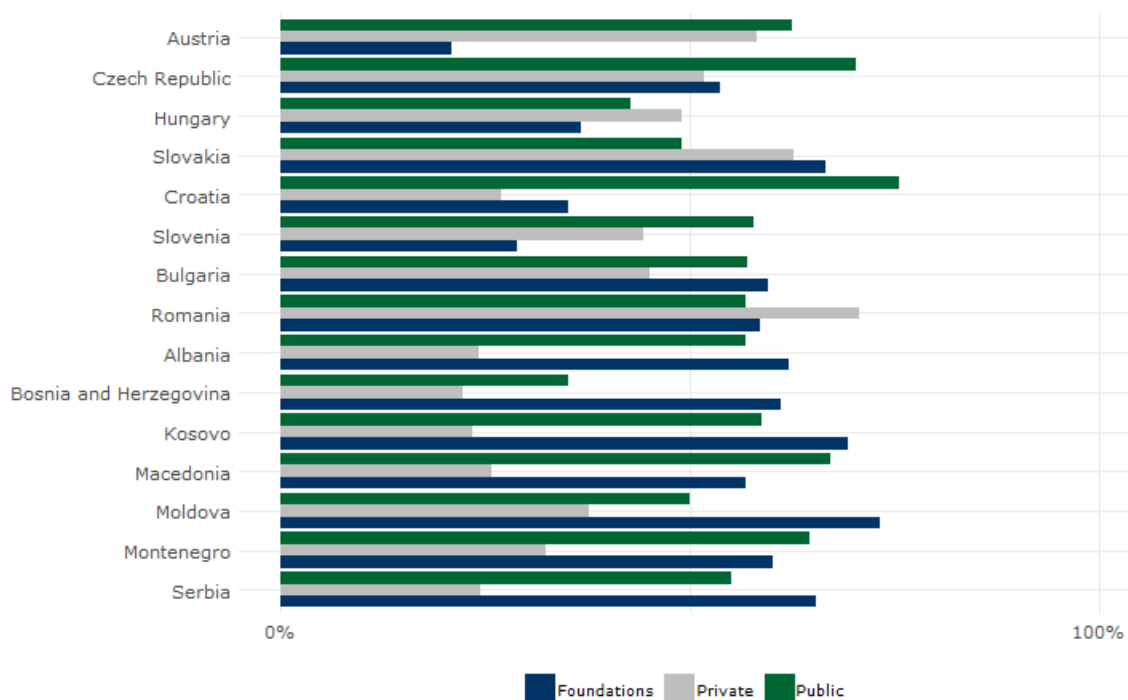
2.2. RESOURCES

The accessibility of various funding sources is another crucial factor determining the room for maneuver of CSOs. Public funds often enable CSOs to contribute to the public good in terms of service delivery, especially in the field of social services. Private funds like donations, on the one hand, allow CSOs to execute a watchdog function. In general, the number of financing sources has increased in recent years due to new technical developments through digitalization (e.g. crowdfunding platforms), but also due to new financing instruments in the field of social impact investment. On the other hand, governments in some countries try to limit and control the funding sources available for CSOs, as in the case of the so-called “Stop Soros Law” in Hungary.

The results of our survey show that **funding opportunities** are rather diverse across all countries (see Figure 2-3). In general, private funding is more easily available for CSOs in EU countries compared to

countries that do not (yet) belong to the European Union. To some extent, this tendency is a reflection of the levels of economic wealth: The correlation between the availability of private funding and the respective GDP per capita³ amounts to 0.7. However, exemptions like Croatia, Romania and Moldova demonstrate that cultural and institutional idiosyncrasies can heavily influence the availability of private funding for CSOs as well. Funding from foundations is a particularly important source of income for CSOs in many countries where private funding is scarce, i.e. especially in non-EU countries. Public funding sources (e.g. EU funds, government funds) have a fundamental role in the funding of CSOs in all countries, implying that no civil society can thrive based on private funding and/or foundations alone.

FIGURE 2-3: FUNDING OPPORTUNITIES



Source: Civil Society Survey, 2018, n = 826 to 860

As will be laid out in more detail below, every source of funding comes with different benefits and risks. Hence, it is not possible to draw conclusions from the accessibility of various funding sources to the overall financial health of a country's civil society. Hungarian and Croatian CSOs, for example, report a rather dim financial viability (see Figure 2-4 and Figure 2-5), which in Hungary correlates with problems with public funding schemes and funding from foundations. Croatian CSOs, on the other hand, rely mainly on public funding, whereas private funding is barely available. Bulgarian and Romanian CSOs report unstable funding situations in the last three years and the years to come, although private and public funding and funding from foundations are relatively easily accessible.

While CSOs with predominantly public funding may be subject to biased government decisions and an opaque allocation of funds (see chapter 2.1 above), privately funded CSOs are threatened by the phenomenon of **"mission drift"**. As a result of their financial dependency on donors, CSOs tend to pursue the goals and interests of their donors, or they frantically thrive for any kind of external funding, e.g. by applying for all available tenders. Especially smaller, less professionalized CSOs are affected by this so-called projectization.

³ International Monetary Fund, World Economic Outlook Database (last accessed: 12 May 2019).

Respondents from Slovakia, Kosovo and Bosnia and Herzegovina, three countries characterized by a large share of smaller organizations, mentioned this threat. A way to counteract this development is the diversification of funding sources. This could safeguard financial sustainability and autonomy from funders. In the Czech Republic, Moldova and Serbia, respondents particularly stress the need of diversifying funding.

The **European Union** is not only perceived as the most supportive political actor, but also as an important **funder**. EU candidate countries, such as Albania, Bosnia and Herzegovina and North Macedonia, particularly express hopeful attitudes towards the role that the EU will continue to play in developing the civil society. CSOs in these countries expect an increase of European funds in the years to come. However, in the post-accession years, a decrease in the involvement of international donors in developing countries is reported, as already concluded in prior studies (Meyer, M., et al., 2019; Vandro et al., 2017). Furthermore, the foreign funds still available have a narrower purpose and are harder to access (e.g. tenders for larger European projects). This threshold hinders smaller CSOs to engage. The withdrawal of foreign donors in the post-accession phase is addressed in Bulgaria, the Czech Republic and Romania.

Respondents also expect that **new funding mechanisms** such as crowdfunding will gain importance as an addition or even an alternative to traditional sources. This is reported from Romania, Slovakia and Bulgaria. In addition, CSOs see social entrepreneurship as a chance to achieve financial sustainability. Especially in Moldova, Bosnia and Herzegovina, Croatia and the Czech Republic, the respondents report awareness and recognition of social entrepreneurship.

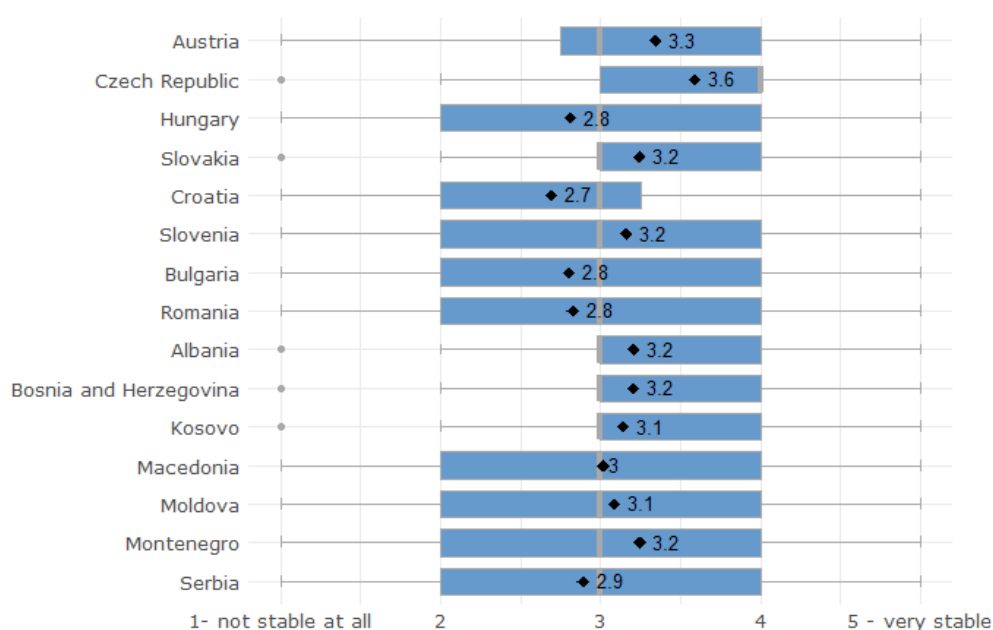
The organizations participating in the survey also assessed the financial sustainability of CSOs and the **stability of funding** in their fields. In general, the financial situation seems rather stable in many countries, except for Croatia, Hungary, Romania, and Bulgaria, where respondents answered more skeptically (see Figure 2-4). This could be linked to the trend towards decreased foreign funding in the years following the EU accession.

How to interpret a boxplot

For each boxplot, the grey line represents the median whereas the mean is labelled above the black rhombus. The upper and lower quartiles each represent 25% of the data and are illustrated by a horizontal grey line marked out by whiskers.

Depicted in blue is the interquartile range representing the remaining 50% of the data. The size of the boxplot indicates the spread of the data. Outliers are marked as grey dots outside of the upper and lower quartiles.

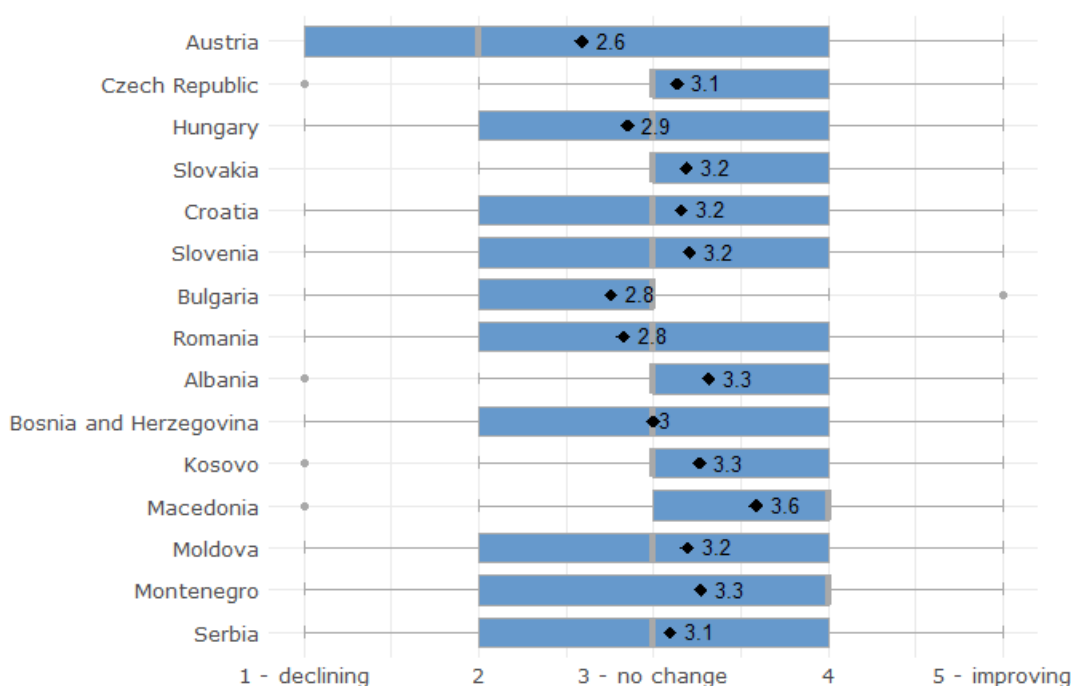
FIGURE 2-4: STABILITY OF FUNDING IN CEE



Source: Civil Society Survey, 2018, n = 861

Czech and Slovenian CSOs are rather optimistic about the **future**, whereas Hungary, Romania, Bulgaria, and Austria expect more problems with funding. Rather hopeful are North Macedonian, Montenegrin and Albanian CSOs, organizations in countries with easy access to EU and other foreign funds because of their candidate status for EU membership (see Figure 2-5).

FIGURE 2-5: POTENTIAL FOR FUTURE FUNDING IN CEE



Source: Civil Society Survey, 2018, n = 858

The major correlates of a stable funding situation and optimism about future funding prospects are the freedom and prestige that CSOs enjoy within their socio-political environments. CSOs that are optimistic about their future and their funding prospects report that (1) politicians consider them as equal partners, (2) involve them in finding solutions and (3) they can play watchdog roles without any fear of repressions, and that (4) they can easily mobilize citizens and (5) recruit volunteers. These CSOs are less concerned about their funding prospects. Of course, professionalization also contributes to a stable financial situation, but exerts a quantitatively much lower influence.

2.3. SUMMARY & OUTLOOK

In many countries, the shrinking of space for civil society is related to the increased orientation of leading political actors towards right-wing doctrines and the rise of populism in the CEE region. This is not limited to Hungary or Austria, but also affects Slovakia, Slovenia and the Czech Republic. Consequences of these developments are the “criminalization” of CSOs with views critical of the dominating political ideology, in particular of those opposing restrictive immigration policies. This also leads to an increased polarization in civil society. A further phenomenon described by the country experts is the emergence of a shadow civil society comprised of politically affiliated CSOs. These CSOs colonize the civil society and attempt to mimic its purpose and actions, which creates an environment consisting mostly of government-supportive CSOs and limits the diversity in civil society. This is principally the case in Romania, Serbia, Croatia and Hungary (Greskovits, 2017). Recent

amendments to the Romanian tax law restrict individuals' redirecting of a part of their income tax solely to state-approved NGOs from the social sector (see chapter 14.2).

At the same time, these impediments also serve as a source of empowerment for the civil society, as community-based, grassroots initiatives emerge as a counteraction. Furthermore, some country experts report an increase in advocacy and watchdog activities as an opposition to current political trends in Hungary, Moldova, Slovakia and Albania. This often leads to more creative solutions for obtaining funding, e.g. by making use of new funding mechanisms such as crowd funding or by pursuing a strategy of social entrepreneurship.

The political environment is also one of the major topics when it comes to future prospects. CSO representatives across all countries expressed their concerns regarding the current political climate: hate speech, criminalization of CSOs and their work and fake news are threats impeding the space of CSOs, especially in the field of human rights, the support of migrants and the watchdog and advocacy organizations. Some respondents predict a growing political and social apathy, others are more optimistic that CSOs will succeed in mobilizing people to get more involved, in building strong communities and in creating a culture of requesting accountability from the government. This is important for both, the virtual as well as the "real" communities. It is pointed out how important it is for CSOs "to earn their coherence and trust in society".

Hope lies with the EU, especially among accession candidates. However, some respondents are concerned about current developments in the EU, such as the growing polarization, nationalism and populism. They fear a greater influence of political parties on CSOs in terms of colonializing and building up their own CSOs. As a reaction to current developments, some CSOs might withdraw from their watchdog function in order to sustain their (public) funding and concentrate on their mere service function. Others might be encouraged to focus on their watchdog role, on advocacy and activism. An increased collaboration and solidarity among CSOs would be a desirable trend in this regard.

Funding is a major topic for CSO practitioners, and it will most likely keep its dominance in the upcoming years. Some of the respondents critically reflect the donor dependence of CSOs and stress the importance of strong, independent CSOs for the development of democratic structures. Financial sustainability is conceived as one of the greatest challenges for CSOs, especially since public funding remains underdeveloped in many countries. Social entrepreneurship and social business might be a strategy, which will gain importance, according to the CSO practitioners. Especially smaller and donor-driven CSOs that operate alone will face a rough weather. Larger CSOs that cooperate in networks and CSOs capable of mobilizing the general public have a better forecast, as they will gain more influence.

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3. Albania

Elona Dhëmbo

The year 2018 did not bring the expected developments that would provide a more enabling environment for the Albanian civil society sector. Several of the old problems persisted due to the incomplete legislation, the problematic legal conduct and the inconsistent behaviour of important actors (e.g. public institutions or central and local government bodies). Albanian CSOs still had to cope with issues of centralized procedures, additional financial burdens from disputed fiscal regulations, high dependency on foreign donors due to the lack of diversification of financial resources and limited access to public funds. Nevertheless, in 2018, Albanian CSOs grew stronger, especially in their advocacy and watchdog functions, and got involved in new practices, such as sub-granting. In 2018, the civil society was the best-performing sector in the country in terms of democratic progress. While 2018 did not entail any significant changes concerning the challenges the sector still faces, it was characterised by an unusual wave of grassroots movements and activism. As the Civil Society Survey (2018) shows, for the next 5 years, CSO practitioners expect an increase in competition in the sector, which will fuel a diversification of the CSOs' portfolios, more investments in the sector's human resources and a greater attention to PR, technology and social media. Migration and other demographic changes are expected to shape the major areas of interventions. Finally, all involved actors, particularly the National Agency for Civil Society, are expected to play a more supportive role in meeting the objectives of the Road Map for an enabling environment for CSOs in the country.

3.1. INTRODUCTION

Stifled during the communist regime, the civil society sector in Albania has now progressively expanded, following the drastic changes of the 1990s, and it currently appears as the best-performing sector in terms of democratic progress (Kajsiu, 2018). Nevertheless, after almost three decades since the fall of the communist regime, data is often incompatible and unreliable, and it remains almost impossible to estimate the size of the sector, its activities, and its impact⁴.

While the sector has broadened and diversified across areas and levels of intervention, it continues to suffer from issues of disproportional distribution across

Albania: Key facts

Population: 2,870,324 (INSTAT, 2018)

EU membership status: candidate country (since 2014)

GDP per capita: 5,560 USD (IMF, 2019)

Number of CSOs: 11,426 (according to Tirana District Court, 2018)

Number of active CSOs: 2,146 (according to Tax Office General Directorate, 2018)

Number of active CSOs/1000 citizens: 0.7 (INSTAT 2018; according to Tax Office General Directorate, 2018)

Most developed fields of activity: human rights; good governance; social services (TASCO, 2013: 22)

Population share engaging in volunteering: 7% (CAF 2018)

⁴ The year 2018 started with some 7,838 registered CSOs, but only 2,032 qualified as active, according to the tax office system (Hoxha, Topi, Tavani, 2018: 7). By the end of the year, the number of CSOs registered with the AMSHC (National Agency for Civil Society) was only 602. For a region-based breakdown of the total number of registered CSOs, please visit <http://www.amshc.gov.al/web/ojft/> (last accessed: 20 February 2019).

the country⁵, a domination of small CSOs, many of which are non-operational or struggling to survive between projects, underdeveloped capacities and infrastructure, and poor financial suitability (Dhëmbo, 2017; Ljungman, Huibregtse, Paabøl Thomsen, 2018). Although 2018 did not leave any significant signs of change with respect to these challenges, it was characterised by an unusual wave of grassroots movements and protests⁶ by various groups of interest with the support and engagement of CSOs⁷.

More insight on the developments of 2018 are provided in the following sections that combine the data and information from a literature review, secondary sources and primary data collected through a survey with civil society representatives, whose characteristics are summarised in the box below.

Which organizations participated in the Civil Society Survey?

The results on Albanian CSOs derive from the data elicited from 58 practitioners who participated in the Civil Society Survey (2018). About 32% of them represented CSOs established in the 1990s, while the majority (68%) represented CSOs founded after 2000. Their fields of activity represent a wide variety of areas ranging from arts to business and religion; however, the predominant areas of activity for the CSOs that participated in this survey include social services (27%), law, advocacy and politics (20%) and education and research (18%). These three fields make up the main areas of activity reported by the participants, followed by environment and animal protection as the fourth main field of activity (with a frequency of just 7%). None of the participants reported their CSO to be dedicated exclusively to either services or community building activities. In contrast, the vast majority of the CSOs (82%) fulfils a combination of all three functions, service delivery, advocacy and community building. Almost 40% of them report a high degree of professionalization in the CSOs they represent, while 28% report that the degree of professionalization in their CSO is low.

Foreign donors represent the main source of funds (in 81% of the cases), followed by EU funds (70%). Government funds (be it at the local, regional or central level), funds from domestic foundations and those from other donations (such as membership fees, sales revenues etc.) are less present as financial sources (fewer than one in four respondents reported one of them). The CSOs' total revenues for 2017 range from less than 5,000 EUR (11%) to more than 1 million EUR (4%), while most (45%) earned between 100,000 and 1 million EUR. This finding suggests that the sample consists of rather large, well-established organizations. Only 13% of the surveyed CSOs target rural areas exclusively. The rest either work solely in urban areas (13%) or claim to target rural and urban areas equally (75%). This distribution indicates a deviation from the structure of the civil society sector as a whole, given that CSOs are for the most part localized in the country's capital (AMSHC, 2018; Dhëmbo, 2017; Ljungman et al., 2018). The majority of the participating CSOs operates nationally (58%), but another good portion (42%) reports to be working regionally as well. More than half of the experts (60%) are very confident that their organization will still exist in 3 years.

3.2. POLITICAL AND LEGAL FRAMEWORKS

Recently, Albania's political and legal framework for CSOs has reached important milestones and an improvement in the way the legal environment for civil society is perceived by the CSOs themselves (USAID, 2018: 13). Since 2001, the Law on Non-profit Organizations (Law no. 8788) has been clearly regulating registration and

⁵ The vast majority of CSOs are registered and operate in the capital Tirana.

⁶ A summary of some of the main protests during 2018 can be found here <http://shqiptarja.com/lajm/2018-viti-i-protestave-në-shqipëri> (last accessed: 20 February 2019).

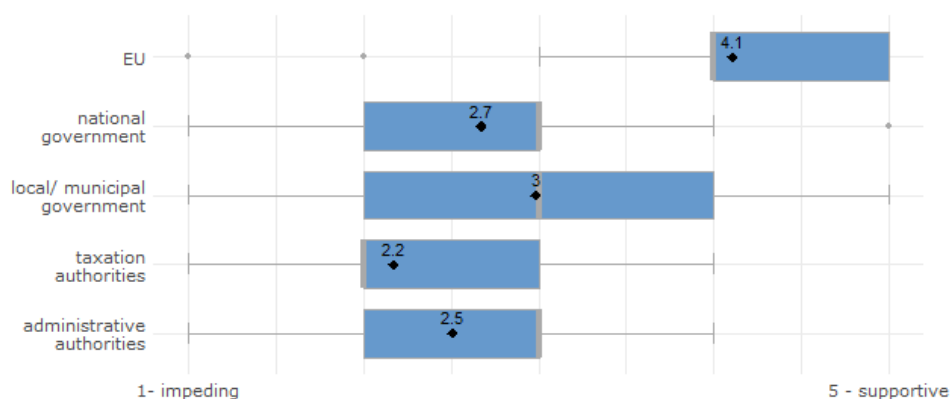
⁷ This trend was identified in the previous years too, when organized civil society groups were reported to have undertaken "some highly publicized actions regarding environmental issues, education reform, protection of vulnerable groups, and occasionally, the agenda of EU integration" (BTI, 2018: 10).

operational procedures for CSOs in the territory of the Republic of Albania, and more recently, a set of important legal and political arrangements have addressed some of the main concerns in the sector related to issues of volunteering and social enterprises. Moreover, a road map aiming to create an enabling environment for CSOs in Albania (since 2015) has contributed to the overall progress in the CSOs' perception of the overall political and legal frameworks in the country.

Nevertheless, this upward trend of an improving political and legal environment for CSOs in Albania has not kept the same pace during 2017 and 2018. The long-articulated need for a decentralised and cost-free registration procedure for CSOs, aiming to increase access to the registration procedures for those from remote areas and/or vulnerable groups, and the process of drafting a new law on philanthropy⁸ still have to be addressed (USAID, 2018). In addition, the Law on Volunteerism and the Law on Social Enterprises, both in force since 2016, are non-operational due to the lack of by-laws. Finally, a shadow report⁹ on the implementation progress of the Civil Society Road Map, covering the period from its drafting in 2015 to April 2018, finds that out of the 53 foreseen measures only 4 were fully implemented, 6 are in progress, 41 are not implemented, and there is lack of data on 2 of the measures (KKSHC, 2018: 11).

Practitioners participating in the Civil Society Survey (2018) were asked to share their opinion on the role the various institutions play within the overall political environment for CSOs in the country. Foreign organizations and institutions such as the EU, the UN and NATO are among the most trusted institutions for the Albanian public (Papa & Dauti, 2018: 5). The trend also seems to hold true for the perception of the EU's role among the surveyed CSOs. When it comes to support from national institutions, the local level governmental institutions (LGI) score highest (see Figure 3-1). The processes of the territorial reform and decentralisation have created new competencies and opportunities for the LGIs to engage with local CSOs. Many of them were engaged in the process of drafting their respective local social plans in 2017 and 2018 (a new responsibility of the local governments) and envisaged specific roles for the CSOs (Bisha, 2017).

FIGURE 3-1: ALBANIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 56 to 58

As presented by the results in Figure 3-1, the situation is worse for the national government. Despite the establishment of the National Council of Civil Society¹⁰, which has facilitated the collaboration between CSOs and

⁸ A new law on philanthropy has been identified as necessary for a more enabling environment for CSOs in Albania (USAID, 2018).

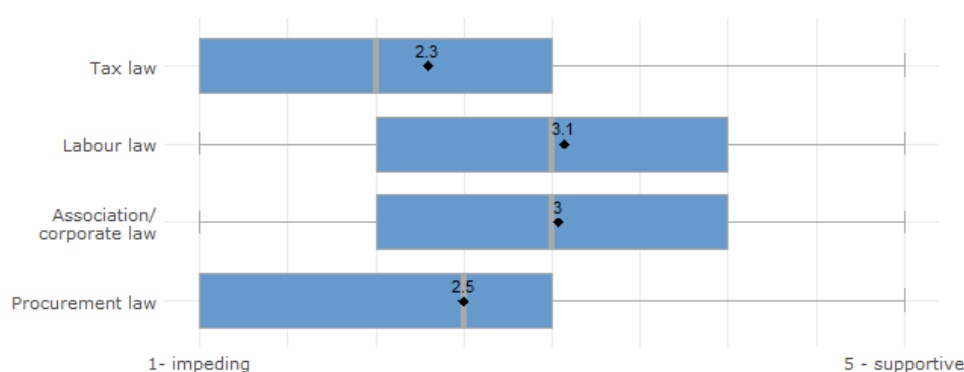
⁹ The shadow report is prepared by the civil society members within the National Council for Civil Society (KKSHC).

¹⁰ The National Council for Civil Society is a body composed by representatives of public institutions, CSOs and the business community. The council is set up and works based on Law no. 119/2015 "On the setting up and function of the National Council of Civil Society".

the government, various obstacles inhibit the implementation and coordination of CSOs, and public institutions and prevent CSOs from a meaningful engagement in the policy dialogues in the country (European Commission, 2018). Examples for these obstacles are the continuous reform in the public administration and the high turnover rates. These make it difficult for the National Council of Civil Society to work properly, as it often lacks the representatives from the government. Likewise, there is still little progress from the government's Department of Strategy and Foreign Aid Coordination in taking over the responsibility of coordinating the civil society sector (KKSHC, 2018).

In addition, issues of legal conduct are problematic when it comes to the implementation of the legal framework, maintaining transparency and reducing the level of bureaucracy. These problems might explain the lower scores received by the taxation and administrative authorities in the Civil Society Survey (2018) (see Figure 3-1), as well as the perceived dissatisfaction of the surveyed practitioners with the tax law (see Figure 3-2). Overall, the tax regime for CSOs remains problematic. This is a significant financial burden for CSOs and the current legal environment does not support alternative funding sources. Tax incentives for corporate donations do not stimulate donations to CSOs, and there is no tax incentive for individual donations. Public funding for CSOs remains limited and not legally regulated at the central and local level (European Commission, 2018: 12).

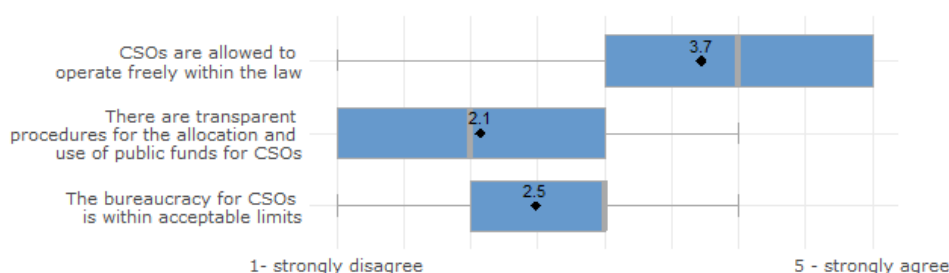
FIGURE 3-2: ALBANIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 52 to 58

The financial burden that the current tax regime creates, corresponds to the perceived lack of transparency in the allocation and use of public funds for CSOs and to the high level of bureaucracy CSOs participating in the Civil Society Survey (2018) have to face (see Figure 3-3). Finally, yet importantly, CSO representatives report a predominant trend of being treated as businesses by the responsible public authorities who often disregard the legal framework for CSOs (Civil Society Survey, 2018).

FIGURE 3-3: ALBANIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOs



Source: Civil Society Survey, 2018, n = 54 to 58

Further developments and improvements required with respect to the legal framework and legal conduct for CSOs, as proposed by the participants in the survey, can be clustered into two main topics: the procedural and fiscal regulations and the thematic laws relevant to the area of the CSOs' activity (Civil Society Survey, 2018).

Registration, tax and procurement laws and regulations remain the surveyed Albanian CSOs' three major concerns, as illustrated by the results in Figure 3-2. Particularly problematic are the persisting issues related to (Civil Society Survey, 2018)

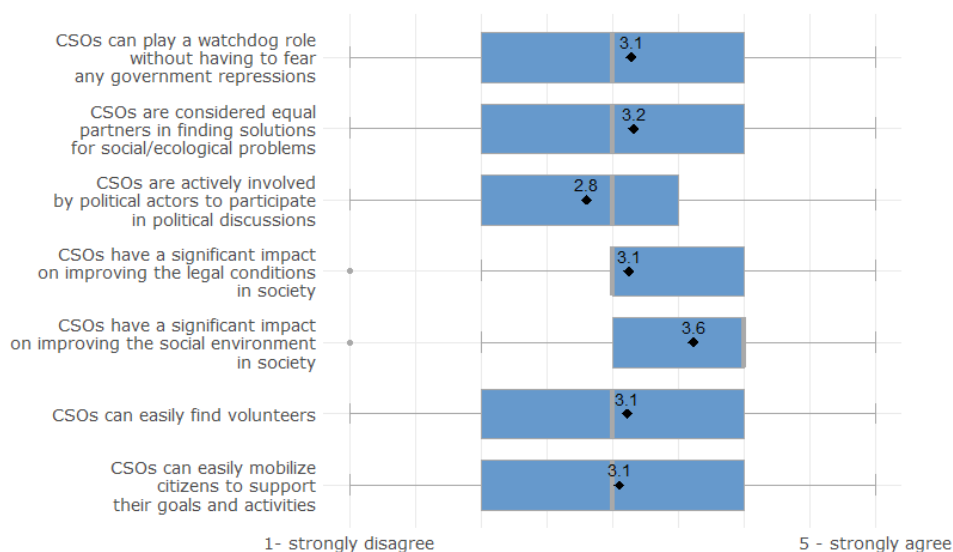
- the centralisation of the registration process (in Tirana)
- the burden of the fiscal regulations providing no support for CSOs
- the labor law that requires at least one permanent employee per CSO to be registered and to contribute to social insurance schemes at all times (even when CSOs have no running projects/budgets)
- the only partially operational law on volunteerism
- the lack of regulations, mechanisms and practices for the procurement of services from CSOs, which complicate the access to public funds

Some of the thematic suggestions identify needs for new or reviewed laws and regulations, e.g. in the areas of art and culture, corporate social responsibilities as well as laws and regulations dealing with the communist past, governmental intervention and/or control of the media (Civil Society Survey, 2018).

While, on the one hand, the need for legal improvements is noteworthy, on the other hand, the surveyed practitioners report that CSOs contribute to the improvement of the legal conditions in society and that they can mostly fulfil their watchdog function without being impaired by the government (see Figure 3-4). However, an active and meaningful engagement of CSOs in policy debates is still lagging behind. The Law on Public Consultations is not completely operational due to the lack of by-laws and regulations (KKSHC, 2018). Furthermore, the webpage for public consultations¹¹ has a very limited functionality, the civil servants are reported to have poor knowledge of the procedures, there are no annual reports on the public consultation processes, and there is no record on the impact of such consultations, as CSOs have no access to the results of the processes conducted (KKSHC, 2018).

¹¹ The Albanian webpage for public consultation is available at: <http://www.konsultimipublik.gov.al/> (last accessed: 20 February 2019).

FIGURE 3-4: ALBANIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



Source: Civil Society Survey, 2018, n = 55 to 58

3.3. RESOURCES

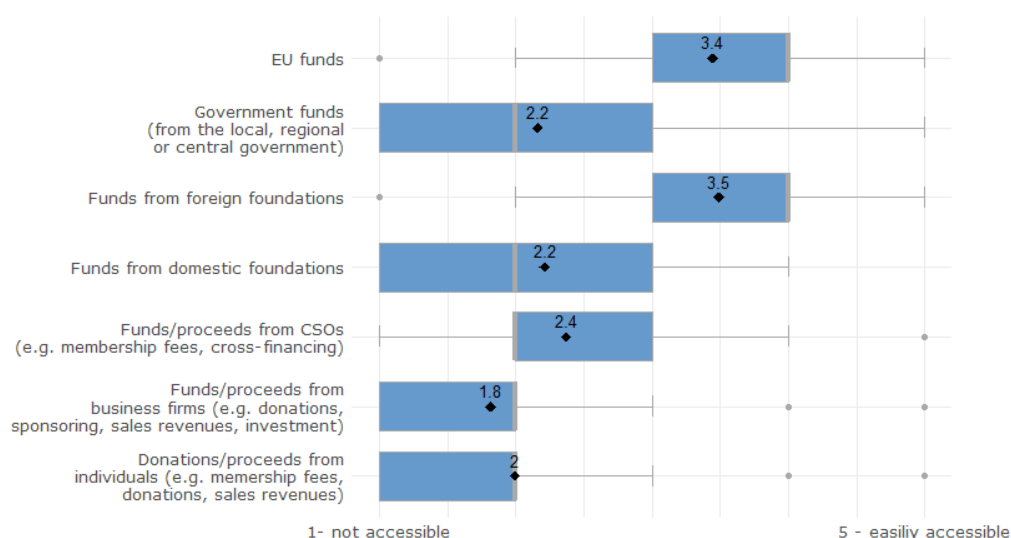
The financial viability and sustainability are the dimensions scoring worst, when assessing the civil society sector (see for instance USAID, 2018). The financial sustainability of the sector is challenged by a combination of factors, including a high dependence on foreign donors, little opportunity to access state funds and a lack of alternative resources (Hoxha et al., 2018; USAID, 2018). All CSOs depend heavily on foreign funds and donations. This is reflected in the results of the Civil Society Survey (2018) that rates EU funds and funds from foreign foundations as the most accessible ones (see Figure 3-5).

The allocation of public funds for CSOs is still poorly regulated and not transparent. As a result, the access to public funds is still very low. For more transparency in this respect, the road map for an enabling environment for CSOs requires the creation of a database containing data on the allocation of the state budget to CSOs as well as on the publication of annual reports on this topic. So far, none of the two measures has been implemented.

The incomplete legal framework for the procurement of services from CSOs makes it impossible for local governments to develop mechanisms and practices in this respect. It is reported that several by-laws that are still in the drafting process restrict the opportunity for public procurement of social services offered by CSOs (KKSHC, 2018). Similarly, there is an emergent need to legally address the concerns raised with reference to private donations and philanthropy. Presently, corporate donors benefit from a minimal percentage of 4% in tax reductions, while there are no incentives at all for individual donations¹² (CAF, 2018). Funds from membership fees are rare, primarily due to the low number of membership-based CSOs in the country (see Figure 3-5).

¹² According to the 2018 CAF World Giving Index, Albania ranks 64th when it comes to donating money, with a score of 28%.

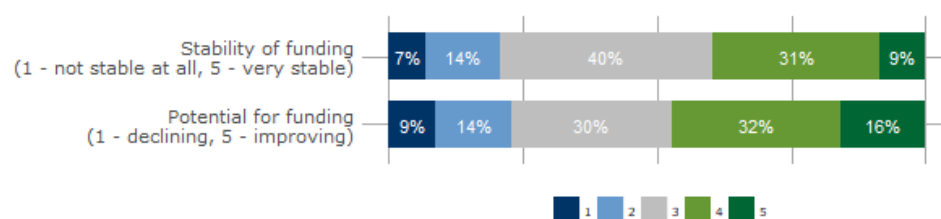
FIGURE 3-5: ALBANIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOs



Source: Civil Society Survey, 2018, n = 55 to 57

With reference to the perception of the sustainability of funds across time, a tendency for polarisation in attitudes among the surveyed CSO representatives is visible. EU funds and funds from foreign foundations, although generally speaking more generous in terms of size, are perceived as more accessible for the bigger and more professionalized CSOs. On the other hand, smaller CSOs have much more limited access to such funds. In addition, a new trend of sub-granting of funds from international sources to small, local CSOs through big, national CSOs has been criticised with respect to the high fragmentation of funds and the limited impact of the many, but nonetheless small interventions it produces (Civil Society Survey, 2018). This might explain the observation in Figure 3-6, where the largest differences between the assessment of the past three years and the forecast for the upcoming three years are noticed at the most extreme values (1 declining and 5 improving). However, the stability of funding in the past did not pose challenges for 40% of the surveyed practitioners, and the future prospects in terms of funding opportunities tend to be assessed quite optimistically by almost half of the respondents. A possible explanation for this rather positive outlook is the previously mentioned bias in the sample towards larger, more professionalized organizations.

FIGURE 3-6: ALBANIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 57 to 58

Financial insecurities, which derive from the perception of an incremental withdrawal of the international foundations and a very slow pace of increase in national and local opportunities, together with the high dependency on donor agendas, lead to a long list of unmet needs that the survey respondents report as difficult to cover. It has traditionally been very difficult to raise funds to support the delivery of social services (Hoxha et

al., 2018; USAID, 2018). Likewise, little attention has been paid to issues of rural life and the socio-cultural life in small towns and villages, education and vocational training, mental health, media ethics and impartiality, community participation, child labor and wellbeing as well as scientific research and evidence-based policy-making (Civil Society Survey, 2018).

3.4. FUTURE PROSPECTS AND OUTLOOK

In the Civil Society Survey (2018), CSO representatives were asked to share their thoughts and opinions on the potential of the sector for the next five years. Overall, they predict that the CSO sector will become more competitive, with opportunities for large CSOs to continue growing, while small CSOs will rather struggle to survive. However, for the ones that will survive, they predict a stronger role and profile in empowering and promoting active citizenship as well as more professionalization, a greater influence through their advocacy efforts and a higher threshold of resilience against the interventions and the control of the political parties.

Although financial insecurities might increase due to the withdrawal of the international donors, it is believed that the EU accession process will open up new opportunities for the civil society sector. In addition, a diversification of internal sources for financial support is expected to unfold. In particular, the development of procurement regulations and procedures is expected to make public funds accessible for CSOs (Civil Society Survey, 2018).

The greater competition and higher standards expected to be met by CSOs in the coming years are expected to create more pressure and investment in human resources. Efforts to improve capacities in public relations, the use of social media and technology will need to gain more ground. Especially small, peripheral CSOs might be affected by brain drain due to the high migratory rates in the country, which might leave them with a shortage of qualified human resources. Therefore, migration, together with other demographic changes, is listed among the factors that are expected to shape the thematic future of most CSOs. Issues related to an ageing population will climb up the agenda. There will be a growing interest in social services in general and in those for the elderly in particular (Civil Society Survey, 2018).

According to the surveyed practitioners (Civil Society Survey, 2018), one mechanism that could be used to make CSOs more resilient to these changes is the diversification of their thematic portfolio. The areas of intervention that are expected to expand include advocacy, watchdog functions, social services, rural development, tourism, human rights, child protection and wellbeing, gender equality and women's rights, open data and open governance. A more supportive, effective, loyal and transparent role is expected to be played by the National Agency for Civil Society, so that the objectives of the road map will be met and the environment for CSOs in the country will improve the CSOs' working conditions.

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4. Austria

Flavia-Elvira Bogorin, Eva More-Hollerweger, Ruth Simsa

Austria started into the year 2018 with a new government elected in December 2017. The election resulted in the formation of a new right-wing oriented coalition consisting of ÖVP (people's party) and FPÖ (freedom party). In light of the recent changes in the legal and political environment, CSOs in Austria face additional challenges. However, the Austrian legislative framework is generally considered to be quite favourable for CSOs. The new government has adopted a series of measures that cause increased dissatisfaction and unease in the civil society space. The impact of these changes is visible in the public discourse, where CSOs are faced with attempts of defamation and delegitimization of civil society and with increased polarization in general. Furthermore, the communication between political actors and CSOs is decreasing, which limits the CSOs' possibilities for participation in legislative processes. The strained relationship between the political and civil society actors also affects the access to financial resources, especially for CSOs working in fields of activity that conflict with the government's agenda. The recent developments are largely viewed as a cause for concern, because the income from public funds constitutes the main financing source for a large number of Austrian CSOs.

4.1. INTRODUCTION

The political environment in 2018 was characterized by changes due to the new government in Austria. After a period of nearly 11 years of a grand coalition between SPÖ (Social Democratic Party of Austria) and ÖVP (Austrian People's Party), the elections in autumn 2017 resulted in a new coalition between ÖVP and FPÖ (Austrian Freedom Party). This political shift to the right had an impact on both the structural (legal/financial) environment and the working climate between civil society and the state. It led CIVICUS to downgrade its civic space rating for Austria from open to narrowed (CIVICUS, 2018). On its website, CIVICUS justifies this with the assessment that the government no longer conducts a structured dialogue with civil society, but rather seeks to reduce its influence, as in the case of the environmental NGOs participating in the assessment of environmental impact. Reductions in funding for certain CSOs and NGOs and derogatory reports on NGOs were cited as further reasons for the devaluation.

Austria: Key facts

Population: 8,822,267 (Statistik Austria, 2018)

EU membership status: member country (since 1995)

GDP per capita: 51,350 USD (IMF, 2019)

Number of CSOs: 124,000 (STAT, 2019: 194)

Number of active CSOs: 87,000 (Litofcenko, Karner & Maier, 2019)

Number of active CSOs/1000 citizens: 9.86 (Statistik Austria, 2018; Litofcenko, Karner & Maier, 2019)

Most developed fields of activity: social services; health care; education

Population share engaging in volunteering: 46% (total; 31% (formal volunteering) (IFES, 2016)

Which organizations participated in the Civil Society Survey?

The addressed Austrian sample of the Civil Society Survey consists of 357 CSOs varying, among other organizational characteristics, in terms of area and fields of activity, size, fulfilled function or legal form. A total of 43 CSOs successfully completed the survey. A considerable part of the surveyed organizations was founded before 1991 (30%), with the oldest organizations dating back to the beginning of the 20th century. The sample also includes young organizations founded after 2010 (28%).

Concerning the areas of activity covered in the survey, CSOs providing social services are most frequently represented in the sample with a total share of 26%. Other 15% of the surveyed CSOs declared education and research as their main field of activity. CSOs mainly active in the field of environment and animal protection represent an additional 11% of the sample. Sports and recreation, law, advocacy and politics, philanthropic intermediaries as well as international activities are further fields of activity comprised in our sample, however represented to a lesser degree (4% each).

The results of the survey show that most organizations adopt a holistic approach, fulfilling the three main functions of CSOs to the same extent— service provision, advocacy and community building (66%). In turn, the more specialized organizations focus rather on providing services and engaging in advocacy (18%). A mere 5% regard advocacy as their main purpose and an even smaller share focuses on providing services (3%).

The professionalization index classifies almost half of the surveyed CSOs as being highly professionalized (43%). A quarter of the organizations included in the sample demonstrate a low degree of professionalization. These findings are supported by the fact that the sample consists of many large organizations, which require a certain degree of professionalization in order to be able to operate on a large scale: half of the surveyed CSOs have yearly revenues greater than EUR 1 million and an additional 32% register total revenues of at least EUR 100,000. The CSOs' size can also be viewed as a stability indicator: A total of 64% of the organizations that participated in the Civil Society Survey expressed high confidence that they will still exist in 3 years, further 16% assessed their chances of survival as quite high. However, 7% of the surveyed organizations were reluctant and fearsome about their future.

4.2. POLITICAL AND LEGAL FRAMEWORKS

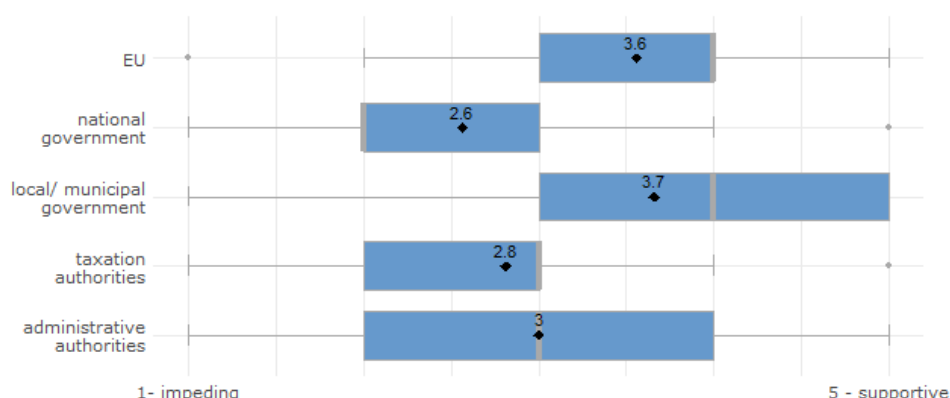
A recent study conducted in 2018/2019 intended to capture the changes in the political environment since the new government took office. It involved 50 interviews (Simsa, Neunteufl, Ahlfeld, Grasgruber-Kerl, Heckermann, Moder, Pranzl & Stadlbauer, 2019) with CSO representatives addressing their experience with the new government as well as a quantitative survey and focus group discussions. The following changes were identified:

- General climate: A polarization of the public discourse has occurred, with an increasing defamation of civil society activities in the media and on the part of politics (keywords “refugee industry”, “NGO madness”) and deliberate intimidation by judicial complaints. The media presence of civil society has diminished.
- Participation: NPOs are significantly less involved in legislative procedures. Review deadlines/evaluation periods are shortened. Legal changes are often accompanied by polemic discussions on other, controversial topics (fog grenades), which reduce the public readiness to participate in protest activities. Politics has become more intransparent and hardly communicates with civil society actors.
- Fundamental rights: The freedom of assembly has been limited by targeted measures.

- **Financial resources:** Financing decisions are clearly politically motivated. In particular, initiatives and organizations in the areas of migration, women's politics, arts and international development face existence-threatening restrictions on public funding.

According to the assessment provided by the CSO representatives participating in the Civil Society Survey, the national government is considered least supportive whereas local/municipal governments and the EU get the best rates in terms of supportiveness (see Figure 4-1). Administrative authorities are considered neither impeding nor particularly supportive by the participating CSOs.

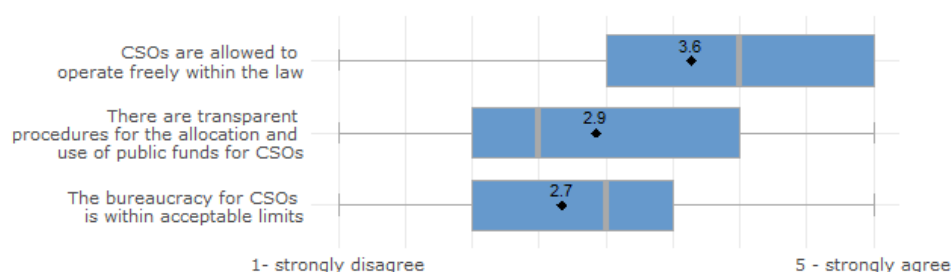
FIGURE 4-1: AUSTRIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 42 to 47

CSOs can operate quite freely within the law (see Figure 4-2), although, a considerable share of the survey participants only partly agree with this statement. The attempt of the Austrian government to increase transparency by creating a public database¹³ called “Transparenzportal” has only partly succeeded, as so far, only two federal states made their data available. Therefore, it is not surprising that the respondents of the Civil Society Survey only partially consider the procedures for allocating and using public funds as transparent. The same applies to the extent of bureaucracy for CSOs (More-Hollerweger, Simsa, Kainz, Neunteufl, Grasgruber-Kerl & Wohlgemuth, 2014: 69f.)

FIGURE 4-2: AUSTRIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOs



Source: Civil Society Survey, 2018, n = 42 to 43

In general, the legal environment for civil society is relatively good in Austria. In the Rule of Law Index of the World Justice Project, Austria ranks among the top ten out of 113 countries in terms of most of the indicators,

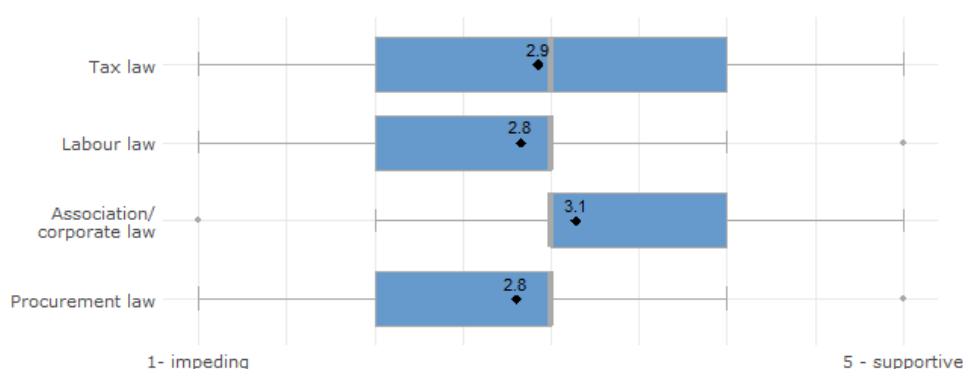
¹³ <https://transparenzportal.gv.at/tdb/tp/situation/buerger/> (last accessed: 5 February 2019)

and is number 8 in the overall score (World Justice Project, 2018). Nonetheless, the rating has slightly worsened and Austria dropped by one position compared to the previous assessment in 2016.

The practitioners rated the legal frameworks in the inquired fields neither as impeding nor as particularly supportive (see Figure 4-3). The possibility of deducting donations from tax is relatively new in Austria. Since 2009, donations to eligible organizations with charitable/social purposes can be deducted from tax. Specifically, donors can deduct up to 10% of the total income (private persons) or profit (companies) of the current year (More-Hollerweger et al., 2014: 53; BMF). Organizations have to register on a list administered by the Ministry of Finance. In 2012, the fields of activities included in this list were extended to organizations engaging in environmental and animal protection, and in 2016, to organizations supporting arts and cultural purposes. The criteria for eligibility have been discussed ever since. For example, some of the respondents of the Civil Society Survey remarked that mainly government-financed large cultural institutions are included in the list, whereas small, grassroots cultural initiatives are not eligible.

Other suggestions for improvement addressed the distinction between nonprofit organizations (NPOs) and social businesses. In Austria, the public benefit status of an organization is regulated in the tax law only. CSOs serving charitable and/or church related purposes are entitled to tax benefits under certain circumstances (More-Hollerweger et al., 2014: 52). Considering the increasing importance of social businesses, some of the Civil Society Survey respondents suggested an adaption of the legal framework and a provision of tax benefits for more profit oriented social service organizations. The Austrian Federal Procurement Act 2018 has finally entered into force in August 2018, implementing the EU Procurement Directives. The Austrian Procurement Act includes exceptions for special and social services, i.e. health and social services. Due to a significantly higher threshold value (750,000 EUR) and the largely free choice and arrangement of processes, the assignment of such services is much easier and more flexible. Furthermore, the law does not apply to civil protection and emergency response services provided by nonprofit organizations.

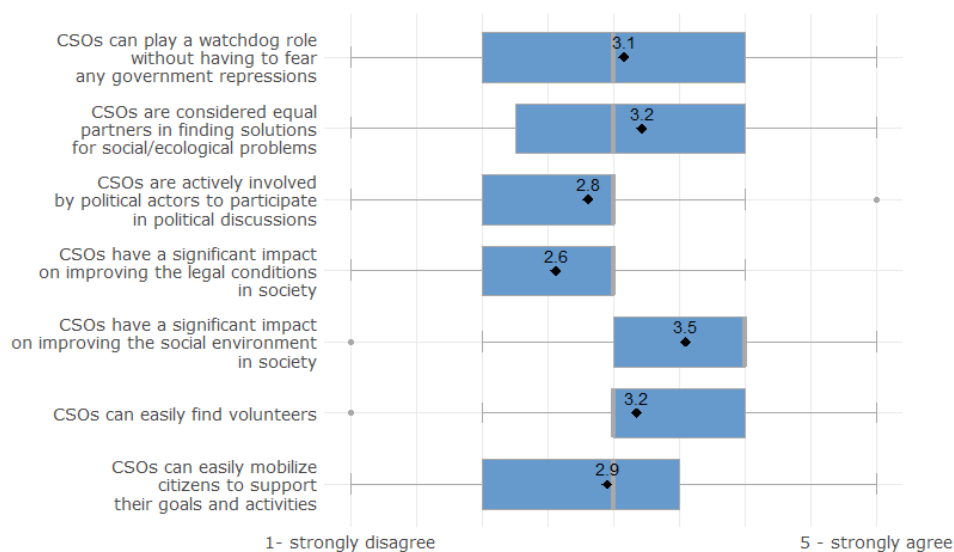
FIGURE 4-3: AUSTRIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 36 to 42

The functions of CSOs seem to be subtly changing, with a gradual weakening of voice and advocacy at the moment. Individual networking initiatives still exist; however, currently, the CSOs' activities are dominated by fear, caution and the attempt to ensure their survival. It is possible that the split between basis-oriented and traditional actors will be further enhanced in the future (Simsa, 2014) or, as evident in other countries, protests, activism, and new means of participation will possibly increase. As shown in Figure 4-4, CSOs perceive their ability to get involved in political discussions and to influence the legal environment as quite restricted compared to their ability to affect the social environment in society. Another form of active involvement in society – volunteering – also receives a positive assessment.

FIGURE 4-4: AUSTRIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs

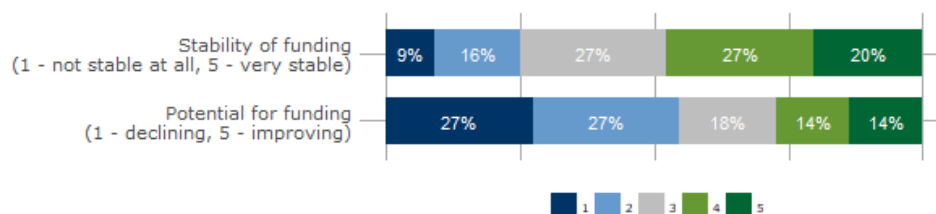


Source: Civil Society Survey, 2018, n = 35 to 42

4.3. RESOURCES

Currently, the framework and conditions for civil society are becoming more difficult in many European countries. Already in the last decade, societal values have been increasingly moving away from solidarity to more neoliberal ideologies, to privatization of social tasks and to a general economization of political governance, which led to the erosion of social stability. This is in line with the general sentiment towards the stability of funding, as observed in the Civil Society Survey (2018). As Figure 4-5 shows, a quarter of the surveyed CSOs perceived the funding opportunities in the recent past as not stable at all. Furthermore, the CSOs are also quite concerned about the potential for funding in the next three years: More than 50% expect the opportunities for future funding to be declining.

FIGURE 4-5: AUSTRIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



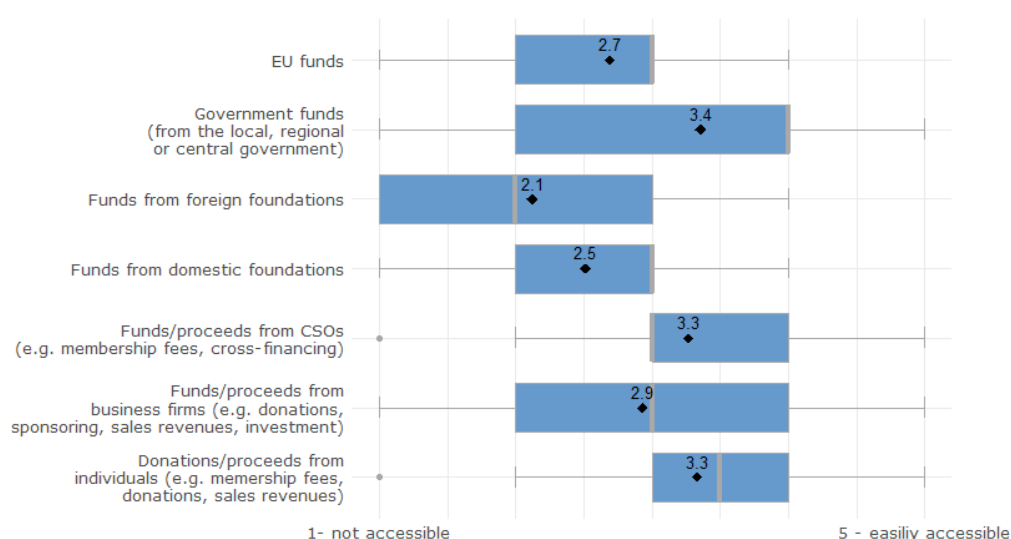
Source: Civil Society Survey, 2018, n = 44

For the Austrian CSOs, public funding counts as the most easily accessible means of funding. However, the large spread of the data indicates that opinions on the situation diverge widely in our sample (see Figure 4-6). 45% of the surveyed CSOs reported either increased or stable intakes in the form of grants from public authorities. With regard to funding by way of service agreements with public authorities, a total of 55.3% of CSOs have experienced either an increase or no change in their intakes in the recent past (Civil Society Survey, 2018). A study from the WU Vienna, Institute for Social Policy, concludes that revenues from service agreements signed

with different government branches (69.5% of the organizations' total turnover, on average for all fields of activity), followed by intakes from government grants and subsidies (16.5% on average), were the main funding sources for Austrian NPOs in 2014 (Pennerstorfer, Schneider & Reitzinger, 2015). The study only considers CSOs with at least one employee, and does not include the large number of CSOs that rely solely on volunteering.

Funds from (other) CSOs by way of membership fees or cross financing between organizations as well as individual proceeds in the form of membership fees or donations are generally assessed as quite easily accessible. On the other hand, funds from both foreign and domestic foundations as well as from the European Union are considerably harder to access for CSOs in Austria (see Figure 4-6).

FIGURE 4-6: AUSTRIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS



Source: Civil Society Survey, 2018, n = 39 to 45

Sufficient financial resources are a prerequisite when it comes to the CSOs' ability to follow their mission and to contribute to society. A lack thereof can significantly restrict their ability to act and the room for improvement or innovation in their respective fields of activity, which can lead to a neglect of certain societal needs. Such an example can be observed in the social sector, more specifically, with regard to so-called NEETS, young people who are neither in education nor in employment or training and who do not benefit from sufficient assistance in their development. Another reason for concern refers to the area of elderly care. Due to demographic developments, the demand for services in this field will continue to grow, but forecasts indicate a severe shortage for professional caregivers. Furthermore, other disadvantaged groups of civil society, such as refugees, should also be offered more support in their efforts to enter the labor market – another topic, for which CSOs are willing to take responsibility (Civil Society Survey, 2018).

However, some notable initiatives that aim at supporting underdeveloped sectors and at addressing unmet needs are currently underway. One of those initiatives targets the development of social entrepreneurship by channelling European funds to the national and regional levels. In 2018, the European Investment Fund (EIF) and the seven Erste Group member banks (in Austria, Croatia, the Czech Republic, Hungary, Romania, Slovakia and Serbia) signed a social entrepreneurship guarantee agreement to provide financing for social organizations under the EU Programme for Employment and Social Innovation (EaSI) in the form of

loans at a reduced interest rate and with lower collateral requirements under the EU supported program. Target groups are innovative, socially oriented organizations active in the education, health and social services sectors, or employing disadvantaged, marginalized or vulnerable groups.

4.4. FUTURE PROSPECTS AND OUTLOOK

The future development of civil society in Austria will presumably pose significant challenges for the civil society actors, as various concerns voiced in the Civil Society Survey (2018) show. Several of the surveyed CSOs have a critical view of the current right-wing oriented government. Many are quite pessimistic about their future. Particularly in view of the diminishing democratic and civic space due to populist and nationalistic tendencies in the CEE region, and, to a certain extent, even worldwide, the so far still enabling environment for civil society is expected to gradually deteriorate. The delegitimization of civil society by the government as well as the reduction of possibilities to participate in the political process are a disruption of long-term traditions. Small but impactful changes that could lead to a further deterioration are for example the gradual withdrawal of CSOs from the public discourse as well as the gradual weakening of their watchdog function, which might effectively reduce the role of CSOs to outsourced service providers. In this context, social entrepreneurship could become more mainstream in practice. In addition, some respondents predict a “colonization” of civil society by pro-right-wing organizations affiliated to the government. This would lead to an increased polarization in the civil society, as the government might launch attacks to delegitimize CSOs, and CSOs might respond by taking an anti-government stance, which turns them into partisan actors (Civil Society Survey, 2018).

However, the future prospects for CSOs depend highly on their fields of activity. Although acknowledging the risks CSOs are facing in general, a respondent active in the area of hospice and palliative care predicts improvements for this particular field of activity, because it is an area of interest that is covered in the current government program. Contrary to this view, another respondent operating in the area of refugee support expresses concerns about the priorities set by the government, and expects EU and public funds to be cut for this field of activity over the course of the next two to three years (Civil Society Survey, 2018).

In addition, the effects of digitalization are thought to play an increasingly important role for civil society in the future. More specifically, a respondent predicts that the civil society space will continue to shrink, both online and offline. This change could have a negative impact on the communication between civil society actors, as it will become increasingly difficult to access facts and to distinguish them from misinformation and fake news (Civil Society Survey, 2018).

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5. Bosnia and Herzegovina

Zilka Spahić Šiljak

In 2018, the sustainability of CSOs in Bosnia and Herzegovina remains at the same level in relation to past years. The political institutions and laws are highly inefficient, while the most supportive environment for the work of CSOs is created by the EU and the municipal authorities. Apart from the adoption of the Law on Volunteering in Brčko District, no significant legislative change occurred in 2018. The amendments to the Law on Public Procurement of BiH were drafted but not adopted. The most impeding legal fields for the activities of CSOs are the tax and labor laws. The former, because CSOs are not exempt from paying VAT, and the latter, because these laws do not acknowledge the specific nature of the nonprofit work of CSOs and treat their employees in the same way as the employees of businesses or public institutions. Since 2017, registration fees were reduced and procedures streamlined. Financial resources for CSOs are unstable and future opportunities are uncertain. Most funds come from foreign foundations and local governments, but are generally project-driven and not suited to the needs of the local beneficiaries. Philanthropy is undeveloped and many social issues remain unaddressed in spite of substantial foreign funding. The main problems that CSOs will face in the future are negative trends of demographic changes and of government pressure on the civil society. Yet, many CSO practitioners rely on the prospects of the EU accession, the increasing support from the business community and the development of social entrepreneurship.

5.1. INTRODUCTION

Overall, the condition of the civil society in Bosnia and Herzegovina (BiH) in 2018 seems to be at the lowest point since the establishment of the state through the Dayton Peace Accords in 1995. This peace agreement ended the three years of Bosnian War and provided consociational arrangements for the state constitution with a highly decentralized political and legal system. The war had broken out during the collapse of the Socialist Federal Republic of Yugoslavia due to the conflicting visions of the three major ethno-political groups of the country's political identity and independence.

2018 was the year of general elections. Because of the high level of political confrontation during the campaigns, legislatures were mostly inactive. The only significant legislative reforms in respect of the legal status of civil society organizations (CSOs) in 2018 were the adoption of the Law on Volunteering in Brčko District and the drafting of amendments to the Public Procurement Law of BiH. The Labor Law was also amended in both entities, but these changes did not specifically affect the civil society (FBiH, 2019; RS, 2019).

In a December 2018 broadcast program (Ćatić, 2018) several civil society practitioners pointed out some of the key problems: The concept of "civil society" has been "imported" from the West and is therefore

Bosnia and Herzegovina: Key facts

Population: 3,531,159 (BIHAS, 2016)

EU membership status: no

GDP per capita: 5,750 USD (IMF, 2019)

Number of CSOs: 27,119 (Zbirni registar, 2019)

Number of active CSOs: 25,342 (Zbirni registar, 2019); 13,955 (unofficial) (CPCD, 2018)

Number of active CSOs/1000 citizens: 7.17 (Zbirni registar, 2019; BIHAS, 2016); 3.95 (unofficial) (CPCD, 2018; BIHAS, 2016)

Most developed fields of activity: education and research; social services; law, advocacy and politics

Population share engaging in volunteering: 6% (USAID, 2018)

not well suited to the local, social and political context in BiH. Furthermore, the CSOs are divided amongst themselves and some of them contribute to the ethnic division of the society. BiH's society is in a steady political, economic and cultural decline. Therefore, possibilities for civil society activities are becoming less, with the citizens losing trust in the CSOs. The latter problem is closely connected with the phenomenon of "projectization" (Sejfića, 2008) as an uncritical orientation of some CSOs towards donor-driven projects, although these projects are detached from the real problems of the grassroots.

Overall, the CSOs' sustainability did not change significantly in the recent past, but some improvements were noted in the sectoral infrastructure dimension (USAID, 2018). Yet, the civil sector in BiH still has limited organizational capacities and financial viability. Only a small number of CSOs enjoy steady financial support, whether from inside the country or from abroad. The government provides a significant amount of funding, but these funds are distributed in a non-transparent manner (USAID, 2018).

Which organizations participated in the Civil Society Survey?

The data collected of the CSOs who participated in the Civil Society Survey, show the following results: Most of the CSOs were founded in the period immediately following the end of the conflict, 1996-2000 (26%), when the international presence in BiH was the strongest. In addition, a considerable number of CSOs was founded from 2006 to 2010 (23%). According to their main fields of activity, CSOs are mostly engaged in the fields of education and research (28%), social services (19%), law, advocacy and politics (19%), as well as culture and arts (9%). The vast majority of CSOs in BiH (82%) are multifunctional, providing services and advocacy as well as community building. Judging by their responses, the largest share of the surveyed CSOs (40%) is highly professionalized. The rest of them has either a medium (38%) or a low (23%) degree of professionalization.

The main funding sources for the majority of the organizations (85%) are donations from foreign foundations, followed by funding sources from the local governments (43%) and from EU funds (40%). 34% of the CSOs rely on donations or proceeds from individuals. Almost half of all organizations (47%) had total revenues of EUR 100,001-1 million in 2017. The main areas of operation for the majority of the CSOs (81%) are equally rural and urban areas, while the main impact region is prevalently national (68%). Regarding the future prospects, 62% of the CSOs expressed a high confidence that their organization will still exist in 3 years.

5.2. LEGAL AND POLITICAL FRAMEWORKS

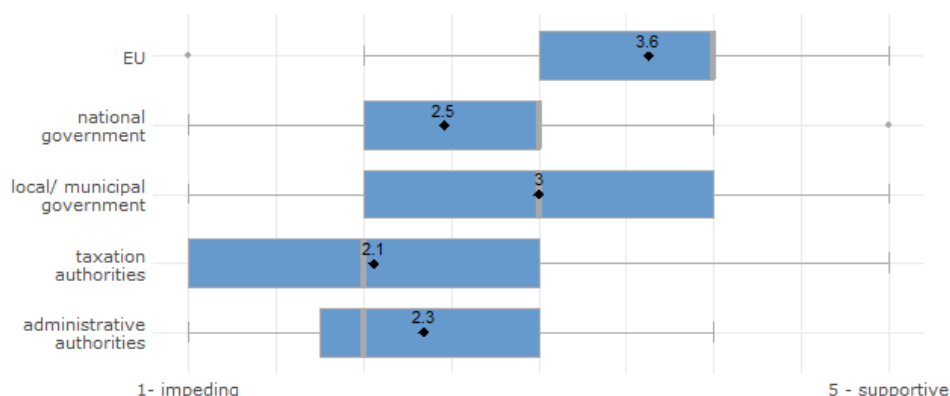
Due to the general elections in October 2018, most political parties concentrated their efforts on campaigning throughout the year. This rendered the legislative largely inoperative, which affected civil society, as some important pieces of legislation were not adopted, e.g. the laws on income and corporate tax (USAID, 2018). The Council of Ministers of BiH prepared and signed the Agreement on Cooperation with Civil Society in November 2017¹⁴. On their part, CSOs began promoting the Code of Ethics, defining the CSOs' standards of behaviour.

As pictured in Figure 5-1, the political environment created by the EU and the local/municipal authorities is most supportive of the work of CSOs, while their satisfaction with the support offered by the national government and especially the tax and administrative authorities is much lower. Following the results of the

¹⁴ Representatives of CSOs and of the Council of Ministers agreed to dedicate all their capacities to building a prosperous, just, open, plural and democratic society in BiH and to fulfill all requirements for the EU accession. Specifically, the agreement stressed the need to develop transparent procedures for public funding of CSO projects and for the management of public funds by CSOs through their self-regulation. The agreement, which established institutional cooperation mechanisms, was realized through technical and financial support by the EU (VMBiH, 2017).

2018 general elections, broad coalitions of several "civic-oriented" political parties formed governments in some cantons of the FBiH entity (CIK, 2018). Whether this new political setting will be more supportive of the work of CSOs, at least on the cantonal/local level, remains to be seen.

FIGURE 5-1: BOSNIA AND HERZEGOVINA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS

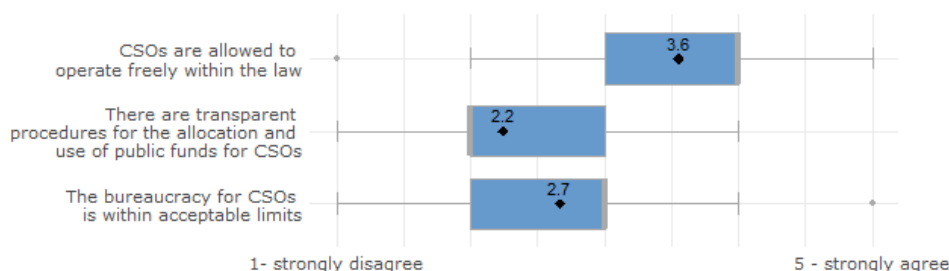


Source: Civil Society Survey, 2018, n = 51 to 54

Various laws regulate the activities of CSOs in BiH. Associations and foundations can register at the state, entity or Brčko District level, but so far, these registers are not well integrated. However, the unified registry of all CSOs, created by the Ministry of Justice of BiH with the support of the EU, contributes to the transparency of the sector. The most recent data show 27,119 registered "associations and foundations" in BiH, out of which 25,342 are active (Zbirni registar, 2019). Yet, the number of truly active organizations is probably much lower than this. As part of an analysis of data collected from the entity level agencies in both RS and FBiH, the control of the CSOs' registration and of financial reports of all businesses including associations was authorized. The analysis for 2017 showed 13,955 financially active CSOs in both entities excluding the Brčko District (CPCD, 2018). In 2017, the registration fees for CSOs remained unchanged, while the fees for updating the registry were reduced¹⁵. However, the process was faster in 2017, due to streamlined procedures (USAID, 2018). This could also be linked to the significant bureaucratic burden experienced by CSOs (see Figure 5-2), as shown by the results of the Civil Society Survey (2018). No changes in legislation regarding associations occurred in 2018.

¹⁵ The national fees for making changes in the registry were reduced to 50 BAM (ca. 25 EUR), while the cost of removing organizations from the registry was reduced to 10 BAM (ca. 5 EUR). Registration fees remained unchanged at 200 BAM (ca. 100 EUR).

FIGURE 5-2: BOSNIA AND HERZEGOVINA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS



Source: Civil Society Survey, 2018, n = 42 to 43

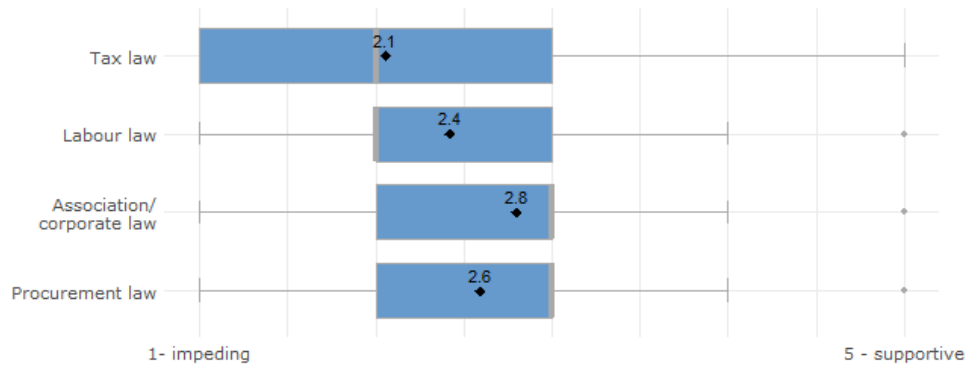
Since 2017, CSOs registered at the state level are required to operate in line with the Labor Law for Institutions of BiH, which is burdensome for many CSOs (USAID, 2018). No special regulations for the employment of paid staff in CSOs exist, as the general provisions of the entity and the Brčko District labor laws equally apply to them (Golubović, Škrijelj & Prorok, 2011). With regard to volunteering, CSOs may legally organize such activities in line with the entity laws. The Brčko District of BiH adopted its own Law on Volunteering in 2018. In general terms, this law follows the structure of the entity laws on volunteering, providing inter alia definitions and principles of volunteering, information regarding the status and identity of volunteers or organizers of such activities (associations and foundations are specifically mentioned), the elements of the volunteering contract, rights and obligations of volunteers and of organizers of volunteering etc. (BD, 2018).

According to the Profit Tax Law in both RS and FBiH, CSOs are exempt from paying profit tax on grants received from public funds, sponsorship or donations and on income from sales or transfers of goods, as long as these are used for nonprofit purposes (FBiH, 2019; RS, 2019). Donors in both units can deduct up to 3% of their total income, if they give donations to organizations conducting activities in the areas of humanitarian and cultural activities as well as sports and social services (FBiH, 2019; RS, 2019; USAID, 2018). CSOs are obliged to pay VAT on all donations except for those received from the EU Instrument for Pre-Accession Assistance (IPA) funds; but they are exempt from paying taxes on the first 50,000 BAM (approx. 25,500 EUR) of their annual income, if they engage in business activities related to the purposes defined in their statutes (USAID, 2018). No changes in legislation related to taxation occurred in 2018.

While CSOs can legally participate in public bids, only few of them have been successful in such tenders. The difficulties related to the regulations regarding public procurement are twofold: On the one hand, the government usually favours public institutions, while, on the other hand, CSOs on their part lack the expert skills needed to implement tender activities (USAID, 2018). A draft law on amendments to the Procurement Law was prepared in 2018 (AJN, 2019).

As shown by the assessment of the surveyed practitioners, the tax law is the most impeding legislative area for the development of civil society in BiH (see Figure 5-3). It requires improvements in order to become more supportive of nonprofit activities. In particular, donations and grants to CSOs should be exempt from paying VAT and other taxes, according to the survey respondents (Civil Society Survey, 2018). The second most critical area for improvement is the labor law, which does not recognize employment in CSOs as a special type of work different from the one in businesses and public institutions. The association/corporate law is more supportive than other legal areas (see Figure 5-3), but it still lacks the necessary provisions to enable and regulate social entrepreneurship as well as to facilitate the establishment of businesses by CSOs (Civil Society Survey, 2018).

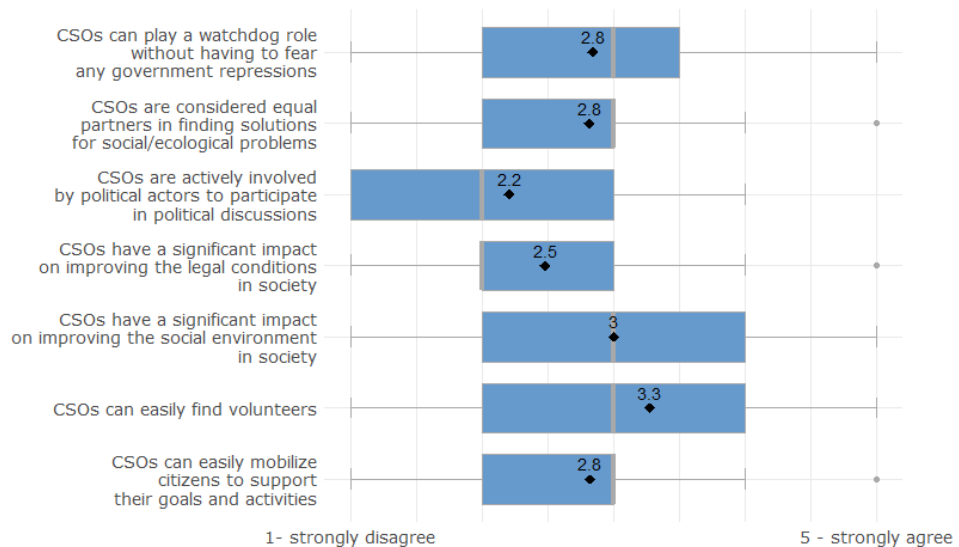
FIGURE 5-3: BOSNIA AND HERZEGOVINA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 53 to 54

The surveyed CSOs can operate freely within the legal framework (see Figure 5-2) and discuss policies and issues of public interest. However, the responses shown in Figure 5-4 suggest a high level of skepticism regarding the ability to practice advocacy. From the information above, the position of leading political actors towards the involvement of CSOs in politics can be characterized as more impeding than supportive.

FIGURE 5-4: BOSNIA AND HERZEGOVINA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



Source: Civil Society Survey, 2018, n = 48 to 51

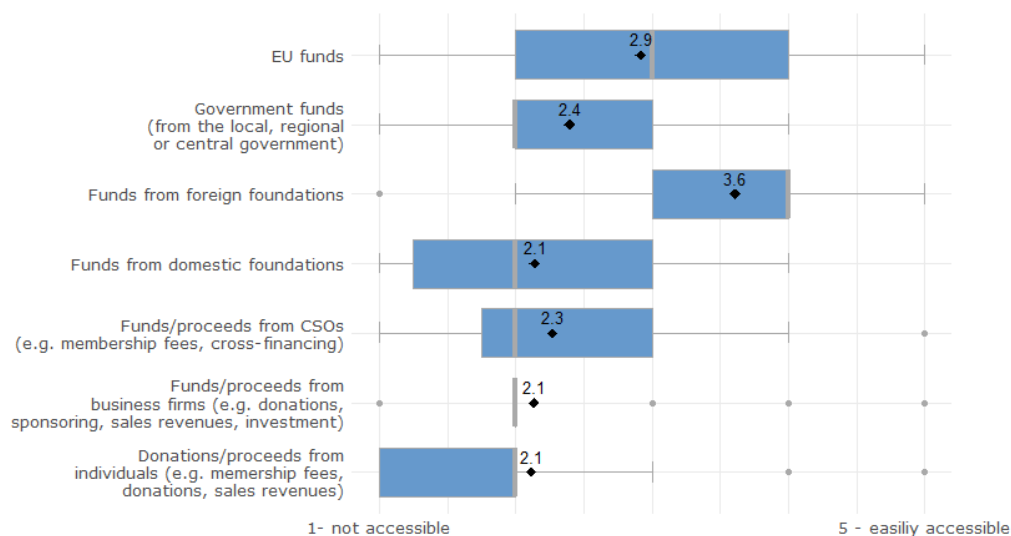
5.3. RESOURCES

The economic viability of CSOs is still very weak. Although many CSOs have access to funding from international donors such as the EU, USAID, SIDA and foreign embassies, large international organizations active in BiH, including OSCE, UNDP and UNICEF, often receive direct funding from those donors without competition. This suggests that there is a limited capacity of local CSOs to undertake such projects (USAID, 2018). As previously mentioned, another donor-related issue concerning the civil society sector is its increasing “projectization” (Sejfića, 2008). The rapidly growing number of CSOs who keep their activity mostly for the sake of

funding, often with no sound connection with the social groups in whose name they claim to act, is still apparent (Milan, 2017), in spite of being detected almost a decade ago (Sejfića, 2008). The international players have established relationships of dominance and dependence between donors and recipients (Milan, 2017). Therefore, authentic concepts of civil society cannot be realized in practice, due to their position in-between the interventionist neoliberalism of the international community and the local ethno nationalist collectivism (Sejfića, 2008).

As shown in Figure 5-5, the funds from the EU and from foreign foundations are most easily accessible for the surveyed CSOs, while the local governments also provide significant amounts of funding at various levels. Yet, in BiH the majority of the public funds goes to sports clubs and to organizations arising from the last war (e.g. veterans' associations, organizations supporting the families of the fallen soldiers), which receive public funding often in a non-transparent manner. Additionally, government funds are allocated to projects that lack a broader demand but promote the interests of groups with close ties to the politicians of the ruling parties (USAID, 2018). Proceeds from CSOs, such as revenues from services, products, rents and membership fees, also represent an accessible source of funding for the CSOs in our sample (see Figure 5-5). For example, the 2017 annual report of one of the major CSOs in BiH states that their main sources of funding were the USAID, the EU and the UNDP. In contrast, only an insignificant amount came from self-funding and from the business sector (CPCD, 2017). The funds most difficult to access are those from domestic foundations, proceeds from business firms and donations from individuals (see Figure 5-5). This is indeed an issue affecting BiH's civil society sector as a whole, as philanthropy remains undeveloped, partly because the legal framework does not encourage giving (USAID, 2018).

FIGURE 5-5: BOSNIA AND HERZEGOVINA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOs

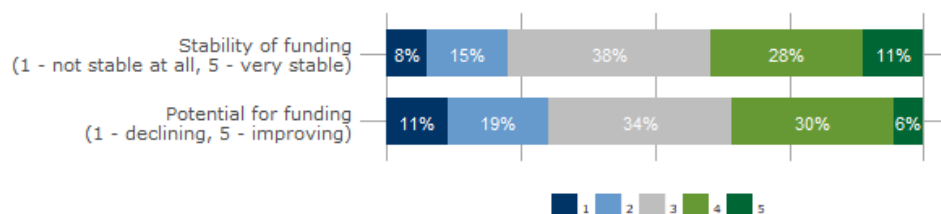


Source: Civil Society Survey, 2018, n = 48 to 54

According to the CSOs participating in the Civil Society Survey (2018), funding opportunities for the civil sector were not very stable in the past three years, and the prospects of funding are not expected to improve significantly in the near future either. As shown in Figure 5-6, a higher percentage of the surveyed practitioners assessed the stability of funding in the past as "very stable" (11%) compared to "not stable at all" (8%). However, the majority of respondents (38%) were of the opinion that the situation is neither stable nor unstable. Regarding future funding opportunities, the opinions of the practitioners are reversed. Although a higher per-

centage of respondents say these potentials are declining (11%) compared to those thinking these are improving (6%), most of them are either moderately optimistic (30%) or deem the prospects of funding neither improving nor declining (34%).

FIGURE 5-6: BOSNIA AND HERZEGOVINA – ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 53

According to the assessment of the surveyed practitioners, in order for CSOs to bring about fundamental social changes and to offer a more substantial contribution to building a democratic society, the present funding policy should change from short-term project-based financing to longer-term institution-oriented donations. In spite of large amounts of foreign funding that have been pouring into BiH in the last two decades, some war-related social issues remain insufficiently addressed, such as peace building and reconciliation. Other needs of the society also remain unaddressed. Among these, the CSO practitioners mentioned the necessity to provide education and psychological help to migrants, the need to reform the social protection and employment policies and to combat poverty or to address the problems of domestic violence and health of women and children. The main reasons mentioned for not addressing those needs are the burnout of civil society activists, an unbalanced legal system and the politicization of many welfare sectors and of the employment sector (Civil Society Survey, 2018).

5.4. FUTURE PROSPECTS AND OUTLOOK

According to the surveyed practitioners (Civil Society Survey, 2018), one of the major problems that could influence future trends in the development of the civil society in BiH is demographic change. The country is losing its population, and mostly young and educated people decide to emigrate (i.e. brain drain). The results of the recent Labor Force Survey conducted by the Agency for Statistics of BiH suggest that more than 250,000 people of the working age population left the country in the past ten years (Klix, 2019). Besides the loss of labor force in general, this also means that the number of young people available to work as volunteers for the civil sector will steadily decrease.

Most respondents express their concern about the prospects of CSOs in BiH due to the regional or even global trends of increasing governmental influence and pressure on the civil society actors. The conditions are worsening, especially for the CSOs active in the field of human rights advocacy or watchdog activities as well as for smaller CSOs who might be forced to shut down their operations due to the political pressure or insufficient funding. On the other hand, some experts express hope that the government might eventually recognize CSOs as partners, offering them funding and support for mutual collaboration, particularly in the field of service provision. At the same time, in some instances, the government may find it useful to establish their own CSOs that are politically and financially dependent on their policies (Civil Society Survey, 2018).

Building capacity for their financial stability will continue to be a challenge for most CSOs. On the one hand, foreign funding is anticipated to decrease in the future, while, on the other hand, those CSOs who succeed in securing funds will stick with donor-driven projects (Civil Society Survey, 2018). In this way, such organizations will be adjusting to the donors' missions and not to the real needs of the local beneficiaries. Some voices still express hope that the EU integration process will open up the space for an increasing role of EU funds for the civil society in BiH, but this remains dependent on the troublesome and uncertain path towards the EU accession. This has to do with the semi-consociational nature of the Constitution of BiH that incorporates mechanisms to prevent the creation of a single political identity of the state. The weakening of the civil society in BiH could put the existence of the entire state system in jeopardy, given that an essential component of creating an overarching loyalty to the state in consociational systems is believed to be the cultivation of a civil society that facilitates individual interaction across group divisions (Rice, 2017).

Despite these grim prospects for the civil society in BiH, some respondents of the Civil Society Survey (2018) express hope that instead of the government, the business community might recognize the potential of CSOs to have a positive impact on social challenges. The examples mentioned are the challenge to foster a culture of philanthropy (depending also on the necessary amendments to the legal framework for this field), and the increasing awareness of the importance of social entrepreneurship. Both concepts, if implemented in practice, have the potential to provide financial stability for the CSOs. Moreover, the development of social businesses in partnership with CSOs working in different fields offers a holistic approach, thereby enabling them to devise a new type of services that have a real impact on the social problems in question.

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6. Bulgaria

Ruzha Smilova

2018 was a challenging year for CSOs in Bulgaria. The improvements in the legal framework for registering CSOs were not matched with an increased sustainability of funding. CSOs still face an insecure access to insufficient resources, which threatens their activities and does not allow them to achieve a lasting impact. The political climate in the country continued to deteriorate, as national populists have become an indispensable coalition partner for the government, often determining its policies in important areas like human rights and environment protection, anti-corruption and judicial reform. The national populists' sponsored campaign against the ratification of the so-called Istanbul Convention on gender-based and domestic violence set the tone for attacks in the media against certain categories of CSOs dedicated to human rights, gender and environmental topics. By the end of the year, the anti-CSO rhetoric became a feature of mainstream politics in the country. The negative campaigns against CSOs further eroded public trust in the sector, making it difficult for CSOs both to reach out to citizens and to cooperate with the public authorities in order to achieve a lasting impact on the social and legal environment.

6.1. INTRODUCTION

2018 was another year of challenges for CSOs in Bulgaria. While there were some improvements in the legal framework for registering CSOs, there has not been any progress concerning the CSOs' access to stable public funding, nor have the CSOs benefitted from a notable growth in private donations or volunteering. Despite the positive impact of the Bulgarian presidency of the Council of the EU in the first half of 2018, the political climate has continued to deteriorate because of the inclusion of the national populists into the government in 2017. This did not only affect the political system as a whole (with the main opposition party, the Bulgarian socialist party, noticeably moving towards the national-populist extreme), but also provided an inhospitable environment for CSOs working in fields like human rights or environment protection. Early in the year, the campaign against the ratification of the so-called Istanbul Convention against domestic violence set the tone for attacks in the media against certain categories of CSOs (gender, human rights and environment protection). The anti-CSO rhetoric further eroded popular/public trust in the sector, making it difficult for CSOs to reach out to citizens and to cooperate with public authorities in order to have a lasting impact on the social and legal environment.

Bulgaria: Key facts

Population: 7,050,034 (NSI, 2017)

EU membership status: member country (since 2007)

GDP per capita: 9,620 USD (IMF, 2019)

Number of CSOs: 49,000 (USAID, 2018)

Number of active CSOs: 14,600 (OSI, 2017)

Number of active CSOs/1000 citizens: 2.07 (NSI, 2017; OSI, 2017)

Most developed fields of activity: education; culture; social services; human rights

Population share engaging in volunteering: 5% (CAF, 2018)

The 54 CSOs that participated in the Civil Society Survey are a non-representative sample of CSOs in the country, yet they correspond with some of the most characteristic features of the sector. Well-established CSOs with a long history and experience in the field are juxtaposed to newcomers in the field from the pre-accession period and the period before and after the EU accession.

The main fields of activity of these CSOs roughly correspond to the most common fields of activities of active CSOs in the country (OSI, 2017). In the current sample, as reflected in Table 18-1, CSOs primarily operate in the fields of education and research (29%), social services (17%), law, advocacy and politics (14%), environment and animal protection (10%). In general, the level of professionalization roughly corresponds to the level in the field (OSI, 2017): 38% of the surveyed CSOs report medium and low levels, whereas 24% report a high level of professionalization.

49% of the CSOs rely on EU funds for their funding, 56% on foreign foundations, 39% on business firms, and just 24% on the government. The total revenues for 2017 for 29% of CSOs were between 5 and 50,000 EUR, for 26% between 50,000 to 100,000 EUR and for 24% up to 1 million EUR. By comparison, fewer either very small or very large organizations participated in the survey, as only 12% of the CSOs report annual budgets of under 5,000 EUR and a mere 10% report budgets greater than 1 million EUR. The majority of the CSOs are confident that they will still exist in 3 years, with a majority of them (74%) having national impact (74%) and working in equally urban and rural areas (49%).

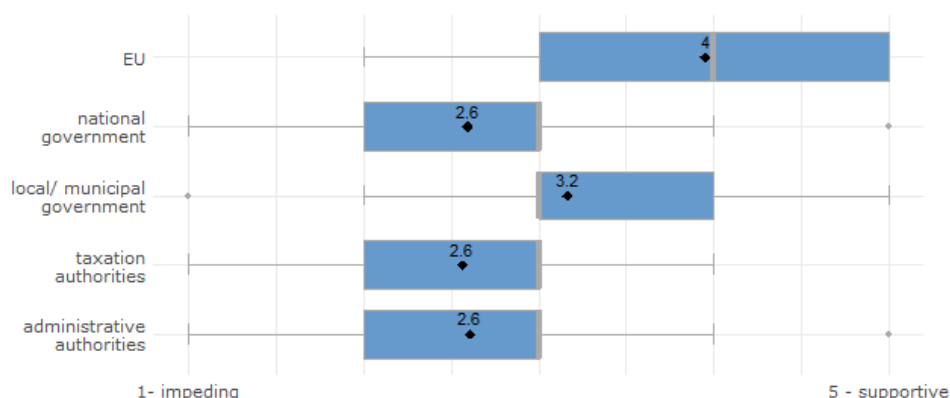
6.2. POLITICAL AND LEGAL FRAMEWORKS

The political framework with regard to CSOs in Bulgaria in 2018 was characterized by two contrary developments: The Bulgarian presidency of the Council of the European Union (January-June 2018) and the Bulgarian government that was formed after the preterm elections in 2017, where the minor coalition partner of the right-wing party GERB is itself a coalition of 3 populist nationalistic parties (the United Patriots). While the presidency of the Council of the EU calmed down the political climate and guaranteed the stability of the government, the tensions within the governmental coalition intensified in the second half of the year, leading to the resignation of one of the deputy prime ministers from the nationalists.

With regard to CSOs, these two developments also pulled in opposite directions. On the one hand, the government was eager to demonstrate its good relations with the CSO sector in the country: Representatives of the leading CSOs were invited to all the major events of the Bulgarian presidency and some of them were trusted with organizing some important side events. Not surprisingly, the majority of the CSOs, both in the Civil Society Survey (2018) for this study, see Figure 6-1, and in other studies (OSI, 2017), see the EU as most supportive for CSOs and for the development of civil society in the country compared to national bodies and actors. On the other hand, the growth of the anti-CSO rhetoric, which characterizes the political style of the 3 national populist parties in the government, provided an unfavorable environment for CSOs even during the Bulgarian presidency. The most conspicuous attack on some of the CSOs in the country occurred early in 2018 during the campaign against the ratification of the Council of Europe's Convention on preventing and combating domestic violence and in particular violence against women ("Istanbul Convention"), when the nationalists attacked "gender CSOs" for corrupting the morals, traditions and national values (Smilova, 2018). As a result of the campaign, gender turned into a derogatory term, as did the term NGO. For a long time, NGOs have been viewed with suspicion in the country's nationalistic circles, mainly due to their predominantly foreign funding, which lead to a failed attempt by the new government to ban all foreign funding for CSOs in mid-2017. NGOs campaigned against this move and it was eventually dropped (Novinite, 2017). Environmentalist CSOs have also been targets of political attacks because of their opposition to investment projects (backed by the nationalists in the government) in national parks and other protected areas (USAID, 2018; Nikolov, 2018). In 2018, the trend of attacking hu-

man rights watchdogs and Roma integration CSOs grew stronger, peaking in early 2019 in the nationalist vice-prime minister's allegations that NGOs are responsible for the failed Roma integration in the country, as these organizations have used the funds earmarked for this goal (Dnevnik, 2019). These negative development in the government's attitude towards (some of the) CSOs is reflected in the lower scores CSOs give for supportiveness of the national government and the other national institutions. On the other hand, the EU is generally viewed as being supportive of CSOs; however, the large spread of the data might indicate that this support favors some CSOs more than others (see Figure 6-1).

FIGURE 6-1: BULGARIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



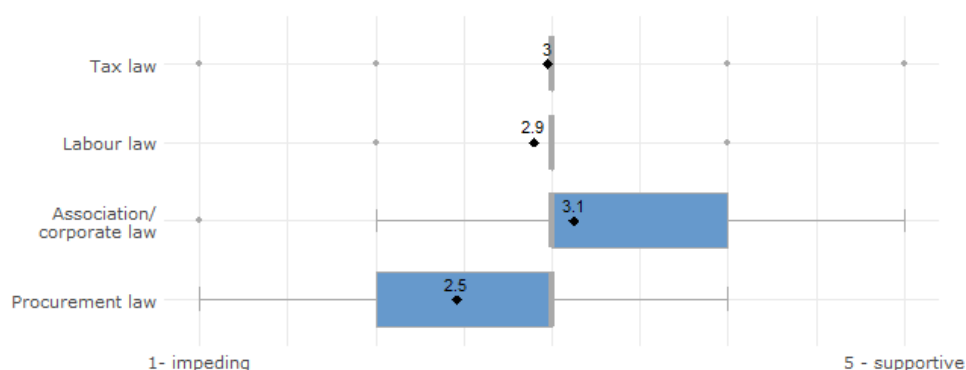
Source: Civil Society Survey, 2018, n = 51 to 54

The legal framework for CSOs changed mainly due to the amendments to the Nonprofit Legal Entities Act (NPLEA), which was adopted in September 2016 and entered into force in January 2018. The amendments introduced the long awaited reform of the registration of CSOs, with the responsible body changing from the district courts to a centralized body named Register of Nonprofit Legal Entities (NPLE Register) at the Registry Agency of the Ministry of Justice. The aim of the reform is a rationalization of the online registration process by making it faster (3 days) and cheaper (some CSOs such as the traditional cultural centers “chitalishta” are exempt from paying the fees). Additionally, with enhanced publicity and transparency for the activities of the CSOs in the country, the NPLE Register is openly accessible and grants public access to all relevant data on the activity of CSOs, including annual activity and financial reports. In 2018, these changes initially led to an increased burden for the CSOs, as the amendments require that all registered CSOs re-register within 3 years after the introduction of the new rules. Around one fifth of all CSOs (roughly 9,200) reregistered in 2018 and some 1,400 new CSOs registered for the first time under the new, improved rules (public data from NPLE Register).

There have not been any changes of the tax law with regard to CSOs. Their nonprofit activities are still tax exempt, i.e. NPLEs (Non-Profit Legal Entities) do not pay taxes on profits (as they have none) and value-added tax (VAT), and other CSOs do not pay taxes for their nonprofit activities. Natural persons get up to 5% off the tax base of their income tax for their donations to CSOs. Legal entities can get up to 10% off the tax base of their profits for donating to CSOs. CSOs have long argued for further tax exemptions for donations, in order to encourage corporations and citizens to support CSOs. Another important issue concerns the “de minimis” rules for EU funding for CSOs. In Bulgaria, CSOs are treated as profit-making companies for the purposes of EU funding, which contradicts the legal status of some of the CSOs as nonprofits (the NPLE in particular). According to a 2014 report on this issue (BCNL, 2014), this also violates the provisions in the Treaty of the Functioning of the EU and needs to be changed - a view that is widely shared in the CSO community. As reflected in Figure 6-2, the surveyed practitioners have a neutral opinion on the position of the most important

fields of law concerning the civil society sector. The association law is rated slightly higher compared to the tax and labor laws, while the procurement law is perceived as the most problematic field.

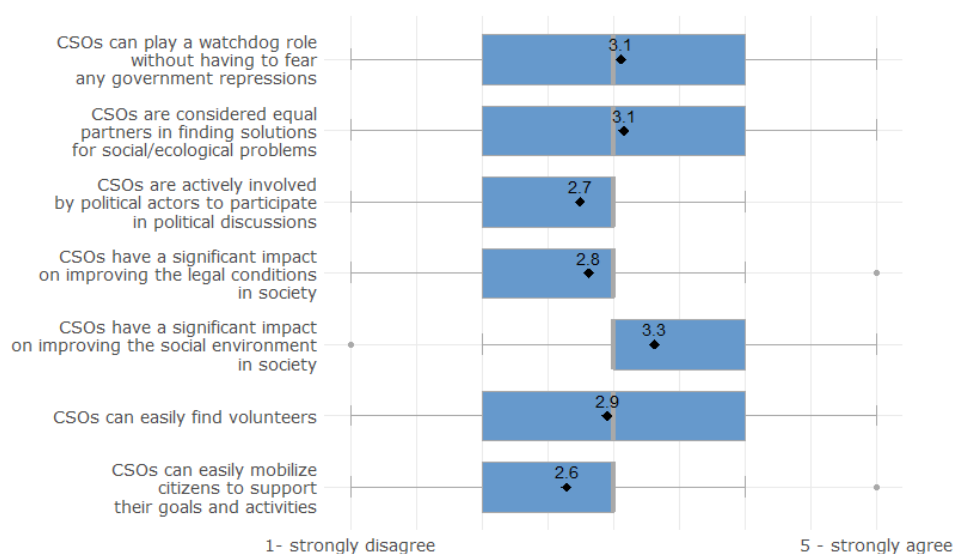
FIGURE 6-2: BULGARIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 53 to 54

CSOs have been involved in the political process aiming to facilitate the transition process towards a liberal democracy and market economy in the country since the early 1990s. They have been in the forefront of the reform efforts during critical moments in the recent history of the country, pressing for improving the quality of government, the protection of minority and individual rights, the judicial reform, sustainable development, etc. During the 2013 protest wave in the country, the influence of the sector grew, with some leading CSOs participating in negotiations with the government and pressing for deeper reforms. In 2013, pro-government businesses and media circles launched an attack against the most visible CSOs, tarnishing their reputation and declaring them “foreign agents” catering for foreign interests. These attacks were mostly directed against CSOs pressing for judicial reform and effective anti-corruption measures, human rights watchdogs and environmentalists. The attacks continue to this day. Part of the reason for the attacks was that members of some of these CSOs were openly taking a political stance, with some even becoming leaders and figureheads of oppositional political parties. In addition to CSOs, pro-government forces targeted foundations that fund the activities of such CSOs, most notably the America for Bulgaria Foundation, the Norway grants and the Open Society Foundation (OSI, 2017; USAID, 2018). As a result of these attacks and the coordinated smear campaign of the yellow press, the trust in CSOs declined, reaching the notoriously low levels of trust in the institutions of representative democracy – parliament and government (even banks enjoy higher trust than CSOs, according to a representative survey from 2016, quoted in OSI, 2017). This situation results in difficulties to mobilize citizen support for their activities, as reported by the surveyed CSOs (see Figure 6-3).

FIGURE 6-3: BULGARIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOS



Source: Civil Society Survey, 2018, n = 48 to 51

In 2018, environmental CSOs and human rights watchdogs were particularly targeted, as explained above. These negative developments in the government's attitude towards (some of the) CSOs is reflected in the lower scores that CSOs received for the supportiveness to the national government and the other national institutions (see Figure 6-1). CSOs also provide cautious responses to the claim that they are considered equal partners in finding solutions for social and ecological problems by the government, and that they can play their watchdog role without having to fear any government repressions. The majority of the CSOs neither agree nor disagree with these claims (in both, 3.1 on a scale from 1, strongly disagree, to 5, strongly agree). The CSOs' evaluation concerning their role in improving the social environment is slightly more positive (3.3/5), while, with regard to improving the legal conditions, the response is more skeptical (2.8/5) (see Figure 6-3).

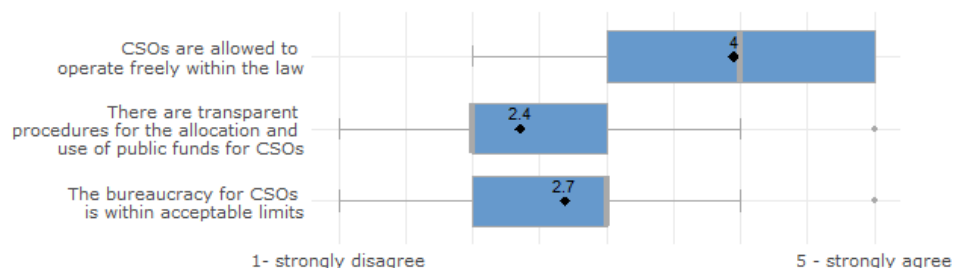
6.3. RESOURCES

The worst scoring indicator (4.5/7) for Bulgaria in the "CSO Sustainability Index 2017" is the financial sustainability of the CSOs (USAID, 2018). The trend of the last 5 years was negative. According to a 2017 survey of active CSOs, 46% declared an annual budget of 10,000 EUR or less (OSI, 2017). The withdrawal of foreign donors has already started with the EU accession of the country 10 years ago. Additionally, the temporary two-year break in funding CSOs through the financial mechanism of the European Economic Area (the so called Norway grants for CSOs) – the largest funding opportunity for public benefit CSOs – was not compensated by domestic sources of funding, neither private nor public. CSOs in the country get little financial support from the national government, either directly, through the budget (subsidies), or indirectly, for instance through procurement and tenders. Less than 20% of the active CSOs in the country in 2017 (OSI, 2017) state that the national budget plays a role in strengthening CSOs in the country, with the overwhelming majority singling out the EU funds through various EU programs as the primary source of financial support for the sector. Though private corporate donations were rising in the years after the EU accession, currently they are in decline (USAID, 2018), most probably due to the negative media coverage, which undermines the CSOs' credibility.

The CSOs' experience regarding the allocation of the few available public funds includes criticism, both in terms of the legal framework - the procurement law, for example, is evaluated as the

least beneficial part of the legal framework for CSOs (see Figure 6-2) - and in terms of the administrative practices. For instance, most of the surveyed CSOs doubt the transparency of procedures for the allocation of public funds to CSOs, which is the lowest score for the legal conduct of the state administration vis-a-vis CSOs (see Figure 6-4).

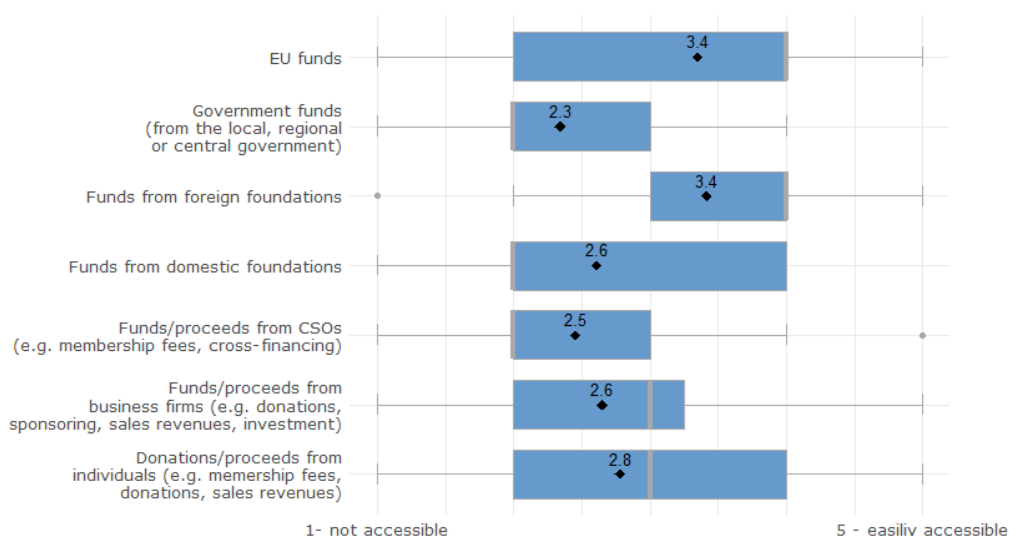
FIGURE 6-4: BULGARIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS



Source: Civil Society Survey, 2018, n = 42 to 43

Not surprisingly, CSOs perceive funds from the national and local governments as least accessible (see Figure 6-5). The negative experience with the allocation of public funds by national authorities to CSOs has prompted some CSOs with international orientation and influence to directly seek access to EU funds and thus, to bypass national administration (OSI, 2017). The problematic allocation of funds by the state, together with the concerns that increased state funding may come at the expense of the independence of CSOs getting such funding, may be the reasons of the skepticism of some well-established CSOs towards the desirability of a generous state funding. Kyuranov (2015) and Smilov (2015) affirm that skepticism of state funding is observed among NGOs from Bulgaria but also from other Eastern European countries. Thus, while some CSOs lament that the state fund for the support of NGOs, which had to be created when the amendments to the NPLeA entered into force in 2018, is not yet established, others prefer to look for non-state sources of funding and generally rely on a diversified portfolio.

FIGURE 6-5: BULGARIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS

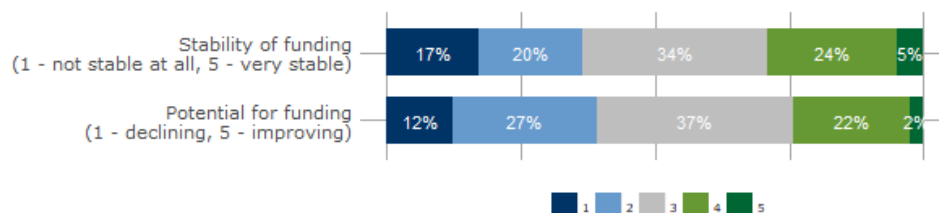


Source: Civil Society Survey, 2018, n = 48 to 54

However, the recent troubles/issues that CSOs had with accessing stable funding in the last 3 years (less than 30% had stable or relatively stable funding) as well as the unavailability of new possibilities

for funding may be the reasons for the pessimism towards improved funding prospects. Whereas almost 40% of CSOs expect a (further) decline in funding opportunities, just 24% hope for an improvement (see Figure 6-6).

FIGURE 6-6: BULGARIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 53

6.4. FUTURE PROSPECTS AND OUTLOOK

There are two major challenges for the CSOs' development in the country, as reflected in the results of the Civil Society Survey (2018):

- strengthening CSOs' credibility and public trust in the sector and
- guaranteeing access to stable funding from diverse sources – both public and private - with a better ratio of domestic to foreign funding

Due to the recent developments in and beyond the country, rendering an adequate response to the first challenge is rather difficult to achieve. The nationalistic rhetoric and the entry of the national populists into the government changes the political climate in the country. Thus, it seems unlikely that the observed anti-liberal trends in society will recede in the near future. Blaming CSOs for the unsolved problems of the country becomes an everyday item in the rhetorical arsenal of even mainstream political players. This makes the societal environment particularly inhospitable for human-rights watchdogs and CSOs serving non-popular causes and catering for the needs of unpopular minorities. As the majority of the media outlets in the country are dependent on politically connected businesses, they readily serve as mouthpieces for politically or business-motivated campaigns against CSOs – be it when CSOs push for judicial reform or anti-corruption measures, for respecting the rules concerning the natural environment, or when they press for reforms in other societal spheres, such as effective Roma integration and prevention of domestic violence. The strategy of CSOs to use social media to inform the wider public of their activities has not proven successful: The positive news rarely spread beyond the narrow circles of people who already know about the beneficial activities of CSOs, while negative news spread like fire. Creating networks of CSOs with close connections to local grassroots organizations may be the way to go, yet the negative public image of CSOs makes it difficult for them to reach out to local organizations and active citizens in the country. Improving the transparency of the CSOs' activities and funding is likely to contribute to improving their public image and getting more people to cooperate with them locally (Civil Society Survey, 2018).

Creating wider networks of like-minded, transparent and well-managed CSOs working on similar issues may be the way to go for addressing the second challenge as well. Concerted efforts to crowdfund common projects may also help to diversify funding, as may efforts to spread information on successful projects to corporations that might be willing to further support such projects. Improving the management capacity of CSOs - including know-how for successful fundraising campaigns – would also contribute to their sustainability and may eventually also increase the prospects of stable and diverse funding of CSOs in Bulgaria (Civil Society Survey, 2018).

6.5. REFERENCES

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7. Croatia

*Gojko Bežovan, Jelena Matančević,
Danijel Baturina*

In 2018, there were no significant changes regarding the socio-political environment and the political framework for civil society in Croatia. Over time, CSOs have been strengthening their position in governance in certain areas. However, their impact remains limited. The CSOs expressed their expectations that the EU will facilitate the development of a more beneficial institutional framework for civil society as well as a higher availability of financial resources. Nevertheless, the stability of funding is still a major challenge for the sustainability of CSOs. The Civil Society Survey (2018) and analysis suggest that the changing relationship with the government, challenges in financing and other external factors will be important in the future. A lack of government support coupled with a state administration that does not acknowledge the importance of the civil society sector could pose an obstacle to the development of the sector. The surveyed experts expect less public financial support as well as more orientation towards available EU funds. Many organizations face problems with sustainability. Some wider social trends influence Croatia as well, such as the demographic challenges related to the ageing of the population and emigration. Moreover, possible consequences of climate change were noted as important factors for the development of Croatian CSOs.

7.1. INTRODUCTION

In 2018, there were no significant shifts in the political climate and no legal changes related to civil society. The governing coalition led by the Croatian Democratic Union (in Croatian: Hrvatska demokratska zajednica) remained in office, and the civil society maintained a low level of trust in the leading political actors. The cooperation between the government and the civil society remained limited. The leading political actors do not realize the importance of civil society organizations dealing with sensitive political issues. During 2018, such issues were related to human rights of migrant populations, especially asylum seekers. The involvement of CSOs in political issues, such as the transformation to political parties, is becoming a more regular occurrence in Croatian political life.

On paper, there are transparent procedures for the allocation and use of public funds for CSOs, but in practice, CSOs are dissatisfied with the lack of transparency regarding public tenders. EU funding has become available for Croatian CSOs and there has been an increasing interest in submitting projects and programs to the European Social Fund (ESF). The national and EU based public funding policy is available to “professional” CSOs, while grassroots organizations are not considered competitive enough. Tax laws or procurement procedures still do not support the development of the social economy and of social entrepreneurship initiatives.

Social policy does not acknowledge the CSOs as social service providers. Therefore, there is a need to modernize social policy as well as the provision of social services.

Croatia: Key facts

Population: 4,126,000 (2017) (DZS, 2019)
EU membership status: member country (since 2013)
GDP per capita: 15,060 USD (IMF, 2019)
Number of CSOs: 52,232 (Uprava, 2019)
Number of active CSOs: 51,191 (Uprava, 2019)
Number of active CSOs/1000 citizens: 12,40 (DZS, 2019; Uprava, 2019)
Most developed fields of activity: sports; social services; culture (Uprava, 2019)
Population share engaging in volunteering: 9.7% (formal volunteering) (Eurostat, 2019)

Which organizations participated in the Civil Society Survey?

In total, 37 organizations from Croatia participated in the survey. Most of them were founded between 2001 and 2010 (46%), while only 34% were established prior to 2000 and a mere 20% were founded after 2010. Areas of activities were mainly education and research (27%), social services (30%) as well as law, advocacy and politics (11%). Sports organizations that have the biggest share of CSOs in the overall structure in Croatia (Uprava, 2019) are underrepresented in the survey, given that a mere 5% of the surveyed CSOs operate in this field of activity. However, none of these organizations considers sports as their main activity. Apart from this, the survey sample represents the most prominent areas of civil society organizations in Croatia (Uprava, 2019).

Regarding funding, organizations in the survey mostly rely on government and EU funding, which are also the most prominent sources of funding for CSOs in Croatia. In terms of revenues, more than half of the respondents work in organizations with an annual income of EUR 100,001 - 1 million. In Croatian terms, they can be considered as relatively well-developed organizations. More than half of the CSOs state both, the urban and rural area as their areas of operations. Almost all CSOs are confident that their organizations will still exist in three years, which indicates not only that they have confidence in the future, but also that better developed organizations are overrepresented in the sample. This might bias some answers, but also provide an insight into the perspectives and opinions of a more resilient, experienced part of the sector.

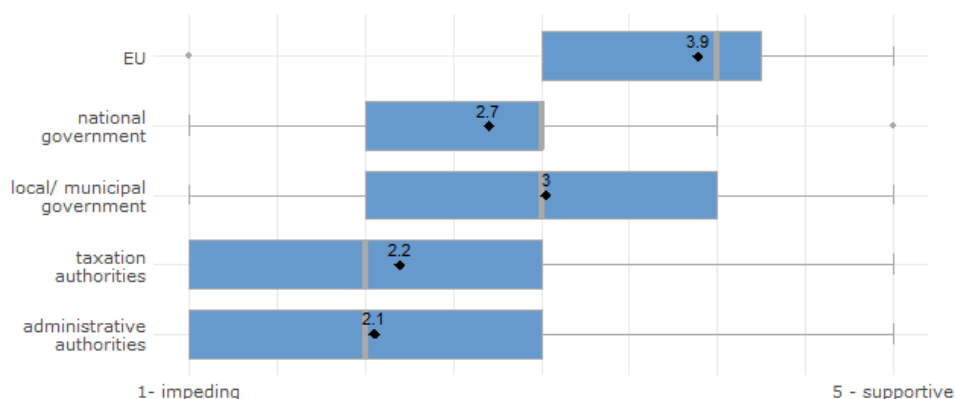
7.2. POLITICAL AND LEGAL FRAMEWORKS

It is not easy to assess the relationship between the leading political actors and the civil society in general, as this is very complex on different levels of society and in different thematic areas. It is seen as a common practice of political parties to have their “own” civil society organizations. These organizations are close to political parties in their ideology, and sometimes they are voices of political parties or even serve as incubators for new ideas and as recruitment centres for new members of political parties.

Leading political actors do not recognize civil society organizations dealing with sensitive political issues as equal partners and do not show support for these organizations. During 2018, such issues were related to human rights of migrants, especially of asylum-seekers. Besides, civic organizations dealing with environment protection as advocates of the EU agenda are also not popular among local and national political actors. Leading and oppositional political actors are united in confrontations with civic organizations dedicated to specific issues like the referendum to change the election system. In contrast, leading political actors tend to cooperate with civil society organizations for the benefit of local communities and regions (Bežovan, Matančević, 2017). This kind of cooperation plays a crucial role for the generation of social capital as a base for local innovations and of sustainable social change. Part of this development might be related to the recent provision of the Law on Islands (Zakon o otocima, NN116/2018), where CSOs are recognised as important stakeholders for the development of the Croatian islands. The Ministry for Regional Development encourages the development of civil society by providing incentives and funding programs.

In general, the trust of civil society in the leading political actors is rather low. According to the survey (see Figure 7-1), CSOs consider the EU to be most supportive. The EU provides a wider framework for the activities of CSOs and, most importantly, a reliable source of funding. With the accession of the county to the EU, CSOs were legitimately acknowledged as stakeholders in different respects. Local authorities are more supportive of CSOs than the national government. However, administrative and tax authorities frequently put up barriers against civil society development (Bežovan, Matančević, 2017).

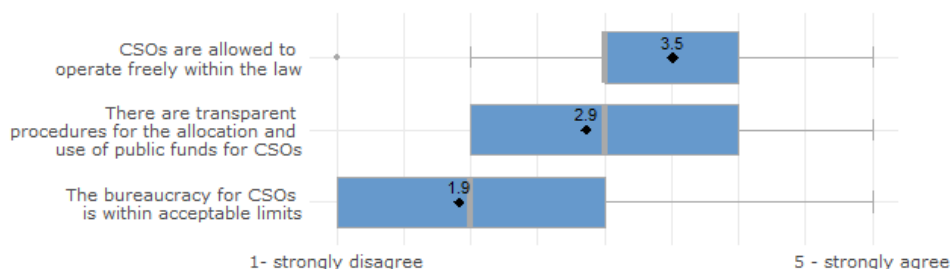
FIGURE 7-1: CROATIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 35 to 37

There is no empirical evidence of limitations regarding the CSOs' operations within the law (see Figure 7-2). While "on paper", the procedure for the allocation and use of public funds for CSOs is transparent, in reality, CSOs often complain about issues related to the allocation of funds or delays in tenders. Meanwhile, the use or the investment of public funds needs to be researched in more detail and authorities should carry out more evaluations in this respect. The bureaucracy for CSOs using public funds is a significant burden and only organizations with sufficient organizational capacity are in the position to get such funding and to properly implement and report projects. The policy of public funding is in favour of "professional" CSOs, while grassroots organizations lack the necessary capacity to compete.

FIGURE 7-2: CROATIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOs



Source: Civil Society Survey, 2018, n = 37

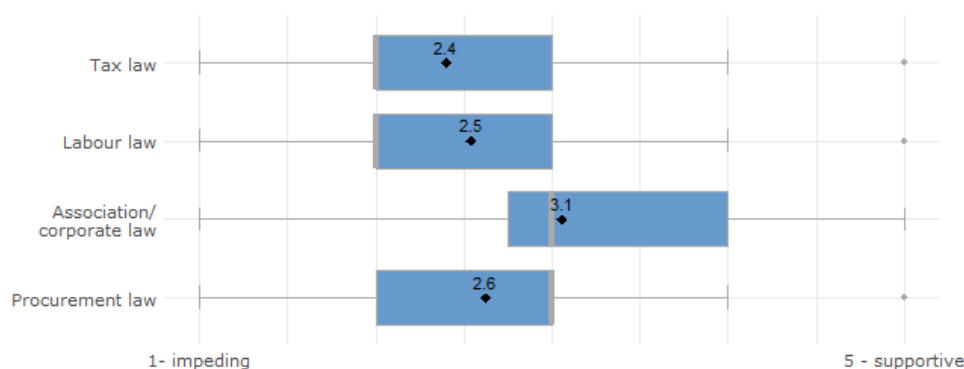
During 2018, there was no change in fields of law relevant for the functioning of CSOs. The only exception is the new Law on Foundations (Zakon o Zakladama, NN 106/2018), which makes the registration of foundations less demanding and the operation of these legal entities less bureaucratic.

Respondents to the Civil Society Survey (2018) are aware that tax incentives are needed for the sustainable development of CSOs. In that context, respondents from the survey remark that, although the legislation regulating the financial functioning of CSOs is not impeding per se, it brings additional administrative and bureaucratic burdens for organizations. The administrative capacity of state organizations for the implementation of EU funding programs is rather weak and frustrating for CSOs. On the other hand, a supportive taxation mechanism enables individuals and corporations to donate up to 2% of their income for the common good and deduct that amount from their taxes.

With the exception of the recently revised association law, all fields of law relevant for the CSOs' activities are assessed rather negatively (see Figure 7-3). The tax law is a point of criticism concerning the development of the social economy, and presently, state owned organizations have a monopoly in the field of public services (Bežovan, 2019). Bureaucratic and inefficient state organizations providing public services are operated by people from political parties. The government is not willing

to open a debate on the potential of social enterprises in this field. The respondents of the Civil Society Survey (2018) further report a lack of professionals in CSOs and of academic education for the CSOs' management as well as a lack of services for young people in rural areas, for victims of domestic violence, for poor people and for the Roma population. According to the opinion of the respondents, the emigration of young people to the west and other negative demographic trends are further relevant social and political issues, but political actors tend to ignore these issues in public debates.

FIGURE 7-3: CROATIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW

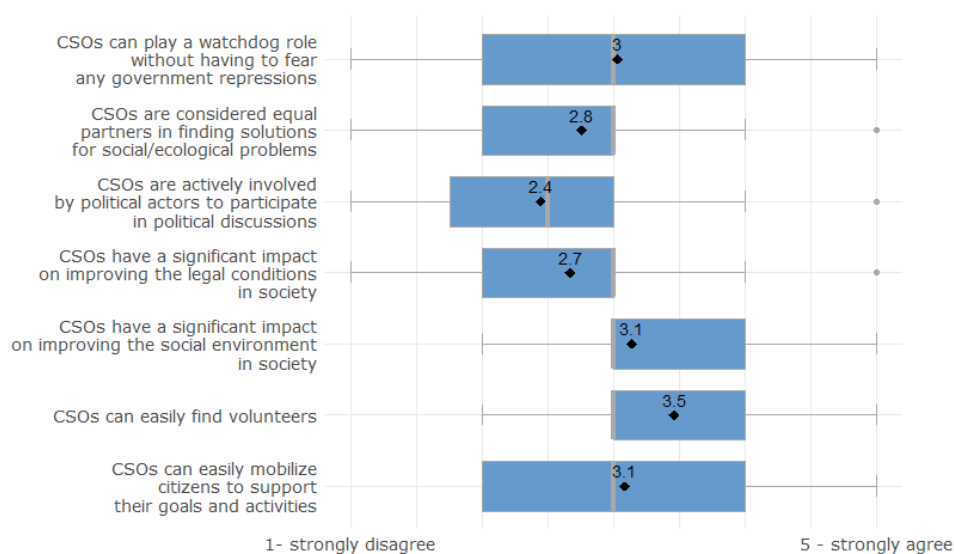


Source: Civil Society Survey, 2018, n = 32 to 36

The freedom of expression and the advocacy of CSOs are constantly improving and CSOs are increasingly acknowledged as stakeholders. In some fields, they even play the role of co-governors¹⁶ (Bežovan, Zrinščak, 2007; Bežovan, Matančević, 2017). CSOs are increasing their capacities to attract volunteers and they have more and more impact on the improvement of the social environment in society. They show a high capacity to mobilize citizens to support their goals and activities. In addition, the watchdog function is publicly accepted. However, we also need to agree with the survey results: For the most part, CSOs are not perceived as equal partners in finding solutions to social problems, they are not actively involved in public debates and are not in a position to impact or improve the legal conditions in society (see Figure 7-4). According to one of the respondents “a lot of organizations, which have tight relations with the leading party will establish themselves with guaranteed funds from the government and will promote the ideas from the government” (Civil Society Survey, 2018).

¹⁶ In the field of democratisation and fair elections, GONG is very active, in ecological issues Eko-Kvarner is very visible, in the field of children's rights and protection of children Kordinacija udruga za djecu (Coordination of associations for children) plays an important role and RODA is recognised in the field of women's rights.

FIGURE 7-4: CROATIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOS



Source: Civil Society Survey, 2018, n = 36 to 37

7.3. RESOURCES

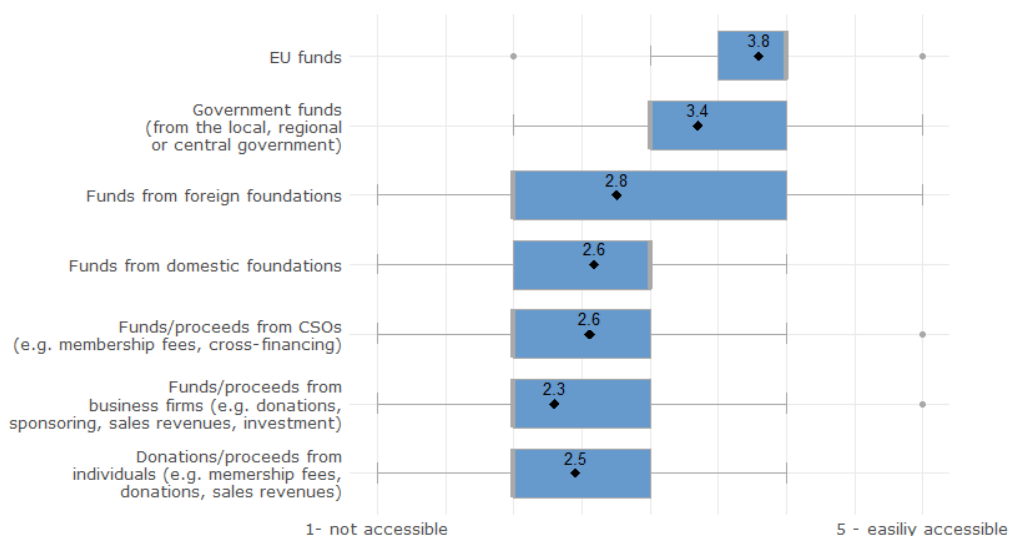
Regarding the accessibility of different funding sources in Croatia (see Figure 7-5), EU funds are perceived as the most accessible source (mean 3.8). It needs to be stressed that the composition of the respondents in the survey reflects a dominance of stronger organizations, presumably with above-average professional capacities, human resources and experience in EU projects. The majority of the respondents (76%) indicate the EU funds as one of their main funding sources (see Table 18-1). Earlier research (Bežovan, Matančević, 2011) identified a bias towards more developed and professionalized organizations in surveys. Thus, the EU pre-accession funds served as an important and generous funding source for a smaller number of skilful organizations. On the other hand, professional and sustainable human resources were one of the biggest challenges for the CSOs' development, and the majority of the CSOs lacked professional human resources and therefore also the necessary capacities for competing for these funds. In the past few years, EU funds (most importantly the ESF) have become available for Croatian CSOs, and there has been an increasing interest of organizations to submit their projects and programs to the ESF. In 2017, funds were available for a variety of programs in the areas of employment, social inclusion, education, deinstitutionalization of care services, etc. (USAID, 2018).

Traditionally, government funds (at different levels) were the most important funding source for Croatian CSOs, with cities and different ministries being funding sources for the majority of the CSOs (Bežovan, Matančević & Baturina 2017). Thus, 62% of the organizations in this survey name government funds as one of their main funding sources (see Table 18-1). They rank as the second-best accessible source (mean 3.4) following EU funds (see Figure 7-5). This ranking mirrors the fact that the procedures for acquiring funds from the local and national governments are becoming increasingly demanding for CSOs.

On the other hand, funding opportunities from the business sector and from individuals are assessed as least accessible (mean 2.3 and 2.5 respectively). These sources include income from selling goods and services as well as from donations. This perception can be explained by the unfavourable and inconsistent tax framework regulating the CSOs' selling of goods and services (USAID, 2018). Furthermore, traditionally, corporate and individual giving have been a relatively undeveloped practice in Croatia. The corporate sector has gradually shown an increased interest in supporting CSOs,

primarily at the local levels and among small and medium-sized business. Moreover, some better-developed business actors have introduced the practice of corporate social responsibility (Bežovan et al., 2017). The practice of and potential resources for individual and corporate giving are under-researched and rather neglected in the public discourse (Bežovan, Matančević, 2017). Data for the period 2004-2014 show that the number of claimants for tax deductions increased, with a peak in 2009 (business actors and individuals vary across years and possibly reflect economic trends), followed by a decrease in the after-crisis period. However, whereas there has been an increase in the number of claims for tax deductions from individual citizens (in 2014 compared to 2005 it grew by 250%), the increase in the total amount of donations was moderate (Bežovan, Matančević, 2017.).

FIGURE 7-5: CROATIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS

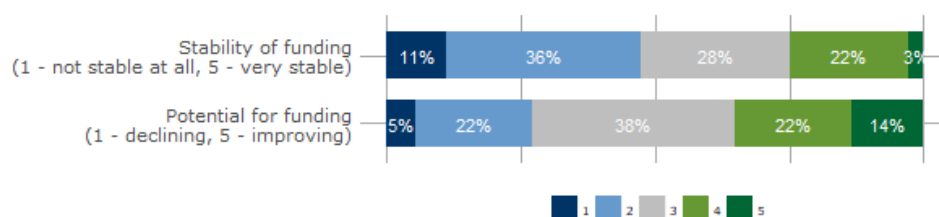


Source: Civil Society Survey, 2018, n = 34 to 37

The CSO sustainability index USAID (2018) shows a trend of slight deterioration of the financial viability of CSOs after 2015. However, the index for 2017 ranked somewhat better compared to 2016, when the financial viability was assessed as the lowest in the past five years due to drastic cuts of funding from public sources in 2016. Still, the financial viability is assessed as the least sustainable dimension of the CSOs' sustainability in Croatia in 2017.

In the Civil Society Survey (2018), the stability of funding is perceived rather negatively as well, with only 3% of organizations sharing the view that the funding for CSOs is very stable. On the other hand, respondents are more optimistic when it comes to the potential for funding in the following years, given that 14% of the respondents expect an improvement. However, many respondents (almost 40%) foresee no change regarding the funding potential in the following years (see Figure 7-6).

FIGURE 7-6: CROATIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 36 to 37

7.4. FUTURE PROSPECTS AND OUTLOOK

Changing relationship with the government. The respondents of the Civil Society Survey (2018) notice a diminished government support, but also trends like a shrinking democratic space and the pushing of civil society organizations into the direction of service providers (for new social risks or in educational reform, for example). The Croatian CSOs' role in advocacy or policy-making is perceived to be superficial due to the unsupportive political climate in the country. Some respondents expect the widening of nepotism towards the civic sector, in which those CSOs close to the ruling party will be favoured. This will result in the misrepresentation of responses regarding the real needs in society.

The political level and the state administration do not acknowledge the importance of the sector (Baturina, Matančević, Bežovan, 2019). In policy-making, there were some improvements of public consultations regarding primarily the number of participants and not the output. Good governance is a new concept in the Croatian socio-political environment, which developed parallel to the Europeanization of the public policy, but it was not embedded into the public administration. Some respondents of the Civil Society Survey (2018) see other future developments such as the engagement of parts of the sector in formal politics. Governmental support in providing an institutional and legal framework will be more and more subject to arbitrary political decisions rather than stable and autonomous mechanisms (Civil Society Survey, 2018). That could be a consequence of the relatively turbulent government changes in 2016, which seem to have contributed to a sense of instability in the civic sector. CSOs consider the legislative as too prescriptive (USAID, 2018) and limiting (Bežovan, Matančević; Baturina, 2016; Baturina et al., 2019). Although some respondents expressed more pessimistic opinions, others think that the influence of civil society will rise.

Challenges in obtaining financial support will possibly change the direction of civil society. Less public financial support and an increased orientation towards available EU funds is expected. In the area of funding, many organizations see the lack of financial resources as a significant problem, and numerous organizations face problems regarding their sustainability (Baturina et al., 2019, Bežovan et al., 2016). Therefore, the diversification of funding sources is another trend. More organizations engage in economic activities and more project applications for the available EU funds are filed. On the other hand, the respondents to the Civil Society Survey (2018) notice an increase in the bureaucracy for administrating EU and governmental funding. The increase in bureaucratic demands is a significant burden that many organizations feel (Baturina et al., 2019, Baturina, 2016). In the opinion of the respondents, CSOs will have to look for more self-financing methods. There is a trend towards more recognition of social entrepreneurship and the social economy. However, the new and unestablished field of social entrepreneurship faces numerous obstacles, highlighted by the unsuccessful implementation of the first strategy for its development (Baturina, 2018). CSOs are aware of the need to develop new fundraising models, such as networking or crowdfunding, but such efforts as well as philanthropic activities are still rare (USAID, 2018).

Exogenous factors. Some wider social trends influence Croatia as well. As seen in the answers of the respondents to the Civil Society Survey (2018), the main problems are negative demographic trends accompanied by recent emigration. Although the data are vague, Croatia has experienced significant emigration of prime-age workers in the last couple of years. This is related to the socio-economic situation in the country, but also to the opening of the EU labor markets for Croatian employees as a result of the EU membership. Certainly, demographic change has put a lot of pressure on different parts of the welfare system (e.g. employment, pensions system). Further demographic changes (e.g. the ageing of the population, migration) will require the civil society to adjust its main goals by focusing on service provision for the newly emerging issues and especially for the aging population. Civil society organizations could widen their role in the provision of social services and other aspects of the welfare state under the principles of the welfare mix. In addition, emigration means there will be a reduction of potential citizens interested in volunteering, as young and educated people tend to volunteer more often.

The respondents noticed some other external factors: The international political context will strengthen Croatia's role as a first stop for migrants on the route to Europe and will highlight issues related to the effective integration of migrants. Environmental protection and climate change are expected to create an increased need for CSO activities (Civil Society Survey, 2018). The previously listed topics are accounted to the sphere of civil society organizations (Baturina 2016, Bežovan et al., 2016) rather than to the sphere of official politics. Therefore, CSOs are expected to increasingly engage in these topics.

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8. Czech Republic

Jiří Navrátil, Jakub Pejcal

In 2018, the Czech civil society went through political turmoil, when the new government announced the implementation of a new economic policy for the nonprofit sector. More particularly, the volume of financial transfers of public funds to CSOs has become an issue of public dispute and raised the concern of CSOs, which was also widely echoed by the media. The nonprofit organizations also criticized uncertainties in the allocation of public funds and persisting administrative burdens, most notably related to the taxation policy. Despite their efforts to diversify their financial resources and despite the latest government measures, CSOs remain economically dependent on public budgets. This leads to policy efforts to exert more control over and to centralize these financial flows. On the other hand, there are endeavours by part of the public administration to alleviate the administrative burden and open access for CSOs to EU funds. The participants of the Civil Society Survey perceived all other types of resources as less accessible to civil society actors. Despite this, they assessed the stability of funding higher in recent years. The relation to the local governments and the EU is viewed in a more optimistic way. In general, CSOs see themselves as freely operating actors, although with little impact on their social and political environment. Still, the outlook of CSOs is rather gloomy, as they fear a lack of financial resources and mounting political pressures in the future.

8.1. INTRODUCTION

In 2018, the tensions between the Czech civil society and the state slightly increased. Contrary to the previous political period (1989-2016, see Navrátil, Pejcal, 2017), many civil society organizations became openly cautious because the national political landscape changed, and a threat to their primary financial resources - public funds – became apparent. The parliamentary elections in autumn 2017 marked the starting point of these tensions, as it brought victory for the centrist movement ANO 2011, which has often implemented opportunistic public policies, including those towards the nonprofit sector.

Czech Republic: Key facts

Population: 10,637,794 (CZSO, 2018a)
EU membership status: member country (since 2004)
GDP per capita: 23,210 USD (IMF, 2019)
Number of CSOs: 133,842 (CZSO, 2018b)
Number of active CSOs: 73,842 (estimate)
Number of active CSOs/1000 citizens: 6.94 (estimate)
Most developed fields of activity: culture; sports and leisure; professional associations (CZSO, 2018b)
Population share engaging in volunteering: 2.14% (CZSO, 2018c)

The nonprofit sector became the target of two important public debates. The first one is related to the financial resources, and the second one deals with the legal (and economic) public benefit status. In January 2018, president Zeman launched a public discussion on the extent of public funds for nonprofit organizations, which led to the decision to cut state funding by almost 25%. After public and media criticism of the selectivity of this approach and political bias, the 2019 state budget for CSOs increased. At the same time, the prime minister and the minister of finance continuously insist on the necessity to keep an eye on the financial flows into the nonprofit sector and urge the (other) ministries to control the efficiency of money transferred there. The second debate included a discussion over a potential legal status of public benefit. Despite the long-term pressure from CSOs, the related legislation was never passed. Consequently, the Parliament excluded the concept of public benefit from the Civic Code, and thus, concluded the policy process.

Which organizations participated in the Civil Society Survey?

The sample of the Czech CSOs participating in the survey consists of 54 organizations. Their age is relatively evenly distributed across various periods: 23% of the CSOs were established before 1991, 37% between 1991 and 2000, another 31% between 2001 and 2010, and 10% after 2011. This corresponds to the continuous development of the number of registered Czech NGOs (CZSO, 2018b).

In terms of activity, most of the participating CSOs are primarily engaged in education and research (26%) as well as in social services (21%). Further fields of activity are environment (9%), political advocacy and law (8%) as well as international activities (6%), culture and arts (6%), health services (4%), social clubs (4%), business and professional associations (4%), philanthropy (2%) and sports and recreation (2%). None of the respondents named development and housing or religion as their main fields of activity. This distribution does not perfectly reflect the actual population of Czech NGOs – e.g. sports is traditionally the most frequent type of activity in the sector (CZSO, 2018).

In terms of functions, 49% of CSOs in the survey declared to perform all key functions of civil organizations - service provision, advocacy and community building. 32% are active in service provision and advocacy, 9% only in services, 4% only in advocacy and 2% only in community building. This might suggest an overrepresentation of the advocacy function, as compared to the population of Czech CSOs (CZSO, 2018).

Moreover, the sample contains mostly medium-professionalized CSOs (51%), but also low-professionalized (26%) and high-professionalized ones (23%). In terms of size, the annual budgets of the CSOs reveals that only few operate on less than 5,000 EUR a year (6%) and 25% have yearly budgets between 5,001 and 100,000 EUR. Almost half of the surveyed CSOs reach annual budgets between 100,001 and 1 million EUR (47%) and almost another quarter even exceed the 1 million mark (23%).

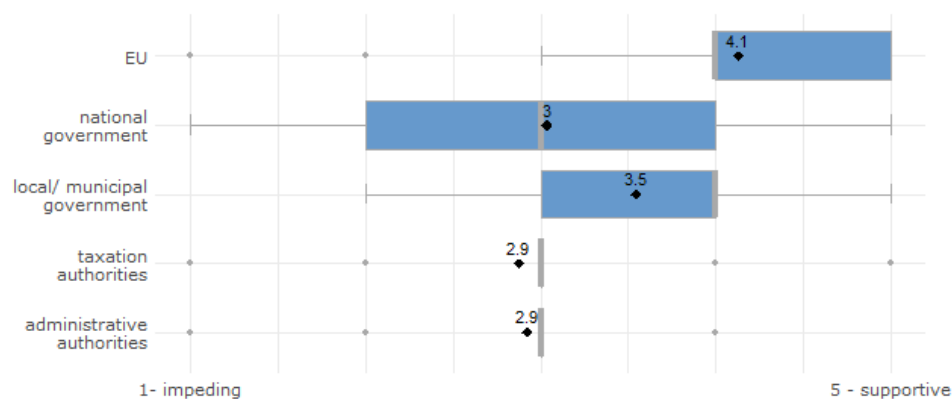
The structure of funding shows a clear preponderance of government funds (83%), individual donations (83%) and corporate donations (60%). Furthermore, EU funds (57%) are represented as well as funds from domestic foundations (47%), other CSOs (38%) and foreign foundations (38%). This seems to be somewhat representative of the Czech nonprofit organizations, according to several studies (Císař, Navrátil & Vrábliková, 2011; Špalek, Hyánek, Fónadová, Hladká, Jakubcová, Katrňák, Matulová, Placier & Prouzová, 2017).

8.2. POLITICAL AND LEGAL FRAMEWORKS

Generally, the relation between civil society and political actors corresponds more or less with the corporatist model. The government considers CSOs as supplemental to its own policies and tries to co-opt and control them through funding, regulations and the establishment of government-sponsored CSOs (Frič, 2005; Taras, 2007; Navrátil, Pospíšil, 2014). Thus, the CSOs consider the relation with the state as very important. Political changes may affect the cooperation between political elites and civil society actors. The recent parliamentary elections in the autumn of 2017 indicated such a shift. Although the political composition of the cabinet has largely remained the same, the previously minor ANO movement has won the elections and has lead the cabinet since then (CZSO, 2019a). The previous predominantly open attitude of the government towards civil society started to change. The new prime minister has repeatedly expressed concerns over the amount of money distributed from the state towards nonprofit organizations and over the lack of transparency in the allocation of public funds. In addition, the political tensions between the government and advocacy-oriented CSOs have been rising because of a series of allegations related to the prime minister's conflict of (business) interests (Císař, Štětka, 2016). Both of these factors contributed to the diversification of the central

government support of CSOs, as illustrated by the diverging opinions in Figure 8-1. The local governments are perceived as more supportive of CSOs compared to the national government. The EU is generally assessed positively in terms of support for the civil society.

FIGURE 8-1: CZECH REPUBLIC - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 49 to 53

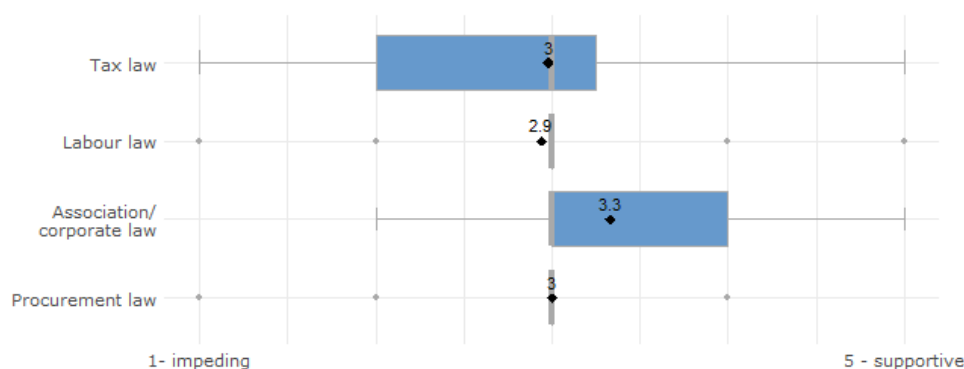
The basic legal framework for CSOs is provided by the Constitution, the Charter of Fundamental Rights and Freedoms and other laws specifying the rights of association and petition (i.e. the Civil Code, the Act on Association in Political Parties and Political Movements, the Act on Churches and Religious Congregations, the Act on Foundations and Funds). There are also some important government resolutions, which shape the relationship between the state and the CSOs, most notably the resolution on the establishment of the Government Council for Non-Governmental Nonprofit Organisations (GCNNO) in 1992 (Pospíšil, Navrátil & Pejcal, 2015). This is the advisory and coordinating body of the government dealing with issues related to the nonprofit sector, with 50% of its members representing the nonprofit sector and 50% the executive branch of government (Navrátil, Pejcal, 2017). Most of these regulations remain active and were not changed in 2018.

One exception is the amendment of the Civil Code, which took effect in 2018. This concluded a discussion, which was launched more than a decade ago. Both the nonprofit sector and the public officials attempted to agree on a legal public benefit status providing legal and economic benefits to nonprofit organizations. Even though the general framework of the public benefit concept was defined in the new Civic Code (2012), the implementing laws were never passed. For instance, the Ministry of Finance repeatedly declined to assign a tax relief to organizations with that status. Additionally, there were concerns that the certification process of the public benefit status would burden the courts. Consequently, the Parliament excluded the concept of public benefit from the Civic Code altogether, and thus, concluded the policy process (Česká justice, 2017).

Some further legislative changes were also underway in 2018 – either in preparation or already in effect. Most notably, the General Data Protection Regulation, which introduced new details to personal data protection, was implemented into Czech legislation. Secondly, the electronic evidence of sales was implemented into the tax legislation in order to decrease tax evasion. This brought new administrative duties, especially for CSOs with permanent subsidiary entrepreneurial activities. Thirdly, a public register of beneficial owners was introduced in the Czech Republic as part of the anti-money-laundering initiatives of the EU. This register was established as one of the information systems of the public administration, and all legal persons included in existing public registers are supposed to be recorded by the local registration courts. By 2020, civic associations must also comply with this obligation. Lastly, an amendment to the law on budgetary rules, which aims at establishing a mechanism of provision of state subsidies to CSOs, is currently being prepared and discussed.

Most of the CSOs participating in the Civil Society Survey (2018) recommended improvements in the areas of tax legislation, social policy and labor law, as seen in Figure 8-2. While CSOs consider the association and corporate laws as quite favourable, the respondents are more critical of the tax law. This presumably reflects the recent debates concerning the public benefit status and/or the additional administrative burdens caused by the new measures aimed to prevent tax evasion or money laundering. This might also be an explanation for the rather negative assessment of bureaucracy by the surveyed practitioners (see Figure 8-3).

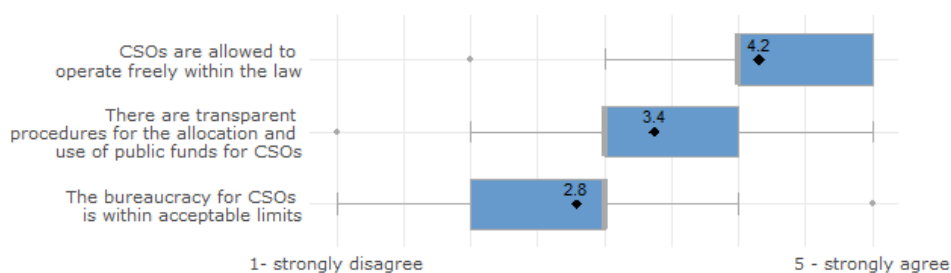
FIGURE 8-2: CZECH REPUBLIC - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOS, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 42 to 53

There were also positive changes in 2018. Firstly, supermarket chains must provide unsaleable food to food banks and to other CSOs registered by the Ministry of Agriculture, in order to be distributed to vulnerable or needy people. Although this is a progressive change supported by the CSOs, it initially created logistic problems, because many CSOs were not prepared for the large increase in the amount of food to be stored and distributed (E15, 2018). Secondly, preparations of the law on social entrepreneurship have continued throughout the year. The law aims to define the concept of the social enterprise, the role of the public administration in registering these entities and the forms of support available to these entities (e.g. subsidies, guarantees, money saving credits). The law is expected to enter into force in 2020. All these positive developments may contribute to the CSOs feeling that they are able to operate freely within the law (see Figure 8-3).

FIGURE 8-3: CZECH REPUBLIC - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS

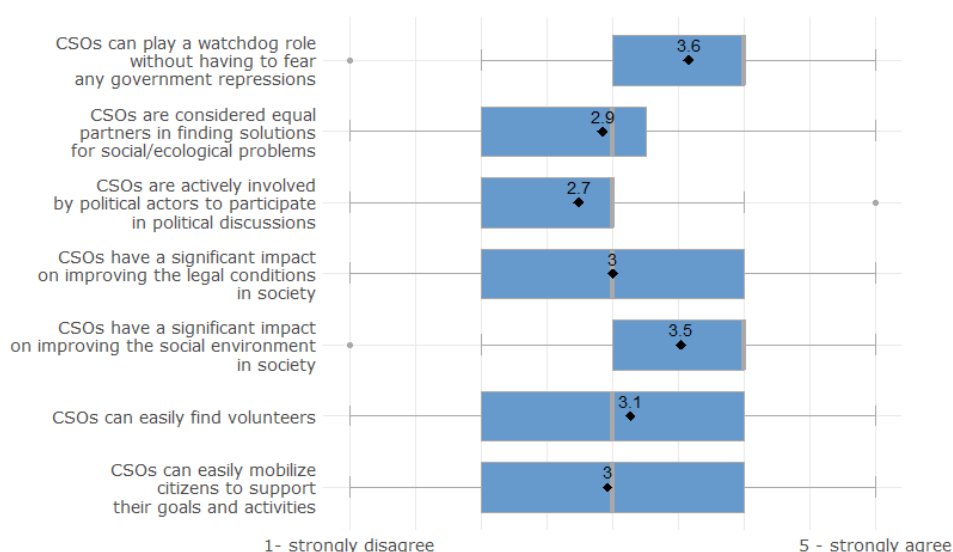


Source: Civil Society Survey, 2018, n = 51 to 53

Czech CSOs usually keep a large distance from politics according to their definition. However, the concept of politics has a narrower meaning in the Czech context. It is associated with traditional political ideologies, and thus, closely connected to partisanship and “behind-the-scenes political intrigues”. CSOs, which broadly reject this version of politics, traditionally declared themselves as non-political, although they regularly negotiate with politicians and participate in policy processes in numerous ways (Navrátil, Pospíšil, 2014). Many CSOs regularly conduct advocacy activities with con-

siderable success, especially through membership in various advisory bodies of the public administration. Nonetheless, they do not consider these activities to be “political”, as they are allegedly not lead by political (i.e. openly ideological) motives. This ambivalent relationship between civil society and politics explains the rather optimistic assessment of CSOs’ ability to perform a watchdog role without fearing any repression. At the same time, CSOs are rather skeptical of their ability to change the political and legal environment or to establish partnerships with leading political actors (see Figure 8-4). As previously mentioned, another possible explanation for this rather positive assessment is the GCNNO, given that this institutional body provides CSOs with the possibility to get involved in the political decision-making process. Furthermore, political activism among CSOs has intensified after the recent parliamentary elections, as a result of the prime minister’s conflict of interests¹⁷.

FIGURE 8-4: CZECH REPUBLIC - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOS



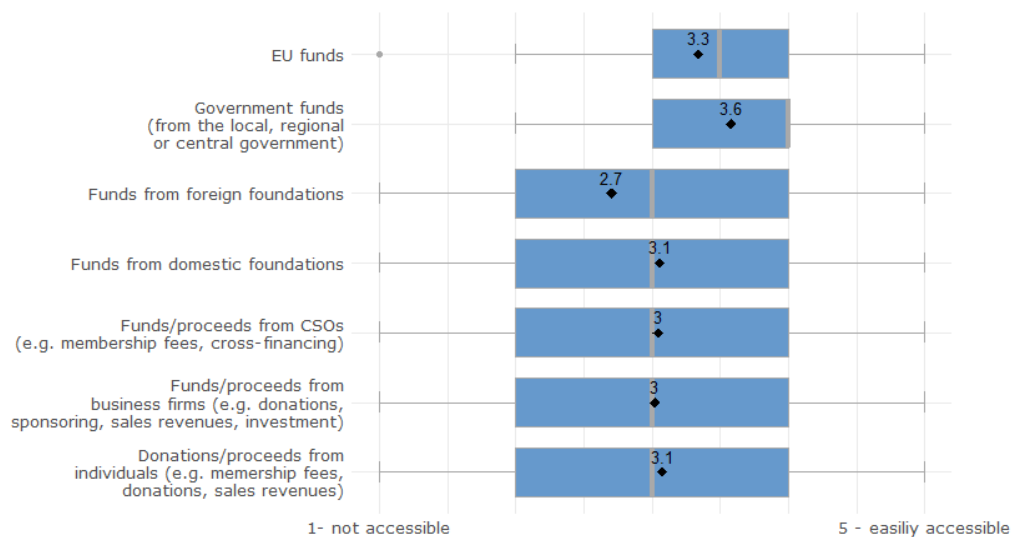
Source: Civil Society Survey, 2018, n = 50 to 52

8.3. RESOURCES

Most of the services of Czech CSOs are provided either free of charge or at a lower rate than the actual costs. Therefore, the CSOs have to rely on resources other than their own revenues. According to the Czech Statistical Office (2019b), in 2016 the activities of the nonprofit institutions, were made possible largely by the transfers from the public sector (19.4 billion CZK; ca. 756 million EUR). This represents the traditional source of funding for Czech CSOs. Income from sales of non-commercial production (13.9 billion CZK; ca. 542 million EUR) also play an important role. Membership fees (3.5 billion CZK; ca. 136 million EUR), donations from legal persons (2.9 billion CZK; ca. 113 million EUR) and from natural persons (1 billion CZK; ca. 39 million EUR) constitute further financing opportunities for CSOs, however to a smaller extent. Foreign resources are not very significant either (2 billion CZK; ca. 78 million EUR). This is largely consistent with the perception of the surveyed CSOs towards the availability of the various funding opportunities to the Czech civil society sector (see Figure 8-5).

¹⁷ The prime minister indirectly owns several major Czech agricultural and chemistry companies, which have received national and EU subsidies.

FIGURE 8-5: CZECH REPUBLIC - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOs



Source: Civil Society Survey, 2018, n = 44 to 52

In terms of the structure of public support for the nonprofit sector, the largest share of this support comes from the state budget (61%), followed by the municipal budgets (22%), regional budgets (16%) and state funds, such as the State Agricultural Intervention Fund, the Czech Film Fund or the State Environmental Fund (1.2%) (GCNNO, 2018a). The most strongly supported areas of activity are sports (34%), social affairs and employment (30%), education (9%) and culture (8%). If voluntary activities were financially evaluated, they would represent the third most important source of finance (6.4 billion CZK; ca. 250 million EUR). Generally, financial resources of nonprofits tended to grow over the past years (GCNNO, 2018a).

Subsidy provision from public budgets is under strict supervision by the public bodies. Since 2018, they cannot be granted directly anymore, but only through procurement. Nevertheless, debates on the lack of transparency of public financing in the nonprofit sector have been ongoing in 2018. After several critical remarks by the president and prime minister related to the government funding of CSOs, the Ministry of Finance declared an effort to cut the proposed state budget of 14 billion CZK (ca. 546 million EUR) for nonprofits by 3 billion CZK (ca. 117 million EUR) in 2018. After representatives of the sector started to protest publicly, the officials eventually approved the planned total amount. However, some significant shifts are expected among various thematic fields of support. At the same time, governmental efforts to analyse and record all financial flows from the state budget to the CSOs, with the purpose of creating an overall picture of state funding, will continue (CT24, 2018). A positive development concerning state funding are the multi-year contracts that some ministries (e.g. for Social Affairs, Justice, Culture, Foreign Affairs) have been signing with CSOs since 2016 in order to increase their stability. The Supreme Audit Office supported this initiative, at least in the case of the Ministry of Education (GCNNO, 2018b).

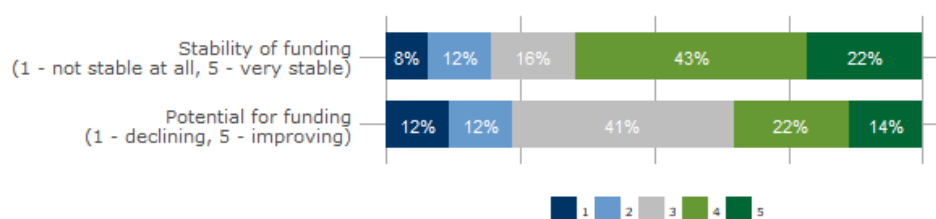
In general, most CSOs suffer from a low diversification of resources (Rakušanová, 2005). Although some sources indicated a growing independence of the Czech nonprofit sector from public resources between 2008 and 2013 (Špalek et al., 2017), more recent data (see above) suggest that the CSOs' dependence on public funding is still quite high and also brings significant administrative costs for the sector (GCNNO, 2018a). The same applies to the funding opportunities from the EU structural funds, which are generally deemed as a bureaucratic burden by CSOs. For this reason, a mere 2.11% of the registered CSOs used these resources in 2017. This share exceeds the previous programming period by 1.25%, but is still quite low. Thus, the GCNNO aims to promote some changes and to establish so-called "global grants" mechanism for the next programming period. This would

imply a stronger role of the civil society and foundations in the redistributions, which should raise the number of CSOs funded by EU grants. The declared goal is 4% of the Czech CSOs (GCNNO, 2018c).

In recent years, the CSOs show an increased interest to diversify their resources. For instance, they attempt to engage private donors and organize fundraising events (e.g. Giving Tuesday) or to cooperate with foundations on new mechanisms of donor recruitment, such as establishing crowdfunding initiatives or online donors' portals. Data from tax offices suggest that the support of CSOs from private donors has indeed increased slightly lately (Financial Administration, 2018). In 2017, first efforts of the GCNNO to contribute to the capacity building of CSOs by providing resources to interdisciplinary networks took place. These initiatives provide additional resources for CSOs. However, the structure of the CSOs' resources tends to remain rather unchanged in the long term (CZSO, 2019b).

Maybe the strong role of public funding causes the CSOs' perception of the stability of their funding as rather high. At the same time, CSOs are quite skeptical about the future potential for funding, which possibly reflects their partly unsuccessful efforts for diversification (see Figure 8-6).

FIGURE 8-6: CZECH REPUBLIC - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey 2018, n = 51

Besides seeking financial resources outside of the public budgets, it seems that another opportunity for CSOs to increase and diversify their financial resources is to identify new fields of activity, where they can provide new services or solutions. A few examples of important areas, which have become politically visible, are housing (especially for vulnerable groups), over-indebtedness of citizens and distrains (Civil Society Survey, 2018).

8.4. FUTURE PROSPECTS AND OUTLOOK

CSOs participating in the Civil Society Survey (2018) refer to two dominant issues – their relationship to the government and their resources. Many CSOs fear that the pressure that the state puts on CSOs will rise as a result of growing authoritarianism and political opportunism of the political elite. In line with current trends in other European countries, right-wing tendencies are also observable in the Czech Republic. A possible indicator for this development is the recent dispute among the government and the civic sector, which has often been interpreted as an effort to increase the state control over the nonprofit sector by cutting public expenditures. CSOs fear that this development will mostly affect the generally progressive environmental and/or human rights organizations, including service-oriented ones and watchdogs. They also suspect that the ongoing conflict between CSOs and the government will have an impact on the attitudes of society towards nonprofits, but, most importantly, on their resources. Although the financial resources available to CSOs have been continuously increasing in recent years, the respondents fear that they will shrink in the future. Another concern that the surveyed CSOs express in relation to public funding is the growing bureaucracy of the public administration. Furthermore, increased benchmarking and outcome/impact measurement of

the CSOs' activities is expected from public or private financiers. Still, CSOs are not very optimistic that the government will be open to support and cooperation when dealing with certain social issues, and that it will be willing to pay the "market price" for these services (Civil Society Survey, 2018).

The survey respondents offered possible solutions how these problems could be tackled: The CSOs will have to improve their credibility in the eyes of the public, in order to increase the share of private donations. Moreover, new methods of fundraising will need to be used more frequently. CSOs also consider the necessity of a stronger orientation towards private resources, for instance through collaboration with companies in terms of corporate social responsibility. Furthermore, CSOs will also have to adapt to the demographic changes in the future, such as an ageing society and a low birth rate, which will have long-term implications for society as a whole (Civil Society Survey, 2018).

At the same time, the representatives of CSOs participating in our survey formulated some positive prospects. They generally speak of a "slow improvement" of civil society and its growing "stronger and stronger" (Civil Society Survey, 2018). Some respondents also expect civil society to gain more influence on public policy. Some expressed their belief that CSOs will become more active on a local or regional level in view of the changing scale of political activism. In terms of resources, more private companies are expected to be willing to financially support civic causes. Furthermore, one of the optimistic predictions concerning the resources relates to the rising involvement in various civic causes, and therefore, to the rise in terms of private donations as well (Civil Society Survey, 2018). To conclude, although CSOs' opinions about the future are mixed, many developments are currently underway, which is an indicator for a dynamic and vibrant civil society.

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9. Hungary

István Sebestény

Since the “second change of the political system” in 2010, the democratic practices in Hungary have been continuously deteriorating. In 2018, general elections took place, and the Orbán-led coalition won for the third consecutive time. The Orbán regime totally transformed the political and legal framework, which has also affected CSOs in Hungary. The government has continuously tried to restrict the rights of the civil society. During the past years, several laws restricting CSOs were passed. Moreover, the public funding of the sector has come under the control and influence of the government. As far as the future is concerned, most CSO-practitioners who participated in the Civil Society Survey (2018) are not optimistic. They believe the government will further restrict civil society’s capacity to act by narrowing civic freedoms, imposing restrictive laws and implementing biased funding schemes. At the same time, optimistic CSO-practitioners hope that many CSOs will be able to meet these challenges and that more grassroots and community-based organizations as well as more civil activism will emerge.

9.1. INTRODUCTION

The current political situation in Hungary is characterized by a rise of illiberal practices, which continuously erode the democracy in the country. This process started with the change in political power, when the FIDESZ party led by Viktor Orbán rose to power in 2010. The political rhetoric that developed after this point was directed against NGOs. In particular, NGOs relying on foreign funding were depicted as a threat to Hungary’s sovereignty. As a result, continuous efforts from the leading political actors aimed at minimizing the involvement of civil society organizations in political decision-making processes (Bíró-Nagy, 2017).

Hungary: Key facts

Population: 9,778,371 (2018) (KSH, 2018a)

EU membership status: member state (since 2004)

GDP per capita: 17,300 USD (IMF, 2019)

Number of CSOs: 85,167 (2017) (KSH, 2018c)

Number of active CSOs: 61,151 (2017) (KSH, 2019a)

Number of active CSOs/1000 citizens: 6.3 (KSH, 2018a; KSH, 2019a)

Most developed fields of activity: sports and recreation (KSH, 2019a)

Population share engaging in volunteering: 26.1% (2014) (KSH, 2016)

These trends established over the course of the previous years, and presently they still define the social and political discourse. In particular, civil society organizations have been associated with immigration-related topics, of which they are allegedly in favour (USAID, 2018). More recently, the Alliance of Young Democrats-Civic Union (FIDESZ-MPP) in coalition with the People’s Christian Democratic Party (KDNP) has secured a two-third parliamentary majority for the next four years, as a result of the general elections that took place in April 2018 (Foundation Robert Schuman, 2018).

During the past few years, several laws were passed restricting civil society organizations. The Law on the Transparency of Organizations Supported from Abroad, also known as the “Anti-NGO Law”, targets foreign-funded organizations (Venice Commission, 2017; OSCE, 2017), and the so-called “Stop Soros” legislative package, supports, among other anti-immigration measures, the introduction of the special tax on immigration (Venice Commission/OSCE, 2018; Hungarian Helsinki Committee, 2018). These legislative changes have a significant impact on both, the activity of CSOs and their chances of attracting funds. Resulting from the restrictions on civil society, some

well-established organizations such as the Open Society Foundation have decided to leave Hungary. On the other hand, these developments have sparked strong reactions from the civil society, such as mass protests in spring 2017 against laws like the Higher Education Act that aimed to shut down the Soros-funded Central European University (Government of Hungary, 2017; USAID, 2018). Towards the end of 2018, protests against the so-called “Slave Law”, a labor reform regulating unfavourable conditions for employees regarding overtime work, took place (Parliament of Hungary, 2018; Schaeffer, 2019).

Overall, the CSOs’ sustainability has deteriorated in view of the recent political developments, although there were positive and negative developments during this period. According to the latest accessible USAID sustainability index for CSOs, the general indicator negatively changed between 2016 and 2017 from 3.6 to 3.8, on a scale from 1 (sustainability enhanced) to 7 (sustainability impeded) (USAID, 2018: 96; USAID, 2017). Concerning the USAID sustainability index of the Hungarian CSOs, all indicators have continually worsened.

Which organizations participated in the Civil Society Survey 2018?

In Hungary, 49 experts took part in the survey. A quarter of them represents the CSOs involved in education and research as their main field of activity; every seventh organization is mainly active in the field of culture and arts; and every tenth organization operates in the fields of environment and advocacy. In 2017, the Hungarian nonprofit sector comprised a total number of 61,151 organizations. About two thirds of all NGOs were registered as membership organizations, whereas the remaining third took the form of foundations. Membership organizations were mainly active in the fields of leisure and sports (43%), followed by culture (21%). The cultural field was among the top three fields of activity with a share of 15%, preceded by the fields of social services (16%) and education (33%) (KSH, 2019a).

All of the surveyed organizations were established before 2015, with 11% of the participating organizations being founded before 1991, another half of the sample being established between 1991 and 2000, and about 40% being founded between 2001 and 2015. More than half of the surveyed CSOs are generally multifunctional, as they provide services, advocacy and community building at the same time, and almost another quarter are engaged in service provision and advocacy activities. A combination of advocacy and community building activities corresponds to the profile of 12% of the participant organizations, while 7% of the organizations offer a mixture of services and community building activities. 2% of the respondents offer service provision or advocacy activities exclusively, and none of the organizations is solely specialized in community building.

All of the respondents manage less than EUR 1 million, in fact, over one third of them uses less than EUR 5,000 per year. Another 27% have yearly revenues of EUR 5,000 - 50,000, 13% between EUR 50,000 and 100,000 and 23% between EUR 100,000 and 1 million. The main income sources for the surveyed CSOs are donations from individuals (71%), followed by public support from the government (44%); and 42% mentioned EU funds, which is highly overrepresented, as the total share in the whole nonprofit sector is only 2 percent (KSH, 2019). In 2017, the nonprofit sector registered total revenues of more than HUF 1,924 billion (EUR 6,223 million) (KSH, 2019).

Among the respondents, there are CSOs working in rural (23%), urban (43%), or both rural and urban areas (34%), rather on a local/regional (57%) than on a national level (34%), being even less active on a European level or worldwide (9%). Most of the participating practitioners are quite optimistic about the three-year future of their organization (65%), a quarter expresses uncertainty regarding their future prospects and further 11% are not at all confident of their prospects over the next three-year period.

9.2. POLITICAL AND LEGAL FRAMEWORKS

The year 2018 was marked by the general elections in April, which resulted in Viktor Orbán and his government securing a third mandate until 2022. Moreover, a coalition comprised of Orbán's Party the Alliance of Young Democrats-Civic Union (FIDESZ) and of the People's Christian Democratic Party (KDNP) holds a two-third majority in Parliament following the last elections (Foundation Robert Schuman, 2018). The continuation of the political agenda of the past few years has not brought any solutions to pre-existing debates related to political and legislative changes and has additionally led to the emergence of other legal amendments and political decisions meant to advance the "illiberal democracy" (Bíró-Nagy, 2017) in Hungary.

An example of such a pre-existing debate revolves around the Law on the Transparency of Organizations supported from abroad and adopted in June 2017, which is colloquially known as the "Anti-NGO Law". The law specifies the obligation of all CSOs receiving foreign funding to register as "an organization receiving support from abroad" in a regional court of registration. This measure is apparently aimed at preventing and combatting the social and political influence of foreign interest groups as well as preventing money laundering (Venice Commission, 2017). At the same time, CSOs view this as a stigmatizing measure meant to single out foreign-funded organizations and to limit the working conditions for civil society (OSCE, 2017).

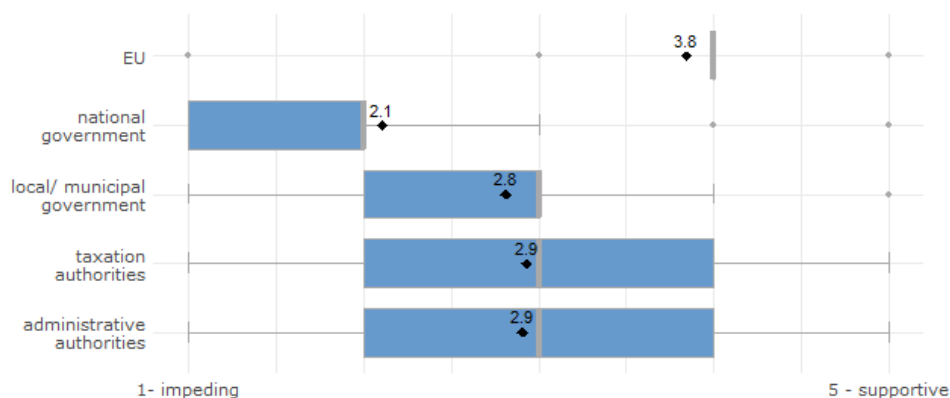
Concerning the civil society sector, the year 2018 was most notably shaped by the adoption of the so-called "Stop Soros" legislative package in June, which was meant to restrict immigration. The aim of this package is threefold (Venice Commission/OSCE, 2018; Hungarian Helsinki Committee, 2018):

- by means of the Act on the Social Responsibility of Organizations Supporting Illegal Migration (Bill No. T/1976), the aim is to compel organizations aiding immigration and asylum seeking to register. This decision is based on the rationale that licensing is part of the social responsibility of organizations and that ensuring transparency is a common goal;
- by means of the Act of the Immigration Financing Duty (Bill No. T/19775), which aims at introducing a special tax of 25% of the total benefit originating from abroad for organizations involved in supporting organizations. Similar arguments are mentioned, namely that such organizations have a social responsibility to bear a part of the costs used for protecting the borders from illegal immigration;
- by means of the Act on Immigration Restraining Orders (Bill No. T/19774), which aims at restraining any persons aiding either illegal migrants or organizations assisting such migrants in entering Hungary. This measure relies on the reasoning that any such person poses a threat to the national security and therefore should be denied access to the Hungarian territory.

Furthermore, the necessity for such measures was backed by the results of the national consultation "Let's stop Brussels" conducted in the spring of 2017, which, with an overwhelming majority of 95%, seemed to support an anti-immigration approach. However, at the same time, it is argued that the highly allusive and suggestive formulation of the questions lead to biased results, which, therefore, do not accurately reflect the opinion of the people. In addition, the legislative act is mainly criticized for limiting international standards such as the freedom of expression or the freedom of association, which count among the fundamental rights of the civil society (Venice Commission/OSCE, 2018).

In the light of recent developments, it is not surprising that the respondents of the Civil Society Survey rated the national government worst among the players defining the overall political environment. Although the local as well as other national state bodies were evaluated in a better way, opinions are split, especially regarding the taxation and administrative authorities, as demonstrated by the large spread of the data. The perception of the EU is generally positive (see Figure 9-1).

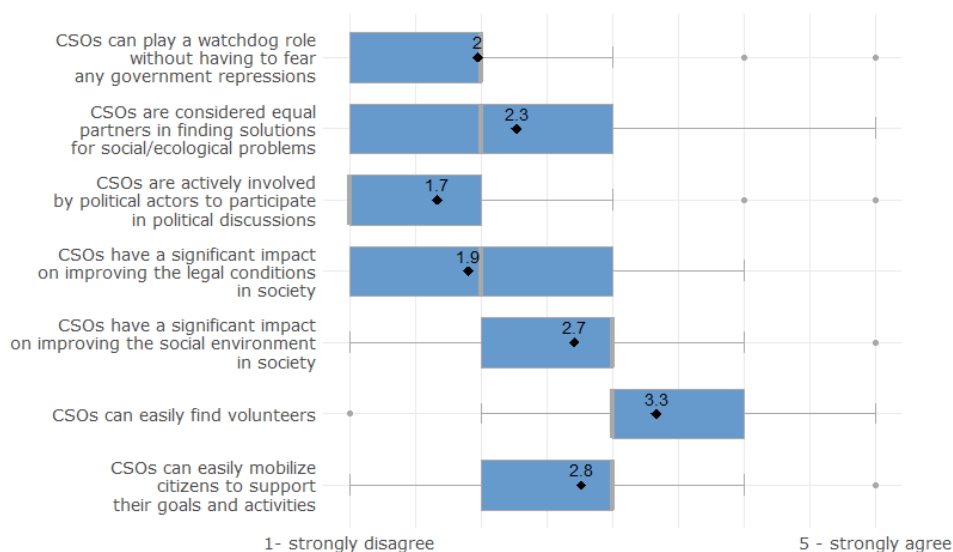
FIGURE 9-1: HUNGARY - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 43 to 46

The recent changes in the legal framework might also explain the rather negative assessment by the surveyed CSOs of their ability to play a watchdog function without being subjected to government repressions or to influence the political discussion and the legal conditions in a meaningful way (see Figure 9-2). On the other hand, the results of the survey indicate that the civil society has other resources at its disposal and can, for instance, find volunteers or mobilize citizens to support their causes quite easily (see Figure 9-2). A specific example of the vivid reaction of civil society to the recent political and legislative changes are the mass protests happening in Hungary in 2017 and 2018 (USAID, 2018; Schaeffer, 2019).

FIGURE 9-2: HUNGARY - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



Source: Civil Society Survey, 2018, n = 38 to 42

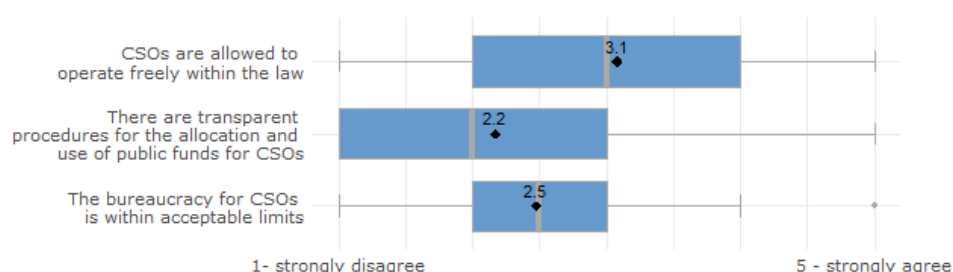
On a different note, but at the same time still related to the government's restrictive migration policy, is the so-called "Slave Law" (Bill No. T/3628), which was also the primary cause for the last wave of

nationwide protests (Schaeffer, 2019). Towards the end of 2018, the government passed a controversial amendment to the Hungarian Labor Code, making it possible for employees and employers to agree on up to 400 hours of overtime work per year, as opposed to the previous legislation that only allowed for up to 250 hours (Parliament of Hungary, 2018; KCG Partners, 2018). This measure is meant to counteract the labor shortage in Hungary by allowing employees to work more hours without any added administrative burdens and to limit emigration by giving employees the chance to earn more as a result of the overtime work instead of seeking higher wages abroad. On the other hand, the main counter-argument for the new regulation addresses its negative impact on the negotiating position of employees (KCG Partners, 2018; Schaeffer, 2019).

Apart from the legislative changes associated with the migration policy of the government, other changes with a significant impact on CSOs also occurred in 2018. Modifications that affected both the association and the tax laws concern the public benefit status of CSOs – an ongoing discussion regarding the civil society in Hungary. The legal changes concerning the public benefit status in 2012 led to a drastic decline of CSOs with that status. Organizations that wanted to retain their public benefit status had to reapply by May 2014. Whereas in 2013 55% of the CSOs were registered, this applied to only about 20% of the CSOs in 2015. This share further dropped in the following year. Only in 2017, a slight increase of 2% could be observed (KSH, 2019a). However, this cannot be interpreted as a strictly quantitative decrease. CSOs were uncertain whether they wished to retain their status and whether they wanted to be confined by this definition, as the transformation of the status was not followed by an extension of the advantages involved.

Also related to the tax law, the 1% of the personal income tax, which can be designated by citizens to CSOs of their choice, represents the main central budget allocation system, considering the number of CSOs reached by that measure. This is followed by the former National Civil Fund (NCA) and the current National Cooperation Fund (NEA), in terms of the number of organizations funded. A particularity of the NCA was that two thirds of the decision makers were elected from and by the representatives of CSOs, whereas the rest were delegated by the state and the Parliament (Kákai, 2013, Nagy, 2014). In the new allocation system, the government wanted to ensure its control over the allocation of resources, therefore, the majority of qualified civilians on the board has been exchanged for a qualified majority of government representatives, openly stating that the state is the best redistributor (Sebestény, 2016: 76). This is a possible reason for the negative rating by the respondents of the Civil Society Survey concerning the transparency of the procedures for the distribution of public funds. By comparison, the practitioners involved in the survey are more satisfied with other aspects of legal conduct, such as the ability to operate freely within the limits of the law and the bureaucratic burdens linked to their activities (see Figure 9-3).

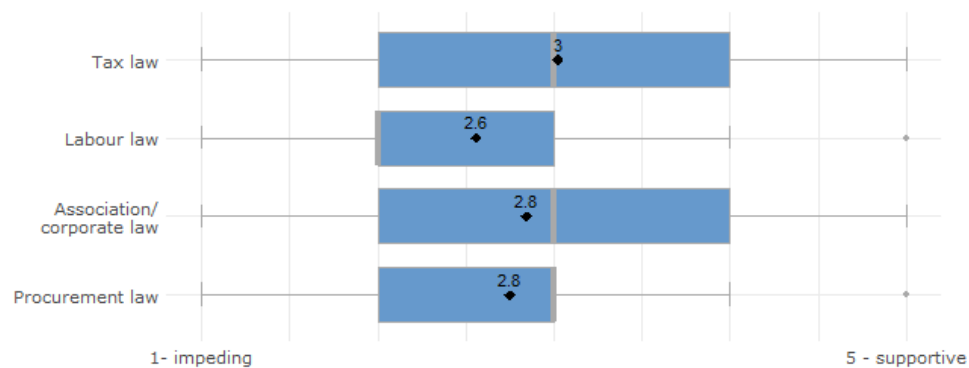
FIGURE 9-3: HUNGARY - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS



Source: Civil Society Survey, 2018, n = 46 to 48

In view of the recent developments, it is unsurprising that the surveyed CSOs perceive the different fields of law as quite impeding for their functioning. As far as the different laws are concerned, the assessment of the tax and association/corporate laws is ambivalent, while the other laws are evaluated rather negatively (see Figure 9-4).

FIGURE 9-4: HUNGARY - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 36 to 47

The findings of the Civil Society Survey presented in this chapter are in line with the results of a nationwide statistical survey and with those of the CSOs' sustainability index. In 2017, the Hungarian CSOs evaluated the legal and economic environment on average with 3.6 and the administrative requirements with 3.3 on a scale from 1 (unacceptable) to 5 (appropriate) (KSH, 2019b, forthcoming). According to the CSOs' sustainability index, the legal conditions scored 3.7 and the organizations' capacity to advocate scored a mere 4.3 on a scale from 1 (sustainability enhanced) to 7 (sustainability impeded). Compared to the previous year, both indicators deteriorated (USAID, 2018).

9.3. RESOURCES

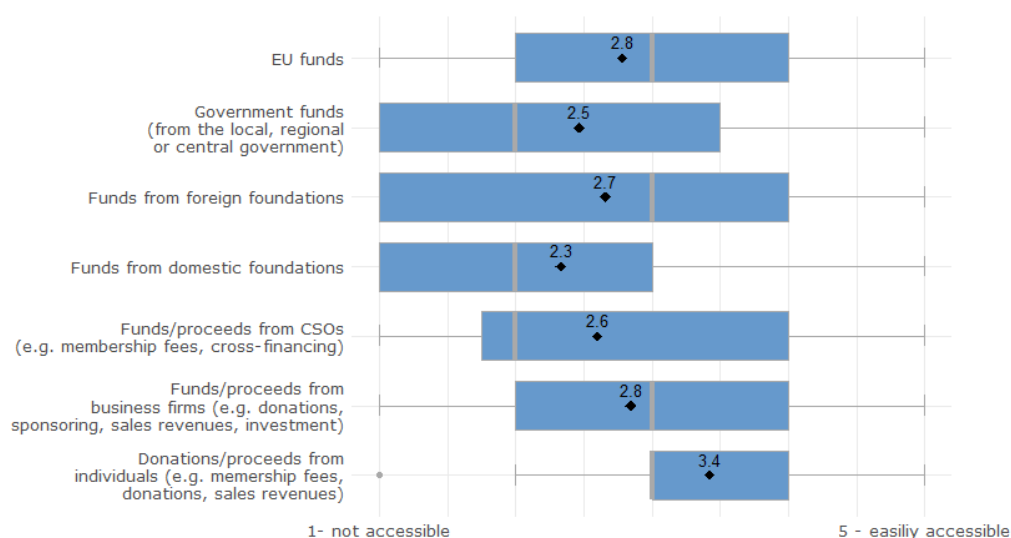
According to the latest data, in 2017, the total revenues of the nonprofit sector were more than HUF 1,924 billion (EUR 6,223 million), which represents an increase of approximately 16% compared to 2016. A considerable share of organizations (37%) operates with an annual budget of less than HUF 500,000 (approximately EUR 1,500). Therefore, the Hungarian nonprofit sector is characterized by a large number of small size organizations (KSH, 2019a).

With regard to the funding structure of the nonprofit sector it can be observed that state funding is gaining more importance, as the share of funds originating from the national or local state authorities have registered an increase of 4% compared to the previous year and overall make up almost half of the total revenues of the sector (44%). Almost as significant in relation to the overall composition of funds in the sector are revenues derived from the own core activities of CSOs, which make up another 43% of the total size of the sector. Compared to the previous year, these numbers have dropped slightly. The remaining 13% of funds available to the nonprofit sector represent private support coming from corporates or individuals (KSH, 2019a).

Another significant resource for the nonprofit sector, although not a financial one, are volunteers. The estimated number of volunteers working in the sector in 2017 was 364,000 people: The value of their contribution, when converted to paid work, equals approximately HUF 56 billion (EUR 181 million). This "time donation" can be considered as an extra revenue in-kind of approximately 3%. (KSH, 2019a)

Figure 9-5 shows a heterogeneous picture in terms of the funding opportunities for the surveyed CSOs, as their opinions diverge quite significantly. However, on average, most funding opportunities are rated rather poorly. The practitioners in the survey rated only the domestic foundations as less accessible than public funds. Donations from individuals receive a substantially higher rating; however, this source includes membership fees, which are practically a "compulsory" contribution in many organizations.

FIGURE 9-5: HUNGARY - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS



Source: Civil Society Survey, 2018, n = 40 to 47

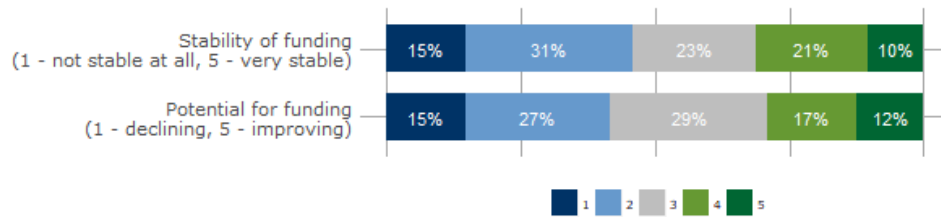
A possible reason for the split opinions on public funding is the aforementioned so called 1% tax allocation system (introduced in 1997), which allows taxpayers to designate 1% of their personal income tax to a certain CSO of their choice. This is rather significant for the sector, as this type of state support is available for nearly all CSOs (CSOs established in the previous 2 years, or directly involved in politics, or not registered as “eligible organizations” at the tax office are excluded from the system). Moreover, this is the only independent distribution of public funds available, as the donation decisions are directly made by the citizens. As the tax office reported, in 2018, 27,000 organizations were provided with HUF 8.2 billion (EUR 27 million) by 1.8 million private designators (NAV, 2019).

On the other hand, the distribution of public funds by the National Cooperation Fund cannot be considered impartial. In 2019, the fund has about HUF 6 billion (almost EUR 19 million) at its disposal, awaiting an estimated 20,000 applications (444.hu, 2019). However, the Deputy State Secretary responsible for civil affairs announced in an interview: “we try to filter out all the organizations that – we think – are not doing real work, but basically want to achieve political goals that we disagree with” (444.hu, 2019). This is a clear example of a state institution trying to exert influence over the civil society by controlling the distribution of public funds.

This negative trend regarding the allocation of state funds was also observed by one of the respondents of the Civil Society Survey (2018), who stated: “I’m not too optimistic. Power politics do not support civilian organizations. The support for CSOs is changing in the negative direction or politics-oriented, false NGOs will be supported instead” (Civil Society Survey, 2018). However, some of them did not only blame the state, but also the civilians themselves for the uncertain funding situation. Furthermore, they also named alternative solutions, such as crowd funding or foreign donations, both private and from the EU (Civil Society Survey, 2018).

The surveyed CSOs experienced notable changes related to funding in the recent past, as almost half of them rated the funding opportunities as not stable in the previous 3 years. Furthermore, the respondents do not expect significant changes in the accessibility of financial sources in the near future, given that over 40% of them assess the potential for future funding in the next 3 years as declining (see Figure 9-6). Occasionally, respondents expressed more optimistic opinions, as they predict an increase of individual donations. This will go hand in hand with the overall economic growth in the country, and subsequently, with the rising incomes of the citizens (Civil Society Survey, 2018).

FIGURE 9-6: HUNGARY - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 48

9.4. FUTURE PROSPECTS AND OUTLOOK

Hungarian experts, researchers and practitioners generally predict rather negative tendencies and little hope for improving the circumstances of civil society. In the previous study on civil society in CEE, the following future trends were identified (Kuti, 2017):

- The “colonization” of civil society as a result of increased government control;
- the perpetuation of the attacks against independent CSOs which share a critical view of the current government;
- the further limitation of already scarce financial resources;
- the adaptation of civic involvement, with a growing importance of both online and community-based involvement.

To a certain degree, the results of the Civil Society Survey demonstrate the continuation of these assumptions. The surveyed practitioners also raise the point of civil society being affected by government hostility. The government continues to question the legitimacy of CSOs, especially of those who do not share its views and interests. Consequently, CSOs will find it increasingly difficult to secure funds – a development that will possibly jeopardize the existence of some organizations, if they do not succeed in gaining access to alternative funding sources. In addition, the media (or at least the media organizations under government control) is perceived as hostile towards CSOs, and therefore, as an influential factor in the weakening of the civil society. In contrast to these rather pessimistic predictions, some CSOs see the recent turbulent developments as a chance to renew the feelings of national identity in Hungary. Furthermore, as some CSOs view the current situation as a possible turning point for the future development of civil society, they believe it also provides them with the opportunity to change the legal environment for the better by demanding more direct and transparent involvement and the monitoring of the processes. For instance, the deterioration of the legal and political environment can stimulate the emergence of bottom-up initiatives (Civil Society Survey, 2018). Finally, the question emerges – and many authors try to find an explanation (e.g. Ágh, 2016; Antal, 2016; Nagy, 2015; Zsolt, Péterfi, 2016) – why this hostility manifested by the political power against civil society is a necessary element of the system. Is it an action or a reaction? What lies behind it?

Thus, for practical survival, the CSOs have to adapt to the changed rules of the game and can only exercise the “*ius murmurandi*” (right for murmuring), reluctantly accepting the situation. At the same time, there is hope for and expectation of developments that are more favourable, and in recent years, the emergence of some civilian movements has been witnessed (Kuti, 2016). Nonetheless, a continuing sense of uncertainty marks the future prospects of civil society in Hungary.

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10. Kosovo

Valmir Ismaili

Overall, the Kosovan civil society sector reflects the challenges and obstacles that other segments of society face as well. While the country has a good legal framework on paper, recent attempts of changing (or recent changes to) the law are impeding the progress achieved so far. For instance, in 2018, the debate on the public beneficiary status created uncertainty among CSOs, particularly with regard to their ability to secure funding. While the Kosovan civil society organizations mainly engage in democratization, rule of law, anti-corruption, education and gender equality, there is still a lack of profiling and strategic prioritization of their work. Instead, CSOs are strongly oriented towards the strategic priorities of their (potential), primarily foreign, donors. Although there was an increase in public funds available for CSOs in 2018, legal regulations for CSOs have been increasing. However, the procedures for gaining access to public funds remain opaque and bureaucratic.

10.1. INTRODUCTION

After gaining its independence from Serbia over ten years ago, a steady progress in the democratization process as well as in the process of rapprochement to European principles has marked the recent development of Kosovo. For instance, the constantly improving democracy score according to the Freedom House “Nations in Transit” evaluation reflects this positive development. Alongside Montenegro, Kosovo is the only country in the Balkan region that registered an improved score compared to the previous year (Freedom House, 2018a). This finding is further backed by the USAID CSO sustainability index that acknowledges an improvement in the legal environment for CSOs in recent years (USAID, 2018). Presently, Kosovan CSOs operate freely, at least on paper, given that the current legal framework does not allow for political or business interferences in the work, operations and activities of the civil society. At the same time, the implementation of the legal framework is often deemed as problematic. The recent proposed amendments to the Law on the Freedom of Association in NGOs will further enhance these issues, if they are approved. Other recent events that had a destabilizing effect are unexpected changes in political leadership, as it was the case in 2017, when snap parliamentary elections took place after the dissolution of the parliament due to internal tensions. Even under the leadership of the new parliamentary coalition, the political situation remains unstable (Freedom House, 2018b).

An example of the challenges CSOs are currently facing refers to the possibility of distributing CSO capital to other organizations than CSOs. Another change that could negatively affect CSOs concerns the potential loss of the public beneficiary status, which is tied to tax and fiscal exemptions that CSOs currently enjoy for specific activities. This development further aggravates the already limited ability of Kosovan CSOs to access funding.

Kosovo: Key facts

Population: 1,815,606 (UNDP, 2019)

EU membership status: no

GDP per capita: 4,450 USD (IMF, 2019)

Number of CSOs: 9,545 (KCSF, 2018a)

Number of active CSOs: approx. 1,000 (KCSF, 2018a)

Number of active CSOs/1000 citizens: approx. 0.6 (UNDP, 2019; KCSF, 2018a)

Most developed fields of activity: democratization; rule of law; anti-corruption; education; gender equality

Population share engaging in volunteering: 38.5% (2017) (Sutaj, Vidačak, 2017)

The funding situation of CSOs is challenging, as there is a decreasing trend in almost all types of funding, with the exception of public funding. Still, this support is minimal and mainly based on short-lived projects. However, the access to foreign funding, which is the primary financing source for the majority of the CSOs, is prevented by the recent legislative changes.

Which organizations participated in the Civil Society Survey?

According to the Kosovan Civil Society Index (2018), as of 31 December 2017, there were 9,545 registered CSOs, out of which 95% were associations and 5% foundations. The majority (85%) of the CSOs participating in the Civil Society Survey (2018) was registered after the war of 1999, only 15% are older than 20 years. When it comes to the fields of activity, 30% work in the fields of law, advocacy and politics, 21% of the surveyed CSOs work in education and research, 12% in social services, 8% in culture and arts, while only 2% each engage in international activities, environmental and animal protection as well as the health sector. A mere 1% is mainly active in the fields of sports and recreation, philanthropic activities and business and professional association. None of the surveyed organizations declared social clubs, religion or development and housing as their main fields of activity. The majority of the CSOs engage in combined services, advocacy and community building activities with 79%, followed by a combination of services and advocacy with 13%, while no CSO engages solely in services or community building.

In terms of professionalization, 39% of the surveyed CSOs report a medium degree of professionalization, 31% a low and 30% a high degree of professionalization. However, in general, Kosovan civil society organizations continue to have more volunteers than employees (KCSF, 2018a). This indicates that professionalized organizations are somewhat overrepresented in this sample.

51% of the surveyed CSOs are active at the national level, 44% at the local and regional levels and only 5% at the European level. The majority is equally present in urban and rural areas with 72%, while 28% are active mainly in urban areas and 7% mainly in rural areas. Among the most important funding sources are foreign donations (81%), while sources from domestic foundations are the least accessible source of income (12%). EU funds are accessed by 55% of the respondents and government funds by only 34%.

In 2017, 35% of the surveyed CSOs had total revenues between EUR 100,000 and 1 million, 23% between EUR 5,001 and 50,000, 12% up to EUR 5,000 and only 7% had revenues greater than EUR 1 million. Compared to the structure of the Kosovan civil society sector as a whole, it becomes apparent that mainly larger and well-established organizations participated in the Civil Society Survey (2018). According to the Kosovan Civil Society Index (KCSF, 2018a) almost half of the active CSOs operate without any funds at all, and almost another quarter operates with a yearly budget of less than EUR 10,000.

10.2. POLITICAL AND LEGAL FRAMEWORKS

The current legal framework distinguishes two forms of civil society organizations: foundations (non-membership organizations) and associations (membership organizations). Foreign CSOs must register and meet the same specified requirements as domestic CSOs (Law No. 04/L-057, 2011). Overall, the registration of CSOs is quite easy in Kosovo, as organizations may apply for registration on the Ministry of Public Administration website and conduct the entire procedure online. The registration takes no longer than 60 days after the day of application. The authorities have the right to deny registration to groups that promote inequality.

All CSOs may apply for the public beneficiary status, which allows for tax and other fiscal exemptions on the condition that their income is used exclusively to further their public benefit purposes (it includes income derived from donations and grants). An NGO is taxed at the rate of 10% on income from commercial or other activities not exclusively related to its public purpose, which is

subsequently reduced by deductions directly related to the expenses of carrying out such activities. NGOs without public benefit status are taxed on their profits in the same manner as other legal entities (Law No. 04/L-057, 2011).

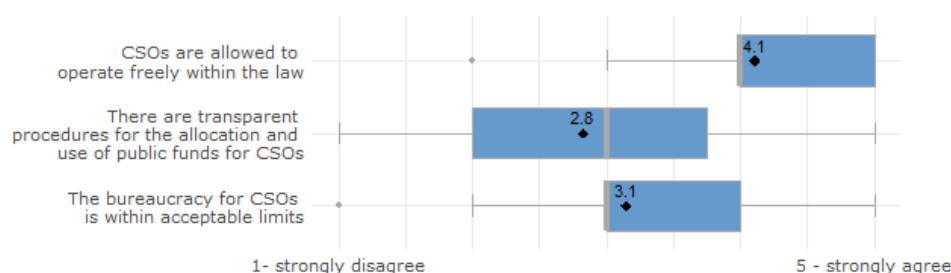
CSOs must file annual financial and programmatic reports in order to retain their public beneficiary status. The latter may be suspended, if a CSO files incomplete reports or does not maintain the requirements it fulfilled when it received the status. If a CSO's status is suspended or revoked, application is impossible for another 3 years (Law No. 04/L-057, 2011).

Kosovan legislation prohibits the distribution of any net earnings or profits of CSOs; and additionally, assets, earnings, and the CSOs' profits may not be used to provide direct or indirect benefit to any founder, director, officer, member, employee or donor. When it comes to the dissolution of CSOs, any assets remaining after the discharge of liabilities shall be distributed to another CSO with similar purposes, as identified in the organization's statute or through a decision of the organization's highest governing body. However, if no NGO is designated by either of these means, then the Government of Kosovo shall determine the CSOs entitled to receive these assets (Law No. 04/L-057, 2011).

The end of 2018 saw Kosovo facing a setback in its regulation of CSOs, as a draft of the Law on the Freedom of Association (Law No. 03/L-134) was passed in the Kosovan Parliament, which was considered alarming by the civil society. According to an analysis conducted by the Kosovan Civil Society Foundation (2018b), the main concerns seen in the draft are the following: a). It changes the conditions for distributing the NGOs' assets after termination by acknowledging legal entities operating in the private sector as eligible recipients. This poses a threat to the not-for-profit principles of NGOs, and therefore, this principle has been considered as unconstitutional and against the Judgment of the Constitutional Court KO 97/12. This is particularly worrisome, as the majority of the CSOs in Kosovo are funded by international donors, who wish to fund not-for-profit projects instead of businesses, so their funds may be endangered. b). The draft changes the rules for CSO termination, so that apart from insolvent CSOs, also inactive CSOs can be liquidated, with "inactive" being an un-specific term that is not legally defined. The wording has been challenged as arbitrary, as the interpretation of "inactivity" might allow for ungrounded decisions on the termination of CSOs at the will of governmental bodies and without any clear set criteria. c). Thus, this might restrict the constitutional right of CSOs to freedom of association. d). It increases the minimal number of persons required to founding associations from 3 to 7, and respectively, from 1 to 3 for establishing foundations. The addition of more requirements has been challenged as being in contradiction to the international practice in this area of law; e). It removes any tax and fiscal benefits for CSOs with public benefit status. Removing tax and fiscal benefits for CSOs will leave obligations for reporting on their activities, which is deemed as burdensome, while no incentives for CSOs are provided (KCSF, 2018b).

The surveyed practitioners believe that most CSOs operate freely within the framework of the law in Kosovo. On the other hand, they are more critical of the bureaucratic burdens for CSOs, however, they still assess them as being largely within acceptable limits (see Figure 10-1).

FIGURE 10-1: KOSOVO - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS



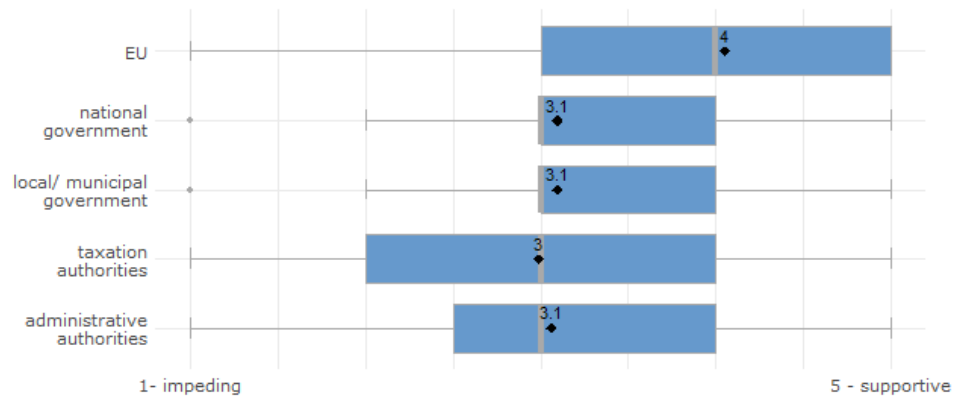
Source: Civil Society Survey, 2018, n = 82

After continuous civil society advocacy and because of the joint work between public officials, civil society representatives and international experts that lasted for two years, a regulation on public funding for NGOs was approved in 2018. It provides a system of financial support for CSOs by Kosovo's public funds. The document marks an important progress by setting up rules for this type of support, in accordance with the principles of transparency, meritocracy and full compliance with the legislation in force. This makes CSOs eligible to get funds, but also regulates the manner of distribution for these funds, instead of leaving it to the political will of the ruling political actors (Regulation on Criteria, Standards and Procedures on Public Funding of NGO's, 2017). However, serious concerns remain regarding the transparency of the procedures of allocation and the use of funds (see Figure 10-1). Further, a Law on Sponsorship in the fields of culture, youth and sports was passed in 2017, entitling sponsors of sports organizations to deductions of up to 30 percent on profit tax, while those sponsoring cultural events are entitled to a maximal deduction of 20 percent. The law defines both cash and in-kind contributions as deductible expenses. Income from sponsorship is not subject to taxation by the recipient (USAID, 2018).

However, there is still a need for legal changes in order to improve the legislation and particularly its implementation. In the Civil Society Survey (2018), the respondents stipulated the need for an improvement in legislation regulating particularly the tax and financial transactions that treat CSOs equal to corporations as well as in legislation regulating donations and sponsorship. The labor laws and especially maternity leave are further areas of law in need for improvement (Civil Society Survey, 2018).

The survey further showed that CSOs in Kosovo perceive the overall political environment for CSOs as neither hindering nor supportive, apart from the EU, which they rate as being largely enabling. The latter supports CSOs both financially and through engaging the national government to create a better environment for CSOs (see Figure 10-2).

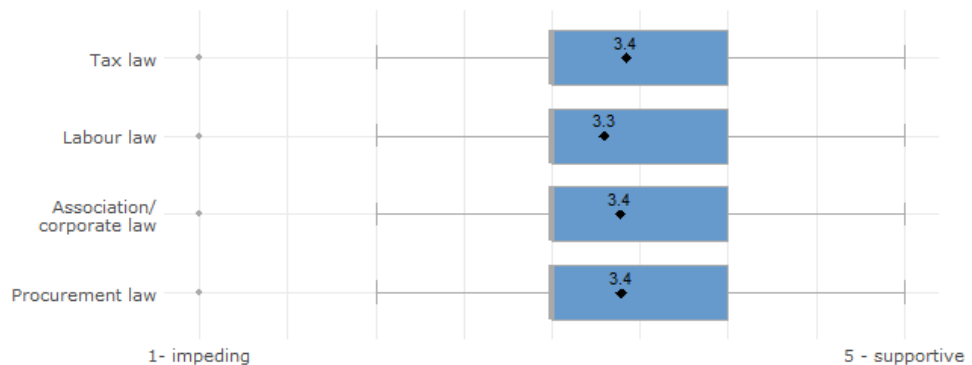
FIGURE 10-2: KOSOVO - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 78 to 84

The current legislation that directly affects the work of CSOs, such as the legislation on association, procurement, labor and tax, is perceived as rather supportive (see Figure 10-3). However, this would probably change significantly if the proposed draft of the Law on the Freedom of Association entered into force. Although the legal framework is rated quite positively, the majority of the surveyed CSOs believe that Kosovo's legislative system as a whole requires improvements, in particular when it comes to the implementation of the laws. Urgent and crucial changes need to occur in the corporate and taxation laws, the labor law and the sponsorship-related legislation (Civil Society Survey, 2018).

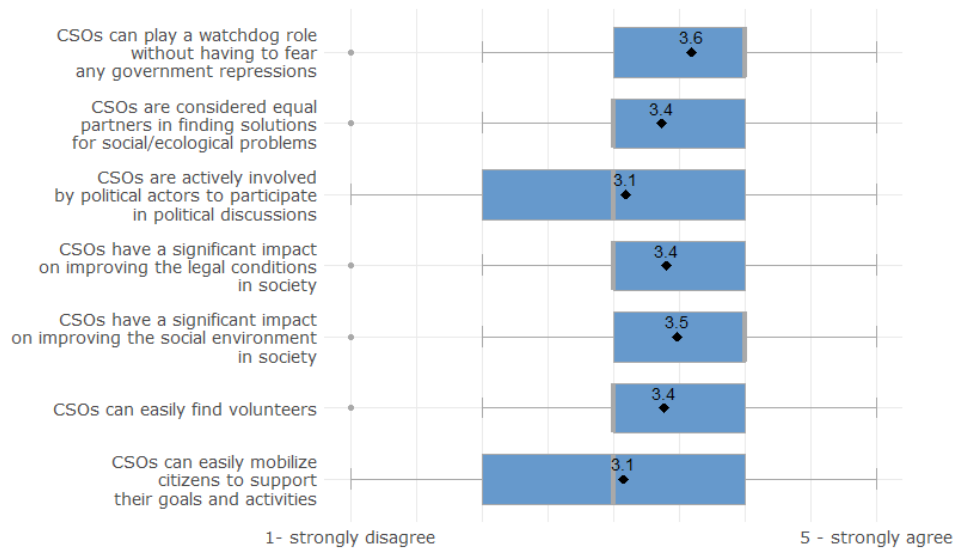
FIGURE 10-3: KOSOVO - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 75 to 83

In 2018, the Kosovan Civil Society Index noted a decrease in civil society involvement in the process of policy-making. The vast majority, 61.4% of the respondents, stated that they are not invited to public consultations by public authorities. About half of the respondents do not follow the process of drafting laws and policies (KCSF, 2018a). When it comes to civil society playing a watchdog role and being considered as an equal partner to the government, the CSOs who participated in the Civil Society Survey (2018) agree that civil society in Kosovo can fulfil this function quite freely. However, with relation to the involvement of CSOs in political discussions as well as to their ability to mobilize citizens, the estimations ranked between the highest and lowest points possible on the scale. This means that the experience of the surveyed CSOs differs significantly (see Figure 10-4). This is further backed by the Kosovan Civil Society Index (2018) data showing that civil society involvement in public consultations decreased during 2018 (KCSF, 2018a).

FIGURE 10-4: KOSOVO - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



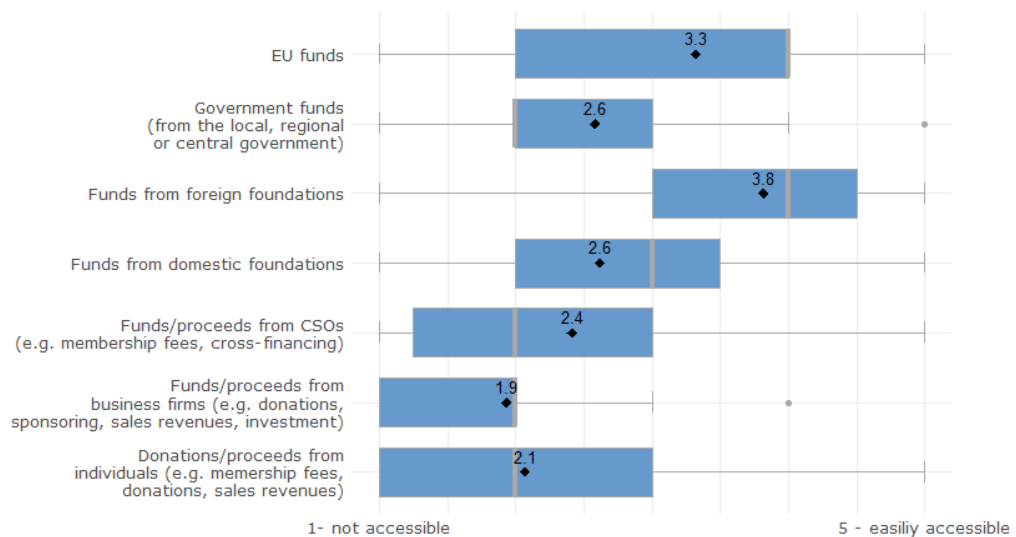
Source: Civil Society Survey, 2018, n = 75 to 81

10.3. RESOURCES

Kosovan civil society initiatives and activities depend heavily on foreign funding. The Kosovan Civil Society Index (2018) provides information on the financing of CSOs on a regular basis (KCSF, 2018a). Funding is predominantly received from grants of central state institutions, grants of local institutions, public procurement contracts, donations of private companies, foreign donations, and local individual donations. It is important to mention that the structure of funds changed considerably during the last three years, especially regarding foreign donations (KCSF, 2018a: 35f). Between 2015 and 2017, the share of organizations receiving foreign donations decreased from 38.6% to 28.7%. In contrast, more organizations were able to acquire funds from central state institutions; the share increased from 27.7% of the CSOs in 2015 to 33.6% in 2017 (KCSF, 2018a).

Funds from foreign foundations are still the most easily accessible funding source according to the Civil Society Survey (2018) (see Figure 10-5). Although, it has to be mentioned that larger organizations seem to be overrepresented in the sample. This could have led to a certain bias in the assessment of EU funds, as larger organizations generally find it easier to acquire EU funds due to the necessary infrastructure. The results of the Kosovan Civil Society Index (2018) confirm this as well: 73% of the organizations stated that they did not apply for European Union funds. As one of the main reasons, they mentioned difficulties faced during the application procedures. A considerable share of organizations (45.5%) did not receive any funds at all (KCSF, 2018a). The possibilities of cooperation with companies in terms of obtaining funds seem to be expendable, since only a small number of participants of the Civil Society Survey (2018) considered them as accessible (see Figure 10-5).

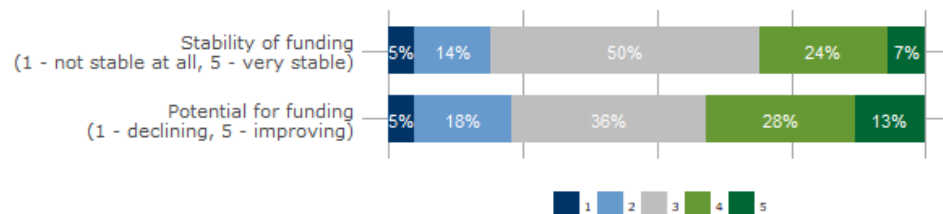
FIGURE 10-5: KOSOVO - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS



Source: Civil Society Survey, 2018, n = 70 to 83

About 31% of the surveyed CSOs stated that funding was stable over the past three years, while about 41% believe that the funding has an improved. Contrary, 23% believe that it will deteriorate in the future (see Figure 10-6). The lack of funding forced some non-governmental organizations to cancel their projects. In the Civil Society Survey, the CSOs emphasized the need for more structured and longer-term funding programs. Currently, short-term projects prevail, still requiring a considerable bureaucratic effort (Civil Society Survey, 2018).

FIGURE 10-6: KOSOVO - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 83 to 84

When it comes to resources, volunteers also have an important role in civil society. While CSOs overall have more volunteers than paid staff (KCSF, 2018a), according to the 2017 World Giving Index, only 6 percent of the respondents in Kosovo reported that they participated in voluntary action in 2016 - a decrease of 12% in 2014 and 2015 (CAF, 2017). In the World Giving Index (2018), Kosovo holds a score of 33%, and it is ranked 66th in terms of worldwide giving (CAF, 2018). Overall, the majority of volunteers in Kosovo are youths wanting to build their professional resumes and experience. Mid-level or senior professionals rarely engage in volunteering activities (USAID, 2018).

10.4. FUTURE PROSPECTS AND OUTLOOK

According to the USAID's CSO Sustainability Index, in 2017, Kosovo scored a total of 3.8 on a scale from 1 to 7 (sustainable to not sustainable). The surveyed CSOs believe that CSOs should engage more in fundraising in the next few years, as well as in preparing proposals for EU funds, which are considered very bureaucratic and requiring a certain set of skills (Civil Society Survey, 2018). This

also goes in line with the requests of the surveyed practitioners for donors, both foreign and public, to provide opportunities for smaller and out-of-the capital CSOs to continue their activity beyond the 6 months to 1 year grants. According to the survey, this highlights the fact that CSOs in Kosovo continue to be donor-dependent and adjust their work and activities to the donors' priorities (Civil Society Survey, 2018). Further, this affects the work of CSOs, as instead of focusing on strategic priorities, they only adjust to the interests of their donors. Therefore, only a few CSOs have clear profiles and identities, while the majority has no specified the types of activities they engage in.

A further trend the respondents expect to see in Kosovo is an increased focus on social services and on the development of public funding mechanisms in these areas. Moreover, there is a crucial need for the development of sponsorship and private donations in Kosovo, as foreign donations are expected to decrease in the future.

Currently, the proposed draft Law on Association in Non-Governmental Organizations (Law No. 03/L-134) represents the most alarming issue. If it passes the third reading, it will create a new burden for CSOs and will hinder their relationship with foreign donors, as the principle of non-transformation of CSO assets into private capital is one of the paramount international principles, which is now threatened by the amendments to this law. The changed regulations regarding the public beneficiary status and the possibility of biased interpretation of the inactivity of CSOs will further hinder the work of CSOs and, at the same time, increase the government's influence on civil society.

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11. North Macedonia

Nikica Kusinikova

The development of North Macedonia's civil society sector remains volatile and highly influenced by the external environment. After a difficult period of political crisis, the working environment for CSOs in North Macedonia improved in 2018, even though uncertainties persist. The sector still faces structural challenges in terms of building a strong constituency, practicing values, organizational capacity and financial sustainability. Despite numerous challenges in the last years, the sector was characterized by a stable cohort of professional, expert CSOs, emerging grassroots CSOs and informal civic movements. The CSOs have increasingly participated in the political field, jointly advocating for reforms and serving as a corrective to the new government. Nevertheless, CSO participation in policy-making still lacks a systematic approach by the institutions. A new infrastructure for the cooperation between the government and the CSOs was established and several policy measures related to taxation and service provision have recognized the specifics of the sector. Public funding for CSOs is still scarce and lacks transparency. The philanthropic infrastructure improves slowly but steadily, and is yet to be tapped by CSOs. Emerging social entrepreneurship is increasingly considered as an opportunity for CSOs providing service. The infrastructure of the sector is still improving, including the establishment of new resource centres and increased cooperation among CSOs.

11.1. INTRODUCTION

After the political turmoil in North Macedonia in 2017 and the formation of the new government, the political environment for civil society organizations improved in 2018. The public slander and legal prosecution of CSOs and activists decreased. The government increasingly recognized the expertise within the sector and opened up for dialogue with CSOs, resulting in an increased involvement of CSOs in the policy-making process.

The perspective of an accelerated EU negotiation process has created new opportunities for the sector. Important legislative and institutional processes, initiated in the second half of 2017, were finalised in 2018, such as the establishment of the first Council for Cooperation between the Government and the Civil Society Sector and the adoption of the Strategy of the Government for Cooperation with and Development of the Civil Society 2018-2020 as well as the Action Plan for its implementation (Government Unit for Cooperation with Non-Governmental Organizations, 2018). Adopted revisions of the tax legislation increasingly acknowledge the specifics of CSOs, and further reforms are under way. While financial sustainability remains a key challenge for North Macedonian CSOs, positive trends towards recognizing the role of CSOs as service providers have been noted in the social policy and public procurement legislative reforms. However, state funding remains insufficient for CSOs and lacks transparency and accountability with reference to the distribution of funds.

North Macedonia: Key facts

Population: 2,075,301 (State Statistical Office, 2017)

EU membership status: candidate country (since 2005)

GDP per capita: 6,200 USD (IMF, 2019)

Number of CSOs: 8,924 (Government of RM, 2018)

Number of active CSOs: 5,975 (Government of RM, 2018)

Number of active CSOs/1000 citizens: 2.88 (State Statistical Office 2017; Government of RM, 2018)

Most developed fields of activity: Non-formal education; research; social services

Population share engaging in volunteering: approx. 10% (estimation)

Which organizations participated in the Civil Society Survey?

To reflect the perceptions of CSOs concerning the key developments that influence the civil society sector, practitioners of over 50 CSOs participated in the survey. The organizations covered in the framework of this study largely reflect the diversity of CSOs in North Macedonia, although they do not constitute a representative sample. The majority of these 50 CSOs was established after 2000, although the sample also includes organizations that were established during the socialist system, before the country gained its independence from the Yugoslav federation. The lack of comprehensive official data on the sector creates challenges for the analysis of the main fields and modes of operation of the country's CSOs. The information available in surveys (e.g. Macedonian Center for International Cooperation, 2017) indicates that CSOs in North Macedonia operate in diverse sectors. This is also reflected in the sample of the Civil Society Survey, with a slight prevalence of organizations working in the fields of social services, education and research as well as law, advocacy and politics. Increased societal needs and the scarcity of financial resources over the years resulted in CSOs with multipurpose functions, i.e. most of them provide services and community building, while in parallel advocate for improving the legislation and environment in their field of work. This often creates tension in the organizations, in particular when establishing their strategic priorities.

The CSO sector in North Macedonia mostly consists of small-size organizations, largely relying on volunteer work. To put this into perspective, the whole sector employed merely 2,058 employees in 2017 (Government of RM, 2018: 2). In line with this, around 65% of the CSOs have budgets of less than EUR 2,500 per year (Ogdenovska, 2017: 11). By comparison, only 15% of the CSOs participating in the Civil Society Survey (2018) operate on yearly budgets of less than EUR 5,000. Almost half of the organizations represented in the survey have annual budgets ranging between EUR 5,000 and EUR 100,000 and one third between EUR 100,000 and 1 million. These findings indicate that mostly well-established, larger organizations chose to participate in the survey. Therefore, this category is overrepresented compared to the actual structure of the civil society sector in North Macedonia. While most of the CSOs are registered in urban areas, they predominantly operate on the national level as well as in the urban and rural areas.

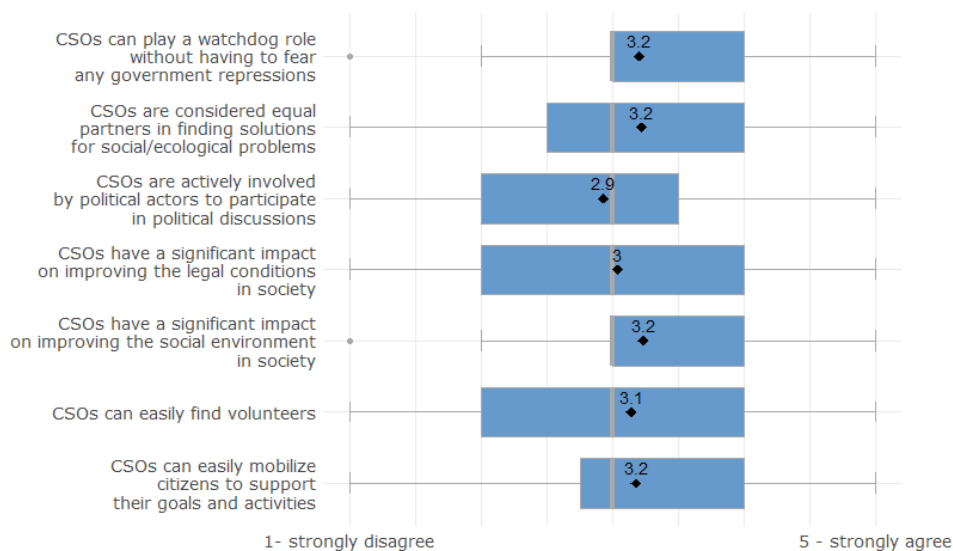
11.2. POLITICAL AND LEGAL FRAMEWORKS

The political environment significantly influences the viability of the civil society sector in North Macedonia. The political crisis in the process of forming the government after the elections in December 2016 and the turmoil in the first half of 2017 created an uncertain and hostile environment for CSOs. The smear campaigns in the media against CSOs and their leaders as well as the politically motivated inspections and the legal prosecution of several CSOs damaged the reputation and operations of the sector (USAID, 2018: 133; Ogdenovska, Trajkovska, 2018: 17-23). After the formation of the new government in mid-2017, the political environment for CSOs improved and public slander of CSO leaders and journalists decreased. Even though CSOs still face difficulties in ensuring their sustainability, as the political situation remains fragile and the economic base weak, the new context presents opportunities for an accelerated development outlook.

The new government expressed an openness for dialogue with and the involvement of CSOs in policy reforms. Many CSOs used this opportunity and accelerated their advocacy activities in numerous areas such as social welfare, youth, health, taxation, public procurement and corruption. The CSOs consider the EU as a key partner in creating a constructive political environment and in promoting common values. The CSOs' involvement ranged from participation in policy drafting working groups to public hearings in the Parliament, wider cross-sector consultations and memorandums of cooperation. Nevertheless, the participation of CSOs in the policy-making process remains highly dependent on individual political will and on the commitment of high-level public officials; and it lacks consistency and a systematic approach. A certain level of informality in the consultation process and

in the transfer of expertise exists due to the mobility of professionals between CSOs and the new government. Even though the Regulatory Impact Assessment¹⁸ is mandatory, 77% of the citizens and 72% of the public sector employees are not familiar with it (Ogdenovska, Trajkovska, 2018: 43). This heterogeneous picture regarding the cooperation between CSOs and the political actors provides a possible explanation for the diverging opinions of the respondents to the Civil Society Survey (2018) concerning their ability to influence political processes as well as to trigger social and political change. As Figure 11-1 shows, whereas the responses to the several questions referring to the CSOs' freedom of expression scatter, they meet on the median mark "3" for all questions.

FIGURE 11-1: NORTH MACEDONIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs

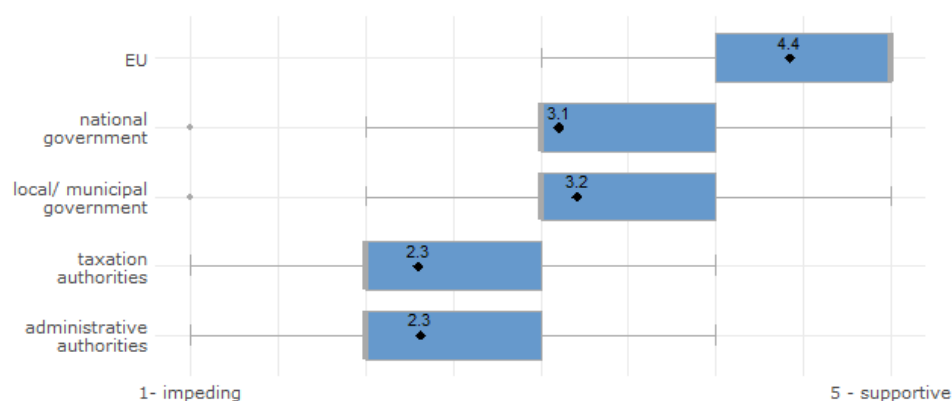


Source: Civil Society Survey, 2018, n = 55 to 56

In 2018, the institutional framework for the cooperation between the government and civil society improved. After an extended process of drafting a formal decision and wide consultations with CSOs, the first Council for Cooperation with and Development of Civil Society Sector was constituted as an advisory body to the government. It is a cross-sector body consisting of 16 CSO representatives and 15 representatives from key public institutions. The government also adopted the new Strategy for Cooperation with and Development of the Civil Society 2018-2020, drafted together with the CSOs based on strategic documents developed by the wide networks of CSOs (Ogdenovska, 2017: 41). These developments possibly account for the largely positive assessment of both the national and local governments by the surveyed CSOs (see Figure 11-2) and possibly also for the positive perception of the ability to operate rather freely within the legal framework (see Figure 11-3).

¹⁸ The Regulatory Impact Assessment (RIA) is an instrument that improves efficacy and evidence-based policy-making. It was officially introduced in order to enable a policy development based on local needs and mandatory consultations with the stakeholders.

FIGURE 11-2: NORTH MACEDONIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS

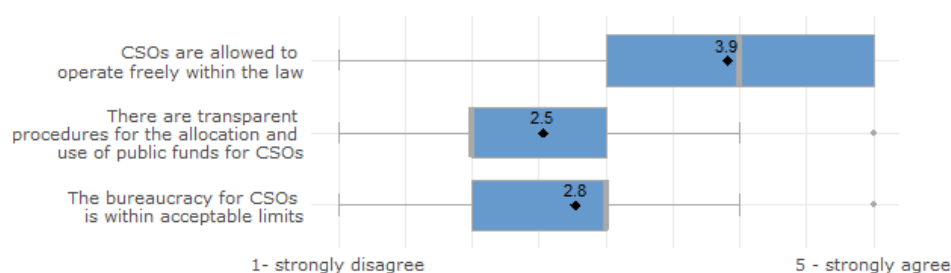


Source: Civil Society Survey, 2018, n = 56 to 58

The legal environment for CSOs remained challenging, in particular the tax legislation. Small CSOs (which represent the majority of the sector (Ognenovska, 2017)) are not familiar with the legislation, while the ambiguities in its implementation create legal uncertainty. The Law on Associations and Foundations adopted in 2010 is considered adequate and does not impede the registration and functioning of CSOs, however, certain aspects of the law such as the public benefit status of organizations are still not functional and only three CSOs have obtained the public benefit status so far (Government of RM, n.d.). While the public benefit organizations (PBO) are subject to additional requirements for accountability and reporting, the law does not provide any tax or other benefits for the PBOs. Thus, the interest among the CSOs is low, which was also notified by the Commission for PBOs.

In addition, the legislation in other fields of law does not take into consideration the specifics of the sector and stipulates equal treatment of profit and nonprofit entities, which hinders the functioning of CSOs. This was in particular the case with the tax legislation, where the treatment of CSOs was equal to that of large companies. Nevertheless, over eighty CSOs organized in the informal network for financial sustainability have submitted tax law amendments and comments to existing proposals to the Ministry of Finance (Konekt, n.d.). This resulted in several changes, which for the first time reflect the particular character of the CSOs. At the end of 2017, the law on personal income tax was revised in order to waive the tax on travel expenses for the participation in activities organized by CSOs. In 2018, the Law on Profit Tax (no. 112/14, 129/15, 190/16, 248/18) introduced specific articles for CSOs providing that: (a) CSOs are not subject to profit tax except when they conduct a certain level of economic activities; (b) CSOs' sources of income are not taxed, thus elevating ambiguities; and (c) income from economic activities of over 1 million denars (approx. EUR 16,000) will be taxed with 1% profit tax on the income exceeding this threshold. The law on donations and sponsorship in public activities provides tax incentives to individuals and companies donating to CSOs, however, the administrative procedure remains burdensome and does not stimulate donors to utilise the tax benefits. In addition, the law does not make a clear distinction between profit and nonprofit recipients. The new government has showed openness in revising the law and the process is under way. This could be one of the aspects explaining the relative dissatisfaction of the respondents to the Civil Society Survey (2018) with the considerable bureaucratic burdens associated with conducting CSO activities (see Figure 11-3).

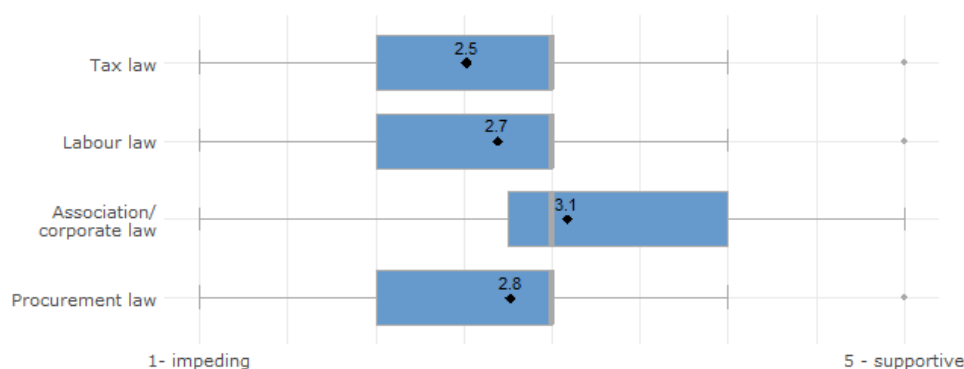
FIGURE 11-3: NORTH MACEDONIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOs



Source: Civil Society Survey, 2018, n = 58

An analysis of the law on accounting for nonprofit organizations (Smilevski, Atanasovska & Tortevski, 2018) demonstrated a need for revisions and was included in the government's strategy. The Labor Law, while applicable to CSOs, does not provide sufficient flexibility of the working arrangements to reflect the specifics of CSO work. Nevertheless, in 2018, the Ministry of Labor and Social Policy for the first time piloted active employment measures targeting CSOs and social enterprises. The draft Law on Public Procurement (in parliamentary procedure at present) introduces reserved contracts for nonprofit entities that provide health, culture and social services as well as for those that employ people from vulnerable groups, in line with the EU Directive. The surveyed CSOs largely shared the public opinion, rating the Association Law as most supportive for the activities of CSOs. The tax legislation is perceived as the most problematic field of law in relation to CSOs (see Figure 11-4).

FIGURE 11-4: NORTH MACEDONIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 51 to 56

11.3. RESOURCES

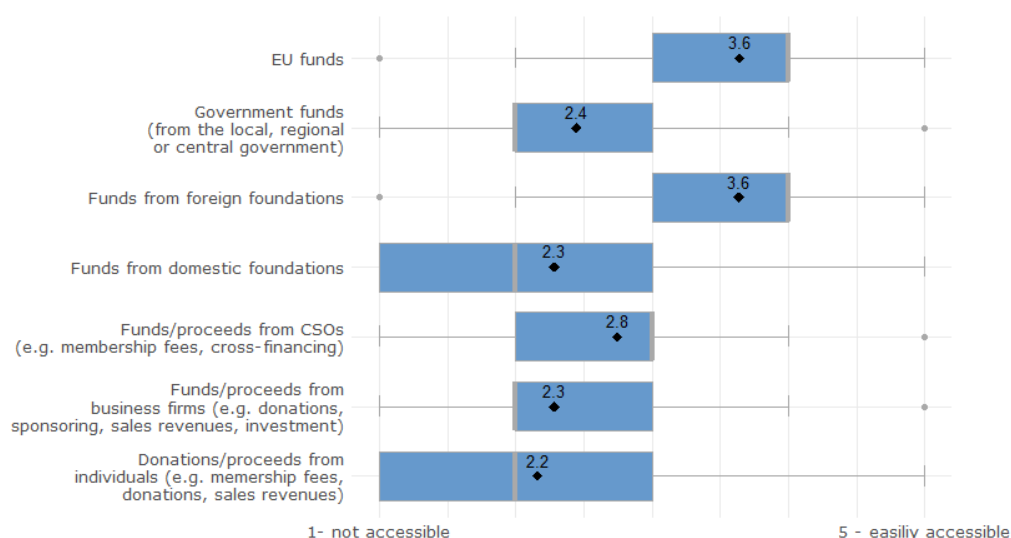
The financial sustainability of CSOs remains one of the key challenges in terms of diversification, flexibility and stability of funding for CSOs as well as their ability to uphold a mission focus rather than being donor-driven. The most prominent and accessible source of funding for North Macedonian CSOs are foreign donors, including the European Union. They still provide a sufficient range in terms of areas of support, including institutional grants. Over the years, many professionalised CSOs developed their skills in order to be able to exploit this resource. Nevertheless, most of the foreign donor funding is project based with limited timeframes, which does not allow the organizations to plan on a long-term basis and to allocate funds to build stable, sustainable programs (Kusinikova, Rosandic, 2017). This perception is mirrored by the results of the Civil Society Survey (2018), where funds from the EU and from foreign foundations are rated as the most easily accessible funding opportunities as well (see Figure 11-5). This situation also affects the CSOs' human resources, which are often project-bound as well, limiting the chance of professional careers in the sector (Kusinikova,

Mirchevski, 2015). In the last couple of years, the EU and other donors have focused efforts on re-granting programs, channelling small funding to local grassroots organizations, which on the one hand, provides valuable resources and on the other hand, builds the capacity of small CSOs to absorb donor funds and grow.

The public funding of CSOs has not improved significantly over the years and is insufficient for the needs of the sector. The central government has not allocated the annual funds for the support of CSO projects in two subsequent years. Funding on the local level by the municipalities is also modest, totalling around 4.4 million EUR in 2016, out of which 67% were transferred to sports clubs (Center for Civic Communications, 2017: 4). Positive trends in sectoral institutions include the Agency of Youth and Sports that has significantly increased its budget and developed criteria for youth CSOs. In addition, the Ministry of Labor and Social Policy has increasingly acknowledged and financially supported the social services provided by CSOs. However, the systematic acceptance of services provided by CSOs is yet to be developed and the services remain heavily subsidized by foreign donors. The biggest concern in relation to the public funding is the lack of transparency in the process of funds allocation and of accountability in the use of public funds. Public calls for bids with developed procedures are rare among public institutions and information on supported CSOs is not easily accessible. 64% of the municipalities allocate funds without open calls and 61% without any written procedure or criteria (Center for Civic Communications, 2017: 5). The surveyed CSOs also share this opinion, and thus, rate government funds among the less accessible funding opportunities in the sector (see Figure 11-5).

While a potential for individual and corporate philanthropy exists, CSOs consider this resource difficult to access (see Figure 11-5). Even though around 30% of the CSOs reported income from these sources, they rarely constitute significant portions of their annual budgets. In recent years, there have been positive trends in companies to recognize CSOs as potential partners and the infrastructure for individual giving has improved with the first donor circle, crowdfunding initiatives etc. However, CSOs often lack capacities, and local fundraising is not a priority for the majority of the CSOs. While 50% of the companies in North Macedonia donate during the year, only 10% receive requests from CSOs (Karajkov, 2014), and 59% have never cooperated with a CSO (Karajkov, Dimitrovska, 2018). Most of the corporate support goes to humanitarian and socially related causes as well as to sports and culture, while issues related to human rights and democracy pass unnoticed by the corporate sector. A similar trend can be observed with reference to individual giving, which is dominated by charity for individual medical treatments.

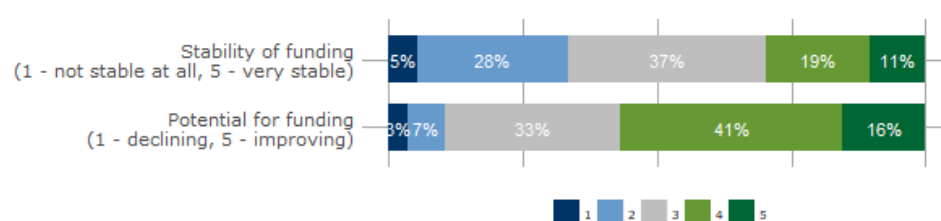
FIGURE 11-5: NORTH MACEDONIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOs



Source: Civil Society Survey, 2018, n = 52 to 58

Social entrepreneurship is in its early stages of development and raises increased interest among the CSOs, the state and the donors (Kusinikova, Rosandic, 2017). Policies and sustainable support infrastructure are emerging but they are yet to be developed in order to make use of the full potential of the solidarity economy. However, this could constitute a future opportunity for the sector. As illustrated by the results of the Civil Society Survey (2018), the vast majority of the surveyed practitioners are optimistic concerning the positive development of funding opportunities for CSOs. Although the past did not show positive results regarding the stability of funding, only 33% of the respondents assessed the situation as not stable (see Figure 11-6). The hopeful spirit of CSOs could be a consequence of North Macedonia's current status as a candidate country for EU accession, which would open the doors for new funders and investors from abroad.

FIGURE 11-6: NORTH MACEDONIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 57 to 58

11.4. FUTURE PROSPECTS AND OUTLOOK

The North Macedonian civil society sector remains moderately developed and its outlook will inevitably depend on the socio-economic context as well as on internal factors. CSO representatives participating in this study identified several trends that will have implications on the development of the sector in the next five years.

The political developments, in particular the resolution of the longstanding “name issue” with Greece¹⁹ and the accelerated EU negotiation process, will have positive effects on the work of CSOs. On the one hand, as the government needs increased expert support, it creates opportunities for the appreciation of the sectors’ expertise and for an increased CSO-government cooperation towards the common goals of public interest. On the other hand, the government will also accelerate the CSOs’ advocacy efforts and the watchdog function in order to ensure substantial reforms. At the same time, it is expected that the EU negotiation process will further increase the role, size and availability of EU funds in the country (although already significant), while replacing some of the other traditional donors such as USAID. Even though this presents an opportunity for the further professionalization and growth of the sector, it might lead to the concentration of resources on smaller groups of organizations. It will require careful strategies by the EU as well as by the government to address and mitigate this challenge by developing targeted funding strategies and approaches for smaller organizations. The government has committed to provide funding for EU projects, which, if implemented, could significantly boost the CSOs’ access to EU funds (Government of the Republic of Northern Macedonia, 2018: 9).

The demographic trend of increased emigration and brain drain, in particular among young people, which has already affected the corporate sector, is also expected to influence the future prospects of the labor force in CSOs. Even though CSOs are small-scale employers, they mostly rely on an employee and volunteer base consisting of highly educated and proactive young people. This trend is particularly visible in smaller communities, where emigration is coupled with internal migration to Skopje (Civil Society Survey, 2018).

Concerning financial sustainability, the trend could shift towards local fundraising and service provision/social entrepreneurship to build a more stable income base (Civil Society Survey, 2018). The Sustainable Development Goals and the Social Responsibility Agenda are placing increased pressure on the companies in North Macedonia to invest in the communities and to engage in solving societal problems. A potential NATO membership and the EU accession process are expected to bring new investments and increased wealth into the country, thus improving the potential funding base.

On the demand side, CSOs increasingly realize the potential of collaborating with the business sector. There is an unexploited potential in individual philanthropy, which, if cultivated, can lead to a stable base of loyal supporters and improve the CSOs’ constituency base and legitimacy in the long-term. The trend in increased financial independence could also move towards social entrepreneurship for the service providing CSOs, in particular in the fields of social services, culture, health etc. Further support in terms of tax benefits, philanthropic infrastructure and full decentralization of public services is of high importance in order to help the sector to develop, become more resilient and achieve tangible social change (Civil Society Survey, 2018).

The consolidation of the internal capacities and performance of the sector is named as another major tendency. In the last couple of years, the CSOs increasingly realized the benefits of networking and joint advocacy, and this trend is expected to continue. As the recent Civil Society Index conducted by the Macedonian Center for International Cooperation (unpublished report) identified a decrease in practicing values among CSOs, the sector will need to improve its self-regulation mechanisms and ethical codes, transparency and accountability in order to improve its reputation and public trust.

¹⁹ For a long time, the political dispute with Greece over the name of the country has blocked the country’s accession to the NATO and the EU and influenced the socio-economic development prospects of the country. Recently, the name of the country was officially changed from the Republic of Macedonia to the Republic of North Macedonia.

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12. Moldova

Tatiana Cernomorit

CSOs constitute one of the key players that contribute to the development of the Moldovan society. The year 2018 has set in motion some positive legal changes for civil society. Recent developments in the civil society sector include the adoption of the Civil Society Development Strategy for 2018–2022. In addition, the draft law on nonprofit organizations was approved in the first reading in Parliament. Currently, CSOs are mainly involved in education, sustainable development, human rights and social assistance. The predominant source of funding for CSOs in Moldova are foreign donors. Still, an increase of the governmental funds allocated to CSOs is registered. Furthermore, the impact of the 2% designation mechanism is on the rise and it has a positive impact on the relationship with the constituents and/or the community. Still, the practitioners that participated in the Civil Society Survey (2018) as well as international organizations are highly concerned by the influence of politics on the activities of CSOs and by the fact that advocacy activities have led to difficulties in the dialogue between CSOs and public officials. This development sends alarming signals across the system, and as a result, weakens civil society movements. Additionally, CSOs fear that the political situation in the country will influence the situation of non-governmental organizations and that there will be a decline in the quality of dialogue between the government and the independent and critical civil society.

12.1. INTRODUCTION

Civil society organizations (CSOs) are important actors in the Republic of Moldova. In February 2019, there were 12,390 CSOs registered in Moldova at the Public Services Agency, showing an increase of 737 from December 2017 (according to the State Register of NPOs, 2019).

Presently, democracy is under scrutiny in the Republic of Moldova, as also indicated by the participants to the Civil Society Survey (2018). This became more obvious in the summer of 2018, after the cancellation of the local elections in Chisinau by Moldova's Supreme Court, because of the violations of the country's campaign law by the winner and another candidate. At the same time, the government started to exert more pressure on active civil society organizations that have a critical view of government actions. Another group of CSOs currently facing difficulties in Moldova are human rights defenders.

The Republic of Moldova is still torn between East and West, and many of the decisions concerning different sectors of society, including the civil society sector, are influenced by politics. The year 2018 was marked by the preparations of all parties, including extra-parliamentary parties, for the parliamentary elections in February 2019. For the first time, the mixed electoral system was implemented, with 50 single-member constituencies with 50 seats and 51 members of parliament elected by party lists. After the parliamentary elections on 24 February 2019, mainly three parties entered

Moldova: Key facts

Population: 3,547,500 (NBS, 2018: 8)

EU membership status: no

GDP per capita: 3,400 USD (IMF, 2019)

Number of CSOs: 12,390 (according to the State Register, 2019)

Number of active CSOs: 25% of the total number (estimation)

Number of active CSOs/1000 citizens: 1.9 (Parliament of Moldova, 2018a)

Most developed fields of activity: education; sustainable development; human rights; social assistance (USAID, 2018: 142)

Population share engaging in volunteering: 13% (CAF, 2018: 34)

the parliament. Potential coalitions are still uncertain. If the next parliament fails to form a governing coalition within 45 days after the election results, the president will dissolve the legislature and call new elections.

Amongst the most important events of 2018, which contributed to shaping the CSO sector in Moldova, were the following:

- The Civil Society Development Strategy for 2018–2020 and the Action Plan for implementing the strategy were approved.
- The National Human Rights Action Plan for 2018–2022 (PNADO III) was adopted.
- The draft law on nonprofit organizations was approved in the first reading in parliament. The CSOs are satisfied with the draft law approved by the government (CRJM, 2018b).
- The registration of CSOs was transferred from the Ministry of Justice to the Agency of Public Services in the context of the modernization of the public services. The aim was to delimit the functions of policy development and its implementation.
- The state allocated a larger budget for the funding of CSOs, increasing it by about one quarter compared to 2017 (Institutum Virtutes Civilis, 2018: 7).

Which organizations participated in the Civil Society Survey?

The questionnaire was completed by 87 organizations. The main fields of activity of the organizations that participated in the Civil Society Survey (2018) are social services (29% of the organizations), law, advocacy and politics (23%), education and research (18%). At the same time, the Civil Society Development Strategy, citing previous research findings (CICO, 2016), highlights the main fields of activity as the following: education and training (50%), social services (41%), community development (37%), civic participation (26%), health and youth (19% each) and culture (17%). These findings suggest that prevalent fields of activity of CSOs in Moldova are sufficiently represented in the survey sample.

The majority of the organizations (83%) have multipurpose functions, including services, advocacy and community building. The majority of the respondents (66%) are active in relatively new CSOs that were founded after 2000, another 29% were founded between 1995 and 2000 and a mere 5% were established before 1995.

The main funding source of the participating organizations are funds from foreign foundations (80%), donations or proceeds from individuals (43%) and EU funds (39 %). These are followed by funds or proceeds from CSOs (29 %) and government funds (20%). Among other funding sources are funds or proceeds from business firms (19 %) and funds from domestic foundations (18 %). This is also characteristic for the civil society sector as a whole, given that around 80% of the CSOs in Moldova are mainly funded by external funding sources (CRJM, 2018a). The greater part of the organizations that participated in the survey (44%) had a total revenue of 5,001 to 50,000 EUR in 2017, followed by 23% of the organizations that had a revenue of 100,001 to 1 million EUR and 18% with revenues of up to 5,000 EUR. Only 3% of the organizations had a revenue greater than 1 million EUR. Therefore, the sample consists of a mix of mainly medium and large-sized CSOs, which, to a certain degree, also reflects the level of professionalization reported by the respondents: The shares of medium and highly professionalized CSOs are similar at 36% and 40%, respectively, while organizations with a low degree of professionalization are somewhat underrepresented (24%). More than half of the surveyed practitioners are very confident that their organization will still exist in 3 years (see Table 18-1).

12.2. POLITICAL AND LEGAL FRAMEWORKS

In the Republic of Moldova, the regulatory framework for the associative sector recognizes three distinct forms of CSOs: public associations, foundations and private institutions. The legal framework regulating the work of CSOs has registered some improvement in 2018. Among the most important policy documents adopted are the ones related to the development of civil society, with a particular focus on human rights movements and on social entrepreneurship. The association and tax laws recently benefitted from amendments as well, thus contributing to creating a more conducive environment for CSOs.

Following a more extensive process, the Civil Society Development Strategy for 2018–2020 and the Action Plan for implementing the strategy were approved in March 2018 through the Law nr. 51. The current strategy serves mostly as a continuation of this process and aims at improving the current status of implementation, as that the goals set in the preceding strategy remained for the most part unmet (USAID, 2018: 142). However, the implementation of the actions proposed in the strategy remains problematic because of the limited and uncertain funding (Macrinici, 2018: 4). The three main objectives of the strategy are:

- strengthening the regulatory and institutional framework of civil society participation in the development and monitoring of the public policy implementation;
- promoting the financial viability and sustainability of civil society;
- further developing the active civic spirit and volunteering (Parliament of Moldova, 2018a).

Another rapidly developing part of civil society concerns the human rights initiatives currently underway in Moldova. In May 2018, after two years of work and consultations, the National Human Rights Action Plan for 2018–2022 (PNADO III) was adopted (Parliament of Moldova, 2018b). The process of the elaboration of the PNADO III was sufficiently transparent, with members of CSOs contributing to its development. The document includes most of the points raised by the second Universal Periodic Review of Moldova as well as by the UN human rights treaty bodies (Forst, 2018). Despite the fact that CSOs consider the PNADO III as a document conducive to their purposes, again, its main concern is the ability to meet the financial requirements for realizing all the proposed actions. This may lead to difficulties in its implementation, as in the case of the previous PNADO or other preceding national human rights policies (Vieru, n.d.: 10). In spite of the long delay, the governmental decision on the creation of the National Human Rights Council was finally approved in February 2019 (Moldpres, 2019).

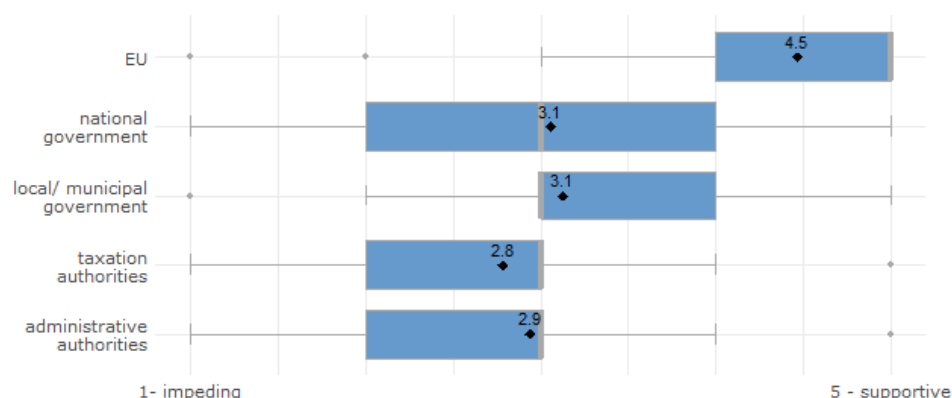
The draft law on nonprofit organizations was approved in the first reading in Parliament in March 2018 (Parliament of Moldova, 2018c). It was expected to go through a second reading in July 2018 before its approval, but no action was conducted so far. The civil society organizations are satisfied with the draft law approved by the Government because, among other measures, it streamlines the registration procedure, excludes the possibility of abusive registration refusals and does not include any limitations for external funding (CRJM, 2018b). Still, the CSOs are concerned that problematic provisions initially included in the draft law, such as limiting foreign funding and maintaining governmental control over the CSOs' work, might be included in the second reading without any previous consultations with them (Forst, 2018).

The new Law on Social Entrepreneurship was passed in November 2017 and entered into force in May of the following year. The main points regulated by the new law define social entrepreneurship as focusing on improving the conditions in society, especially for disadvantaged groups. Furthermore, the law differentiates organizations engaging in such activities from profit-oriented ones by means of the public benefit status (Parliament of Moldova, 2017). A major point included in earlier versions of the law but missing from the final draft addresses tax exemptions. Nevertheless, CSOs perceive the new law as favorable for the further development of social entrepreneurship in the country (USAID, 2018: 144). Another step forward in this regard occurred in November 2018, when the regulation on the organization and functioning of the National Commission for Social Entrepreneurship and the list of activities that constitute social entrepreneurial activities were approved

through the Governmental Decision nr. 1165. As mentioned in an official announcement, the process of selecting the members of the commission is currently underway (according to the Ministry of Economy and Infrastructure, 2019).

Figure 12-1 shows that in the opinion of the CSOs, the EU creates the most supportive political environment for civil society in the Republic of Moldova. On the other end of the spectrum are taxation and administrative authorities, which, by comparison, are rated more negatively.

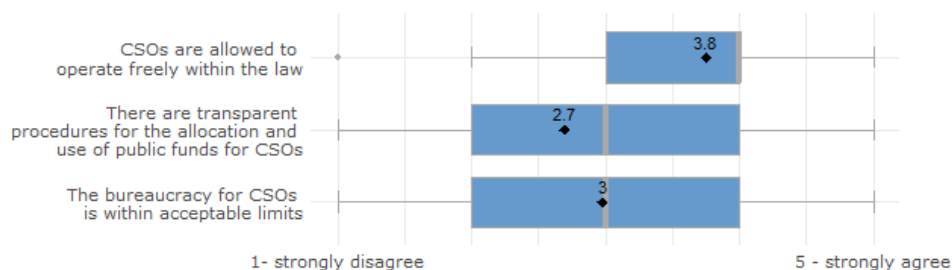
FIGURE 12-1: MOLDOVA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 86 to 89

As shown in Figure 12-2, based on the data collected from the practitioners of the Civil Society Survey (2018), the procedures for the allocation and use of public funds for CSOs cannot be considered as transparent. This is confirmed by a study of the Insititutum Virtutes Civils (2018: 35), which concluded that, although the legislation establishes the possibility of direct financing of CSOs by the state, it does not define clear rules for ensuring successful financing procedures.

FIGURE 12-2: MOLDOVA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOs



Source: Civil Society Survey, 2018, n = 89 to 90

CSOs are exempt from income taxes on grants, and some of their projects are exempt from VAT as well. One of the specific objectives of the Civil Society Development Strategy (Parliament of Moldova, 2018a) refers to improving the tax legislation applying to CSOs. In particular, tax issues, such as income tax and value added tax applying to non-commercial organizations, require appropriate regulation in order to make the development of CSOs possible.

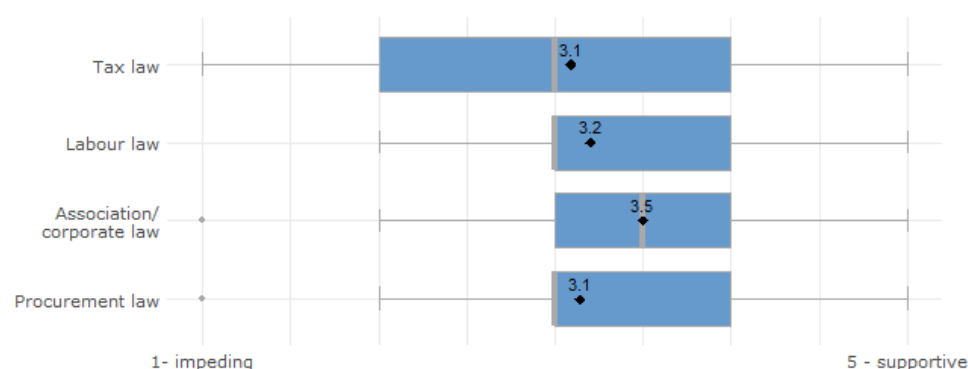
As previously mentioned, one of the targets set by the Civil Society Development Strategy for 2018-2020 (Parliament of Moldova, 2018a) refers to the strengthening of the financial sustainability of civil society in Moldova. In order to achieve this general objective, activities directed towards four specific objectives must be conducted. The first two specific objectives address supporting the civil society, on the one hand, by encouraging the private sector to contribute more (e.g. by redirecting 2%

of the income of natural persons), and on the other hand, by increasing the contribution of the public authorities to facilitate the CSOs' access to public projects (e.g. by means of social contracting). The latter two specific objectives address the creation of fiscal benefits for CSOs, firstly, more specifically, by establishing mechanisms meant to exempt organizations with public benefit status from paying VAT, and secondly, by acknowledging the necessity for a comprehensive reform of the fiscal legislation applicable to CSOs in general.

The procurement law also poses certain issues that affect the efficiency of the state's direct funding mechanism for CSOs (Insitutium Virtutes Civils, 2018: 35ff). Although the direct financing of CSOs is regulated by law, the specific procedures for distributing these funds are not sufficiently defined. The fact that direct financing is limited to a few fields of activities is problematic, although, the state de facto has a commitment to collaborate with the civil society in all areas of activities in need of further development. Another issue arises from the poor quality of some of the tenders submitted to calls for direct financing. The main reason for this issue is the lack of the CSOs' expertise in conceptualizing and implementing such projects, which, besides low success rates, presumably also lead to increased administrative burdens in these CSOs.

Concerning the main fields of law that are of importance for the activities of CSOs, Figure 12-3 shows that the satisfaction of the practitioners participating in the Civil Society Survey (2018) with all the mentioned legal areas is above average. Especially the association and corporate law is assessed as quite conducive to the activities of CSOs. Opinions diverge most concerning the supportiveness of the tax law towards the civil society, as demonstrated by the large spread of the data.

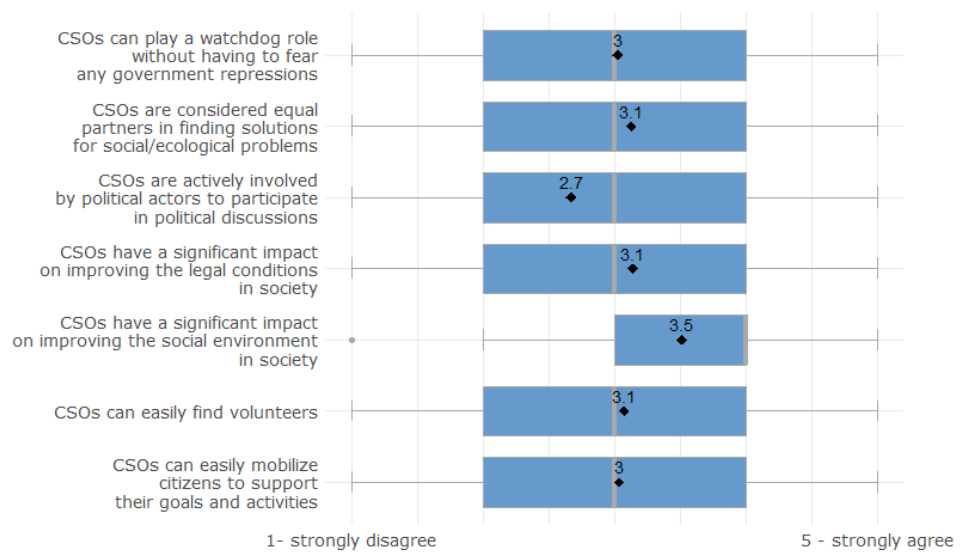
FIGURE 12-3: MOLDOVA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 82 to 88

By analysing the data from Figure 12-4, we can conclude an average level of the freedom of expression in terms of advocacy for CSOs. The participants in the Civil Society Survey (2018) expect that the political situation in the country will continue to influence the environment for non-governmental organizations. As a result, they predict a decline in the quality of the dialogue between the government and the independent and critical civil society in future years.

FIGURE 12-4: MOLDOVA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs

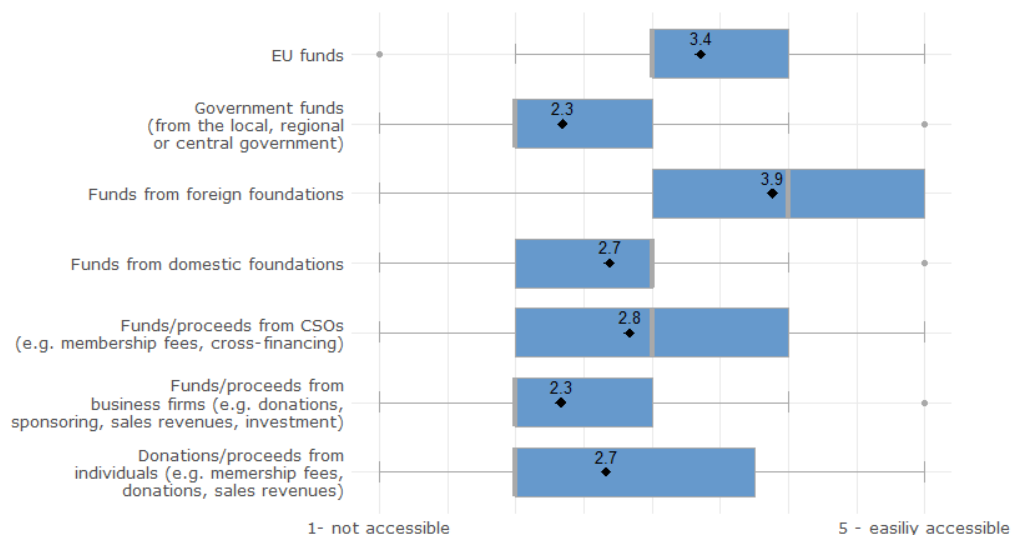


Source: Civil Society Survey, 2018, n = 85 to 88

12.3. RESOURCES

According to the participants in the Civil Society Survey (2018), funds from foreign foundations are the easiest sources to access for Moldovan CSOs (3.9 points on a scale, where 1 means “not accessible” and 5 means “easily accessible”), followed by EU funds (3.4), funds/proceeds from CSOs (2.8) as well as funds from domestic foundations and donations/proceeds from individuals (2.7 each). Among the funding sources that are most difficult to access are governmental funds and funds/proceeds from business firms (2.3 each) (see Figure 12-5).

FIGURE 12-5: MOLDOVA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOs



Source: Civil Society Survey, 2018, n = 85 to 90

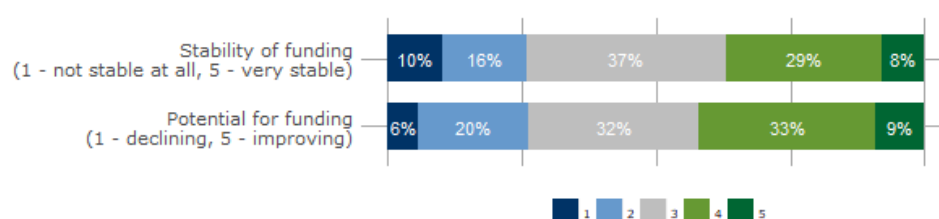
As mentioned above and presented in Figure 12-5, the result of the Moldovan practitioners’ survey show that government funds are among the funding sources most difficult to access by CSOs (Civil Society Survey, 2018). However, one of the goals of the Civil Society Development Strategy for 2018-2020, as part of the processes aimed at strengthening the financial sustainability of CSOs, is to increase the availability of public funding (Parliament of Moldova, 2018a). Currently, the CSOs’ state

funding is provided by state allowances/subsidies, by contracting/service agreements for the provision of services and by the allocation of grants for projects implemented by CSOs. The beneficiaries of the state allowances/subsidies are defined in the State Budget Law and include a few large organizations from the social sector that are active on the national level, representing mainly people with disabilities. As opposed to service agreements, which require clear return services on the side of the CSOs, grants for projects are nonrefundable. The latter are provided on a competition basis and supposed to support various activities according to the priorities announced by the public authorities. For Moldovan CSOs, grants are primarily available in the fields of education, culture and research, environment as well as health and social services (Institutum Virtutes Civilis, 2018: 6f). Recent research indicates that the legal mechanisms currently in place for the allocation of public funds are not transparent and incoherent and that these procedures should be planned more carefully, both from a strategic and from a budgetary perspective. Regular evaluations of these projects could also shed some light on their outcomes (CRJM, 2018a: 11).

CSOs continue to rely heavily on both public funders and private foreign funders for securing funds. Among the main contributors are the EU, large international agencies and foundations as well as various embassies. However, these funds are not equally accessible to all CSOs, and they prefer larger, well-established organizations (USAID 2018: 145f). Nevertheless, efforts aiming at the diversification of funding can be observed. For instance, beginning in 2017, the 2% designation mechanism from natural persons is a new source of income for CSOs. A positive trend in the number of CSOs that benefit from the 2% designation system was registered since its introduction: for 2019, 732 organizations are included in the list (23% more than in 2018), of which 634 (86%) are public associations, foundations and private institutions (non-commercial organizations), and 98 (14%) are religious entities (2procente, 2019). In 2018, 28,388 taxpayers chose to designate 2% of their income tax to CSOs, which exceeded the number of involved taxpayers by 34% compared to the previous year. Therefore, in 2018, a total of 5.6 million lei (about 288,000 EUR) were redistributed from the private income tax to CSOs, the amount being twice as high as in the previous year (2.8 million lei, equaling app. 144,000 EUR) (CRJM, 2018a: 14; 2procente, 2019).

The stability of funding is crucial for the future development of the CSOs in the Republic of Moldova. According to the Civil Society Survey (2018), only 8% of the respondents consider the funding in the previous 3 years as very stable and another 29% rate it as being rather stable. As future prospects go, around 42% (9% and 33% combined from the top two categories) of the surveyed CSOs predict an improvement of the potential for funding (see Figure 12-6).

FIGURE 12-6: MOLDOVA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 88 to 89

According to the participants of the Civil Society Survey (2018), for a better stability of funding, the CSOs should focus on organizational growth and development rather than on project-oriented support. The CSOs should receive long-term support, based on the needs of their organization and the community they are working in. There are a series of needs in society that are currently not covered by any actor, such as the development of support services for vulnerable groups (e.g. adults with disabilities, elderly people, poor people), economic empowerment programs for youths, social cohesion and social activism and programs for fighting corruption. Some of them cannot be achieved due to

the shortage of qualified human resources. Moreover, the financial dependency of NGOs on short-term donations translates into a fragmented and donor-driven approach in dealing with these needs.

12.4. FUTURE PROSPECTS AND OUTLOOK

The assessment by the surveyed practitioners can help us to understand the expectations, hopes and fears in Moldovan civil society and to formulate educated guesses about its future. The participants in the Civil Society Survey (2018) were asked to name trends that are expected to influence civil society in the next 5 years – both positively and negatively.

With respect to the political and legal environment framing civil society in general, the central public authorities and political parties are expected to have a negative influence on the activities of CSOs. More specifically, it is the gradual loss of democracy and the difficulties brought about by the current political situation that will presumably negatively affect the activities of CSOs in the future. These tensions will possibly lead to a decline in the quality of the dialogue between the government and the independent civil society with critical views of its agenda. Furthermore, these tensions could be reflected in the increased pressure on CSOs by introducing certain operational restrictions. These could, for instance, result in limiting the access of CSOs to public information or limiting them from assembling freely, a phenomenon also known as the “shrinking space” of civil society. These restrictions could also take the form of impeded access to foreign funds, which represent the most important current financing source for CSOs. Nevertheless, the high dependency on foreign donors and the limited access to government funds is highlighted as a negative trend. Another constraint to the development of civil society, especially with respect to public funding, could be the corruption of the public authorities and the political bias. These factors can significantly influence financing decisions, which might be taken either based on the personal relationship with the funding authority or based on the CSOs’ affiliation with a particular political party (Civil Society Survey, 2018).

Apart from the legal and political frameworks, demographic developments are thought to influence the development of civil society. The Republic of Moldova is highly affected by the by the so-called brain drain effect. This has a negative impact on the availability of human resources, as highly qualified experts and practitioners from different fields of activity, including from CSOs, choose to emigrate (Civil Society Survey, 2018). This trend is also confirmed in international reports. Thus, USAID (2018: 145) highlights the high staff turnover within CSOs, mainly because many people leave the country, either to study or to work in more developed countries.

On the other hand, more optimistic practitioners predict an increase in the social economy and social entrepreneurship activities resulting from the CSOs’ discovery of more diverse sources of funding. Firstly, this will be possible through the identification and use of innovative fundraising methods for CSOs, for instance by focusing on the economic empowerment of their constituents. In the future, CSOs are expected to be more embedded into their communities and, by intensifying their efforts to raise an awareness for CSO-driven topics with the general public, they will also be able to reach more donors. A specific example of a novel funding opportunity used more and more by CSOs is the 2% designation mechanism from private income taxes to CSOs. This system is expected to have a positive impact on the relationship and interaction between CSOs and their communities. Secondly, a stronger orientation of CSOs towards social entrepreneurship, as a possible solution for current financial shortcomings of the sector, is also predicted for the near future (Civil Society Survey, 2018).

Moving away from the development of the general environment, several trends are forecast by the surveyed practitioners, with a particular focus on the CSOs themselves. Due to limited fundraising skills and limited access to funds, smaller and less professionalized CSOs are perceived to be endangered in the long term. The lack of support provided by the government by means of public funding is mentioned as a possible reason eventually leading to the dissolution of such CSOs. In contrast, some respondents of the Civil Society Survey (2018) predict positive tendencies of CSO development.

At the same time, in order to ensure their sustainability, CSOs will need to develop their organizational capacity, either by developing internal strategies, plans and monitoring tools or by investing in trainings for their staff. Other means with the aim of raising capacity are engaging in social entrepreneurship as well as using the new platform for collecting funds (e.g. crowdfunding) or using new media tools. Therefore, the CSOs that managed to overcome the previously mentioned adversities will presumably become more professional, both in terms of internal management and in terms of addressing the relevant issues in their area of intervention. Thus, they will be able to increase their influence on their community and to actively contribute to shaping their relationships with the political actors by getting more involved in advocacy or policy-making. Therefore, the challenges that CSOs are currently facing can in fact turn out to be new opportunities for growth and for more specific profiling in the long run.

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13. Montenegro

Ivana Vujović

Montenegro, a candidate country for membership in the European Union, has a strong and vibrant civil society sector. The relationship between the government and non-governmental organizations is dynamic and depends on other political processes. For instance, local and national elections dominated the political debate in 2018. The resulting social and political turmoil also affected the civil society. The civil society sector is strong in Montenegro, but it is threatened by challenges of financial sustainability and by the shrinking space of public influence. One of the major drivers of progress are the CSOs supported by the European Union, embassies of Western countries and other bilateral donors. An important thing to mention is the good practice of the governmental support for CSOs active in the field of service provision.

13.1. INTRODUCTION

Throughout the entire year of 2018, the political debate in Montenegro was dominated by the presidential and local elections in 14 out of 25 municipalities (including the capital and two city municipalities). This process took place between February and the end of May. The presidential elections took place in April, and the former Prime Minister Milo Đukanović, leader of the ruling party, the Democratic Party of Socialists (DPS), won with the support of 53.9% of the voters (Montenegro National Election Commission, 2018). As a successor of the communist party, the DPS has been in power in Montenegro since 1991.

Montenegro: Key facts

Population: 622,359 (Eurostat, 2018)

EU membership status: candidate country (since 2010)

GDP per capita: 8,710 USD (IMF, 2019)

Number of CSOs: 4,602 (MJU, 2017)

Number of active CSOs: N/A

Number of active CSOs/1000 citizens: N/A

Most developed fields of activity: advocacy; community-building; social services delivery

Population share engaging in volunteering: 2% (Eurofound, 2016)

In view of the parliamentary election in October 2016, the main opposition parties the Democratic Front alliance, the Democrats, the SDP and the URA, have started a boycott by leaving the Parliament. The reason for this were concerns about possible election fraud and the refusal of the ruling party to organize early elections, with improved electoral framework and equal conditions for all contestants. By the end of 2018, the boycott was effectively ended by the SDP and the Democratic Front alliance, leaving the Democrats and the URA still pursuing this process (Balkan Insight, 2018).

From the perspective of civil society organizations, a few important processes took place. The Law on NGOs, last changed in 2017, has introduced a new model of financing NGOs from the national budget. Sports clubs need to re-register in accordance with the new Law on Sport (044/18) in order to begin their work and to be eligible for public funding through the national sports association. The Law on Youth (013/18) was also amended, allowing for the registration and recognition of youth CSOs. Following the amendments of the Law on Social and Child Protection, the standardization of social services provided by non-state actors started. A new law on religious groups is still pending.

The change of the advisory board of the National Broadcaster Radio Television of Montenegro (RTCG) was highly criticized by the civil society and international organizations, who are concerned about the RTCG losing its political independence. In 2018, the attacks on journalists continued.

Which organizations participated in the Civil Society Survey?

In total, 68 representatives of civil society organizations participated in the survey. The majority of the participant organizations (63%) were formed after 2006, the year when Montenegro regained its independence. Only 10% of participating organizations were founded before 1996. The survey mainly collected information from representatives of CSOs. The fields of activity of the participant organizations are predominantly education and research (28%), social services (27%) and law, advocacy and politics (23%), followed by environment and animal protection (6%), health and culture and arts (4% each) as well as international activities (3%). Out of 68 organizations, there were two business and professional associations and no religious organizations, although the most active ones were contacted.

Most organizations evaluate their degree of professionalization as high (40%), while the professionalization of the other CSOs is assessed as medium or low (30% each). The CSOs are using the whole spectrum of funding possibilities, but they rely mostly on government funds (62%), EU funds (54%) and funds from foreign foundations (47%). The participating organizations are mainly medium or small-sized with yearly revenues of up to 50,000 EUR (43%). Only 3% of the organizations have revenues greater than 1 million EUR. None of the organizations focuses on the rural area only, while 3 out of 4 (77%) are equally covering rural and urban areas. The majority are working on the national level (70%), and only 1 out of 4 are working at the local level. The majority of the respondents (59%) are very confident that their organization will still exist in 3 years' time.

13.2. POLITICAL AND LEGAL FRAMEWORKS

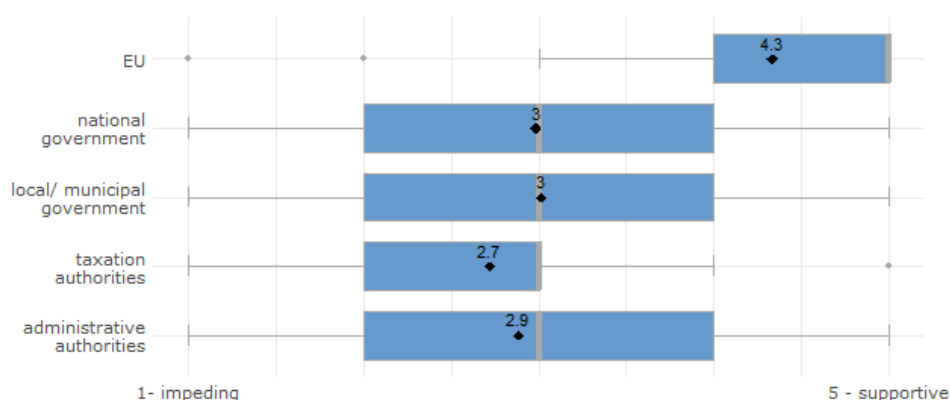
The legal framework for CSOs is still under development. Presently, the Law on Religious Groups, serving as a replacement to the Law on the Legal Status of Religious Communities from 1977 (No. 9/77 and No. 26/77), is still pending (NGO Public Advocacy, 2018, United Nations, 2013). The Law on Voluntary Work (No. 26/10) is perceived as an obstacle for the development of volunteerism. A legal and strategic framework that regulates volunteerism and social entrepreneurship is still missing. The Laws on Sports and Youth have been amended in 2018. The Law on Youth enabled the approval of youth NGOs, while the Law on Sports introduced criteria for the registration and funding of sports clubs and sports associations. It also introduced new regulations leading to the depolitization of sports in Montenegro.

The Law on NGOs of 2017 (No. 037/17) stipulates the new state funding model for NGOs and guarantees that a minimum of 0.3% of the Montenegrin budget is to be utilized for projects of NGOs. Furthermore, a minimum of 0.1% of this amount must be assigned to the protection of people with disabilities and another 0.1% to the co-funding of projects funded by the European Union. The new funding model that prescribes a decentralized system, with the ministries allocating the funds in accordance to the sector's needs, was first implemented in 2018. As the new model was established quite recently, there are no clear data on its success. However, it is possible to identify certain shortcomings, such as the ministries' disregard of the prescribed deadlines and the systematic favoritism of big organizations.

The political situation was challenging during 2018. The relationship between key CSOs and the national authorities is characterized by a lack of mutual trust. The survey's participants evaluated the supportiveness of the national state authorities with average marks from 2.7 for the taxation authorities to 3 for the national government, on a 1 to 5 scale, where 1 stands for impeding and 5 means supportive (see Figure 13-1). Abuse regarding the allocation of state funds to CSOs strongly damages

the CSOs' trust in the national authorities. In addition, leaders of CSOs as well as high officials of the EU, including the EU ambassador in Montenegro, were targeted by smear campaigns from the government-affiliated media as well as from pro-Russian media outlets. In contrast, the EU is assessed with a high score of 4.3, which indicates that the survey's respondents see the EU as a key partner in the process of democratization and Europeanization of Montenegro. The EU also represents one of the key funders of the civil society of Montenegro.

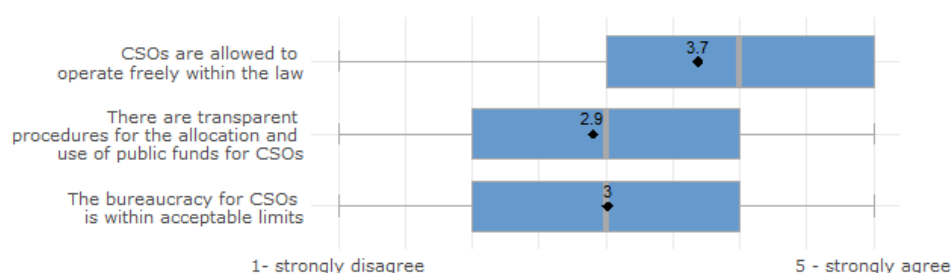
FIGURE 13-1: MONTENEGRO - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOS, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 61 to 66

There is quite a liberal legal framework regarding the registration and work of CSOs. The new model of allocation of public funds, which was implemented in 2018, contributed to a more transparent and objective allocation of funds. Even though additional changes are needed in order to assess this model in an entirely positive way, it represents a step towards more transparency and fairness. However, most changes were effectively implemented only in the second half of 2018 and were not taken into account in the survey. This is a possible explanation for the relatively low rating of the transparency of the public funding procedure, as illustrated below in Figure 13-2.

FIGURE 13-2: MONTENEGRO - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS



Source: Civil Society Survey, 2018, n = 63 to 65

In Montenegro, NGOs can be legally registered either as associations, as foundations or as foreign non-governmental organizations. Political parties, trade unions as well as sports and religious organizations, communities, business associations and state-founded organizations are not covered by the Law on NGOs. It has to be noted that the new law stipulates a less complicated registration process for NGOs. This law allows the association of a minimum of 3 natural or legal persons, provided that at least one has a citizenship, residence or headquarters in Montenegro. A minor over the age of 14 years may also be the founder of an NGO, with the consent of the legal representative. A foundation may be established by one or more persons, regardless of their place of residence or of the location of their official headquarters. In addition, foundations can be established by means of a will, as the assets of the organization are posthumously assigned to the newly established foundation. The legal

framework defining the functioning of associations is marked with an average score of 3 (see Figure 13-3), although, the recently adopted amendments to the Law on NGOs (No. 037/17) were generally well received. The lack of separate regulations for professional associations, social clubs or associations of people with disabilities negatively affects the functioning and funding of these CSOs. Consequently, the legal framework for these specific organizations has to be improved.

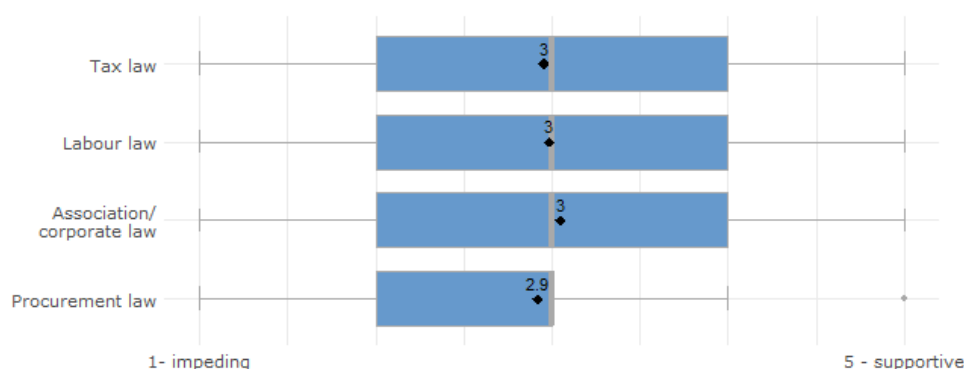
The tax law received an average mark of 3 by the surveyed CSO representatives (see Figure 13-3). This moderately favourable rating is caused by the inaccessibility of the various tax exemption options for CSOs and private donors, due to the lack of information and the many bureaucratic challenges (Đurović, Marković, 2016). The Law on Corporate Income Tax (No. 55/2016) stipulates that donations from private bodies are not taxable, if they do not exceed the prescribed limit of 3.5% of the total income. Furthermore, they have to be assigned to legal bodies registered to work within the areas of public interest as well as to the same purposes as the aim of the donation. Among the defined areas of public interest are the social, educational and scientific areas²⁰. Furthermore, as per Law on NGOs (No. 037/2017), services provided in these areas of activities are exempt from VAT. Foreign grants are not subject to VAT, as long as the foreign donors sign contracts with the Montenegrin Government in this regard, nor are imported humanitarian goods (Đurović, Marković, 2016). In addition, NGOs are subject to certain restrictions regarding their economic activities. The Law on NGOs prescribes that NGOs may conduct commercial activities adding up to a maximum annual income of 4,000 EUR or to 20% of the previous calendar year's income. NGOs not meeting these conditions have to cease their economic activities or establish separate profit-oriented legal entities for conducting such activities (Đurović, Marković, 2016).

On average, the laws defining procurement are evaluated with 2.9 points (see Figure 13-3). Just like any other legal entity, CSOs can participate in local and national tenders, but this is rarely done in practice, especially when it comes to service delivery contracts offered by public institutions (Đurović, Marković, 2016). It is expected that licenced CSOs will be integrated in the social protection system and that payments for their services will be made through the established procurement system. Still, crucial by-laws and decisions that fully enable the integration of CSOs in the service provision system are still missing. Most of the social services are run by non-state actors (Radović, 2013). Although the Law on Social and Child Care was reformed in 2013, Montenegro is still missing an effective formal system of cooperation between national or local governments and CSOs in this field. The introduction of formal cooperations should be accompanied by more sustainable models of financing of the CSOs engaged in service delivery (Vujović, Žegura, 2017).

With an average score of 3, the Labor Law was also assessed in a moderately positive way (see Figure 13-3). Although there were numerous advocacy activities of different CSOs regarding the amendment of the Labor Law (No. 53/2014), it still does not acknowledge any benefits or offer support to the nonprofit sector. This law stipulates that, after a person has been working in the same entity for at least two years, he or she has to receive a permanent employment contract. In the case of an involuntary termination of the contract, the employer has to offer severance payments. This situation includes a certain level of uncertainty for the CSOs and their employees: As CSOs are nonprofit-oriented, they cannot guarantee contracts exceeding the period covered by donations/projects. Moreover, they have no accumulated profits or own goods, and therefore, cannot guarantee severance pay either. Nevertheless, they can still be faced with charges, if they do not obey the law.

²⁰ The complete list of areas of public interest, as defined by the Law on Corporate Income Tax (No. 55/2016), includes social, educational, scientific, religious, cultural, sports, humanitarian purposes, poverty reduction, environmental protection, protection of persons with disabilities, social care for children and youths, assistance to elderly persons, protection and promotion of human and minority rights, rule of law, development of civil society and volunteering, Euro-Atlantic and European integration of Montenegro, art, technical culture, improvement of agriculture and rural development, sustainable development, consumer protection, gender equality, fight against corruption and organized crime, substance abuse.

FIGURE 13-3: MONTENEGRO - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 61 to 65

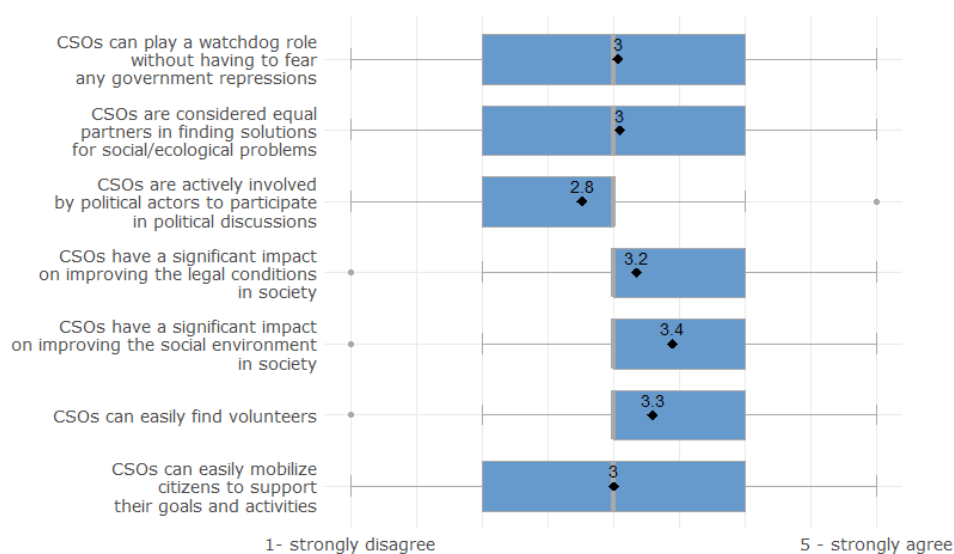
Montenegro lacks an adequate institutional and legal framework for the appropriate regulation of volunteering and volunteer work. It is alarming that only 2% of the Montenegrin adults are involved in unpaid voluntary work, which positions Montenegro in the last place among 28 EU member and 5 EU candidate countries, according to the results of a study on the quality of life conducted in 2016 (Eurofound, 2016). The Labor Law (No. 53/2014) stipulates that an employer must conclude a contract on volunteer work with every person doing unpaid work, in accordance with several special laws²¹. A widely criticized law is the Law on Volunteer Work (26/10), which limits the possibilities for volunteering, while adding many bureaucratic burdens for the organizers of volunteer work. The main points of critique on this law relate to the fact that it anchors volunteering in the labor area instead of treating it as a private civic initiative. This approach effectively integrates volunteering into the state system, which in turn, leads to the overregulation of the volunteering process from an administrative viewpoint (Government of Montenegro, 2013). Nevertheless, people are interested in engaging in volunteering, as shown by the relatively high rating of the survey respondents in relation to their ability to recruit volunteers (see Figure 13-4).

The involvement of CSOs in public discussions is quite limited, although, several by-laws²² and the Strategy on the Development of NGOs provide clear guidelines for all public institutions to include NGOs in the development of laws and strategies, for instance through open invitations to public discussions, and to participate in working groups. The surveyed CSO representatives have given an average mark of 3.2 when assessing their impact on the development of the legal framework, and they rated their impact on the social environment with an average score of 3.4 (see Figure 13-4). CSOs are frequently represented in the media; however, after changes in the public broadcaster's management, the appearance of leading CSO representatives is very limited in state-funded media. Currently, there is a strong political involvement in the process of appointing the members of different inter-sectoral working groups. Many CSO leaders believe that there are numerous cases of political discrimination in this matter. At the same time, political parties are trying to discredit the right of civil society activists to express political opinions, by trying to restrict the expression of political opinions to the political parties (Centre for Civil Education, 2016). These are possible reasons for the relatively low rating of the involvement of CSOs in political discussions (see Figure 13-4).

²¹ Zakon o radu (Law on Labor) ("Sl. list CG", br. 49/2008, 26/2009 - ispr., 88/2009 - dr. zakon, 26/2010 - dr. zakon, 59/2011, 66/2012, 31/2014, 53/2014 - dr. zakon i 4/2018 - odluka US).

²² The Decree on the selection of representatives of NGOs for working groups in public administration institutions and on modalities of public debate in the process of drafting of relevant legal and strategic documents.

FIGURE 13-4: MONTENEGRO - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



Source: Civil Society Survey, 2018, n = 61 to 64

In reply to an open question, the respondents to the Civil Society Survey (2018) emphasized the need of an improvement of the overall legal framework for the work of CSOs. At the same time, the current legal framework has to be fully implemented, meaning that the rule of law should be imposed more strictly. In particular, the surveyed CSOs' representatives requested amendments to or adoptions of the Law on Volunteer Work, the Law on Social Entrepreneurship, the taxation laws and the Labor Law.

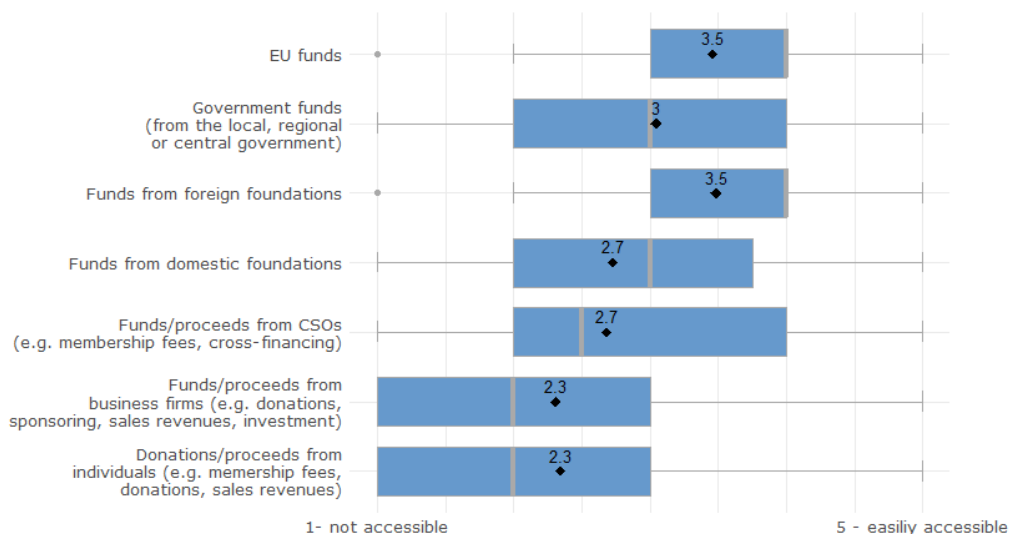
13.3. RESOURCES

Public funding represents the main financing source for many CSOs in Montenegro. In particular, small CSOs, organizations delivering services or engaging in educational or humanitarian projects are highly dependent on public funds (Đurović, Marković, 2016). Changes in the procedures for the allocation of state funding for CSOs open a space for significant funding of key CSOs. The previously centralized system was highly corrupt, with numerous reported cases of abuses. The major improvement in the new system is related to the decentralization of the public funding. The ministries are obliged to adopt so-called sectorial analyses, which are the documents accessing the needs in their relevant fields of activity. Based on all of the reports, the ministries decide on the allocation of funds available for NGOs. Thus, each ministry gets to decide on the needs in their area, and there is a higher chance that the money will be allocated in accordance with the public policies in the area and with the needs of the target groups. This may also lead to closer cooperation between the ministries and CSOs active in that field. Another novelty is the implementation of the evaluation of the projects by independent evaluators, thus, by persons outside of that ministry. The new model was introduced in 2018, although, with many delays. At the local level, the allocation of funds is often limited to CSOs strongly connected to the ruling parties at the municipal level. Although the local self-governments earmark money for CSOs, they often do not publish public calls, and sometimes money is spent based on other legal bases, such as the mayor's decision, which does not have to be aligned with public policies or any other priorities (CRNVO, 2015).

On the other hand, CSOs operating in the areas of advocacy, human rights or public policy are mostly reliant on foreign funding, for instance from bilateral donor agencies. However, these funders have significantly reduced their financial support in the recent past. Therefore, the EU represents the main funding source for these organizations (Đurović, Marković, 2016). In the last two

years, there has been a slightly higher interest in supporting CSOs by the donor community that had previously left or decreased its funding in Montenegro (e.g. the US and the UK government), yet, the bilateral support to leading CSOs in Montenegro remains low. In addition, although private funding is still limited, in Montenegro it is gaining more and more importance. For instance, corporate giving and individual private funding are becoming more and more popular (Đurović, Marković, 2016). However, this trend is not reflected by the responses of the surveyed CSO practitioners, who assessed donations and proceeds from business firms and individuals as the most inaccessible funding opportunities for CSOs in Montenegro. Moreover, foreign funding and EU grants seem to be quite easily accessible, according to the survey respondents (see Figure 13-5).

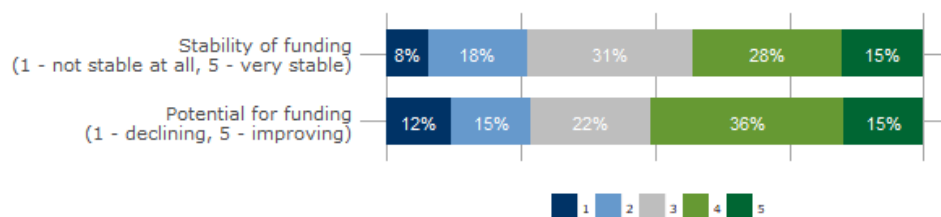
FIGURE 13-5: MONTENEGRO - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS



Source: Civil Society Survey, 2018, n = 60 to 66

The funding of CSOs is still unstable. There are few to no possibilities of funding by institutional funds (instead of project based funding), which creates financial uncertainty among CSOs. Drawing on the results of the Civil Society Survey (2018), only 15% of the CSOs evaluated their funding within the last 3 years as very stable. However, some optimism exists, as only 26% of the CSOs' funding was deemed as not stable within the previous 3 years. The future seems to be brighter, as 51% of the respondents believe that the next 3 years will bring improved funding possibilities (see Figure 13-6). Some CSO representatives are worried. One respondent expressed his concerns in the following way: "CSOs are facing financial sustainability issues. EU funds are not sufficient for creating a safe working environment. Membership [prospects are] still not strong enough to enable organizations to work on their focus. The government is ignoring the role of CSOs, and thus, doesn't support them financially, nor is including CSOs in the decision making process" (Civil Society Survey, 2018).

FIGURE 13-6: MONTENEGRO - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 65 to 67

Although Montenegro has a significant number of CSOs per capita, there are still some areas not covered and many needs unmet. Donor strategies play a significant role in the level of capacity of different civil society actors. According to the respondents to the Civil Society Survey (2018), areas in need of a more active and professional involvement of CSOs are: social entrepreneurship, improved environment for whistle-blowers, integrated service provision into the system of social and health protection as well as education, protection of human rights and provision of services to specific marginalized groups (e.g. prisoners, people with disabilities, street children) and to socially disadvantaged groups (e.g. youths, women at the workplace, victims of sexual violence, children of single parents). There is a clear need for specialization in order for CSOs to operate in the mentioned fields. It is important to spread the activities and services throughout the country, as opposed to concentrating them only in the bigger cities. The respondents also noted the need for a constructive dialogue between civil society and the government.

13.4. FUTURE PROSPECTS AND OUTLOOK

Within the next 5 years, Montenegro is expected to make further progress in the European integration process. This will have a positive impact on the sustainability and professionalization of CSOs. It is expected that some of the traditional bilateral donors will withdraw or change their donation policies and invest less in the Montenegrin civil society, but that it will be compensated through an increased involvement of public bodies. The decentralization process of the allocation of the Instrument for Pre-Accession Assistance (IPA) funds has been set in motion; and, whereas some of the funds were already decentralized, the process is still ongoing for most of the other funds. This means that public authorities are to take on a role in allocating these funds instead of the EU institutions, as it has previously been the case. This might have a negative effect on the independence of the Montenegrin CSOs. At the same time, the further development of the institutional and legal framework for the integration of non-state service providers into the public system of social and health protection is predicted to have a positive effect on the sustainability of professionalized service providing CSOs. Improvements are also expected in the areas of volunteering and social entrepreneurship. Some of the respondents to the Civil Society Survey (2018) predict an improved support from the private sector, but philanthropy and corporate social responsibility are still on a very basic level in Montenegro, and they will probably not evolve very fast. Furthermore, smart investments of the state, donors and the private sector into the civic sector might also have a strong progressive effect on the society as a whole and provide a push for further democratization and improved social justice.

Threats to the sustainability of CSOs and to the guarantee of equal chances for the entire civil society are brought about by the lack of transparency in the distribution of funds from public resources (ministries, institutes, local municipalities, EU funds) distributed by the Ministry of Finance, but also by the lack of funds for small CSOs. In the Civil Society Survey (2018), the CSO representatives shared their concerns that CSOs might lose integrity due to their dependency on public funding. Concerning labor, some respondents are concerned that the sector will face negative consequences because of the lack of a qualified workforce, stemming from the brain drain phenomenon. One illustrative and rather pessimistic response addressed the major changes currently faced by the Montenegrin civil society: "There will be less and less people willing to engage in the work of expert watchdog CSOs requiring a high level of expertise in the field of law. International organizations are taking over CSO tasks and projects and rarely include them as partners. Everything tends to become corporate based, and there is a strong tendency in the population to give in and cooperate with the government rather than to play the role of the watchdog. It is not easy, nor comfortable to be a watchdog, especially with aggravating operating conditions" (Civil Society Survey, 2018). This statement serves as a wake-up call for the civil society and as a reminder that it is important to remain active and engaged.

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14. Romania

Alexandra Ioan

CSOs in Romania experience challenges regarding the political context, legal framework and funding opportunities. The current governing coalition has been implementing significant fiscal and legislative changes that affect CSOs on the level of resources available to them, as well as regarding their freedom of expression and actions as watchdogs of political power. CSO practitioners describe the current legislative framework in which they operate as unsatisfactory and even as hindering to their activities. They report a limited involvement in advocacy and consultation processes with the government on all levels. They identify international foundations, the EU, private companies and individuals as their main providers of financial resources. The perspectives for the coming years are reserved, with CSOs predicting a continuously shrinking space for civil society, as well as a deterioration of the relationship with the government. At the same time, they see increased grassroots civic engagement as a positive and powerful counterbalance to the political attempts of controlling civil society.

14.1. INTRODUCTION

Similar to the developments in other countries of Central and Eastern Europe, Romanian civil society has been facing challenges over the past years. After the 2016 parliamentary elections, the new government coalition has significantly changed the legal framework affecting CSOs, especially connected to fiscal policies, financial opportunities and supervision. Some of these changes were officially enforced in 2017 and 2018, while others are still subject to debate or in different stages of the legislative process. Apart from implementing measures that reduce the access of CSOs to individual and corporate donations, the current government has also actively tried to prevent civil society organizations and individuals from organizing protests and from participating in consultation processes. This negative attitude towards CSOs has been emphasized by an increased negative discourse related to CSOs and their role in democratic society (USAID, 2018).

All these developments have led to CSOs experiencing funding and employment difficulties and a significantly deteriorated relationship with state authorities, as well as a tainted public image. The shrinking space for civil society in Romania raises issues regarding the potential of mobilization, as well as the potential for social service delivery. In spite of this background, there has also been a mobilization of collaborative efforts of CSOs in opposition to these measures, and to develop alternative survival strategies in an increasingly unstable context.

Romania: Key facts

Population: 19,523,600 (Eurostat, 2018)

EU membership status: member country (since 2007)

GDP per capita: 12,510 USD (IMF, 2019)

Number of CSOs: 88,650 (FDSC, 2017); 113,861 (JUST, 2019)

Number of active CSOs: 42,707 (FDSC, 2017)

Number of active CSOs/1000 citizens: 2.18 (Eurostat, 2018; FDSC, 2017)

Most developed fields of activity: social services; sports/hobby; education; professional; cultural (FDSC, 2017)

Population share engaging in volunteering: 14% (EP, 2011)

Which organizations participated in the Civil Society Survey 2018?

58 Romanian civil society organizations took part in the Civil Society Survey. Out of these, 2% were founded before 1991, 21% between 1991 and 2000, 46% between 2001 and 2010 and 31% after 2011.

Regarding their main field of activity, 19% of the respondents work in education and research, a similar share of 14% in social services and in law, advocacy and politics, followed by 12% working in environment and animal protection. There are no organizations in the sample operating in sports clubs or in the religious or cultural field, although the sports and cultural fields are rather developed in the country (FDSC, 2017). Therefore, the sample has limitations in reflecting the overall composition of the Romanian civil society.

These organizations fulfil multiple functions with a majority (74%) reporting that they fulfil services, advocacy and community-building functions simultaneously. 9% of the organizations in the sample fulfil services and advocacy functions combined and 6% fulfil advocacy and community-building functions combined. No organization fulfils a community building function only, but 4% of the sample fulfil a service or an advocacy function only. Data across all active CSOs from 2015 show that most CSOs fulfil a service function, followed by an awareness raising, information and monitoring function and a community and local development function. (FDSC, 2017)

In terms of professionalization, 46% of the organizations demonstrated a low level of professionalization, 32% a medium and 23% a high degree of professionalization. This is in accordance with the staffing challenges of the Romanian CSOs reported in other sources (FDSC, 2017; USAID, 2018) as well as with the continuous necessity of professionalization and training in the social sector.

The main sources of funding for the CSOs in the sample are donations and proceeds from individuals (74% of respondents), funds from the business sector (61%), and funds from foreign foundations (57%). The strong reliance on private and international sources of revenue and the limited support from the Romanian public sector has been signalled previously and is an ongoing trend (FDSC, 2017). In terms of revenues, in 2017, most respondents (40%) reported revenues between EUR 100,000 and 1 million, 33% revenues below EUR 50,000 and 11% revenues greater than EUR 1 million. The Romanian civil society is characterized by few organizations with larger revenue shares, while smaller organizations rely on smaller budgets (FDSC, 2017).

52% of the organizations in the sample mainly operate in urban areas and only 4% in rural areas. 44% are located in urban and rural areas equally. This is reflective of the large concentration of CSOs in urban areas and their proximity. In terms of impact, 56% of the sampled organizations report having a national impact, 35% a local or regional impact, and only 8% a European or worldwide impact. As Romanian civil society is still developing, most CSOs have not yet reached the point of stability and growth that allows them to expand their activities abroad.

14.2. POLITICAL AND LEGAL FRAMEWORKS

There are a few core pieces of legislation regulating the activity of Romanian civil society (Lambru, 2017):

- the Government Ordinance (GO) 26/2000 that regulates the registration process, the public benefit status, and the main functioning framework for nonprofits;
- the Fiscal Code, Law 22/2015 that regulates donations and sponsorship;
- Law 78/2014 that regulates volunteering activities;
- the Social Economy Law 219/2015 that regulates protected units for social inclusion;
- the Public Procurement Law 98/2016 that includes also CSOs.

CSOs are constantly advocating for improvements of these frameworks that are sometimes unclear or not favourable for their activities. Still, the changes conducted by the government throughout 2017–2018 are rather hindering the work of CSOs. A few years ago, the predictions regarding the evolution of CSOs in Romania were optimistic, including more diversity and specialization, more collaboration with the government, more private donations and an increased professionalization of CSOs (Lambru, 2017). Some of these trends have shifted during the past two years, especially when it comes to the interaction with authorities and political actors, which has been tense (USAID, 2018). Political actors have adopted a critical position towards CSOs with legal measures negatively affecting civil society.

During 2017 and 2018, the current governing coalition in Romania has conducted significant changes in the framework for NGO activity:

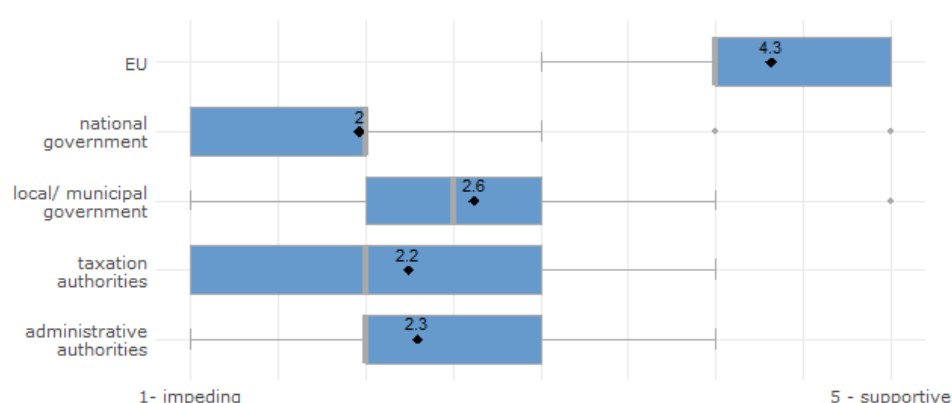
- GO 60/2017 eliminated the incentives for companies to buy products from protected units (USAID, 2018).
- GO 18/2018 stipulates that the fiscal agents of the Ministry of Public Finance will conduct more intense inspections of the funds received by NGOs from income tax redistributions and from public funds (Romanian Government, 2018).
- Changes in tax policies (GO 3/2017, GO 79/2017) for companies operating in Romania discourage companies to redirect 20% of the owed income tax or 0.5 of the annual turnover to NGOs (USAID, 2018). The negative impact of these fiscal changes on NGO incomes are already visible, with reduced donation amounts registered (EY Romania et al., 2018; USAID, 2018).
- GO 25/2018 modifies the previous legislation regarding the possibility of individuals to redirect 2% of their income tax to an NGO of their choice by stipulating that individuals can now redirect 3.5% of their income tax only to NGOs that are delivering social services accredited by the state. The same legislation stipulates that small enterprises will be able to redirect 20% of their income tax to the same authorized NGOs. There is a very limited array of CSOs that are eligible for these benefits under this legislation (EY Romania et al., 2018) and these are organizations working closely with the state, which raises issues of preferential treatment in the sector.
- The government has been conducting further fiscal changes affecting the private sector in December 2018 (regarding the level of the minimum wage, healthcare contributions, taxes on buildings, etc.) (Vulpoi, 2019), which are expected to have a further negative impact on Romanian companies and their support of CSOs.
- The transposition of the Anti-Money Laundering European Directive 2015/849 into national legislation further constricts the freedoms of CSOs. Respondents to the survey explain that CSOs have to report to the Anti-Money Laundering Office each trimester, as NGOs “are put in the same risk category with banks and gambling houses and [are] subject to the same control”. This “promises to create [an] enormous bureaucratic and reporting burden for CSOs” (Civil Society Survey, 2018).

In addition, there are some further proposals for changes in the legislation relevant for CSOs that have not been finalized yet. A significant change of GO 26/2000 has been approved by the Senate and awaits its approval by the Deputy Chamber in Parliament. It stipulates that NGOs need to publish all sources of funding and expenses twice a year in the Official Legislative Journal and that NGOs cannot support or campaign for a political party. These changes are meant to increase the bureaucratic burden on NGOs and to prevent them from expressing critique or support in the political

sphere. The proposals have been met with a lot of resistance and criticism from CSOs, but the legislative process has nevertheless continued.

All these dynamics lead to a rather tense and conflictual relationship of CSOs and political players, especially on the national level (see Figure 14-1). The civil society experts surveyed perceive the local and national Romanian authorities as rather impeding their activities. The national government is perceived most critically by respondents, followed by taxation authorities and administrative authorities. The local or municipal government is still perceived negatively, however it registers a better score, assumedly due to the physical proximity to the CSOs and their more limited involvement in large-scale framework changes. The only political actor that is perceived as strongly supportive of civil society is the EU, which is reflective of the general strong pro-European attitudes of Romanian civil society (EC, 2018).

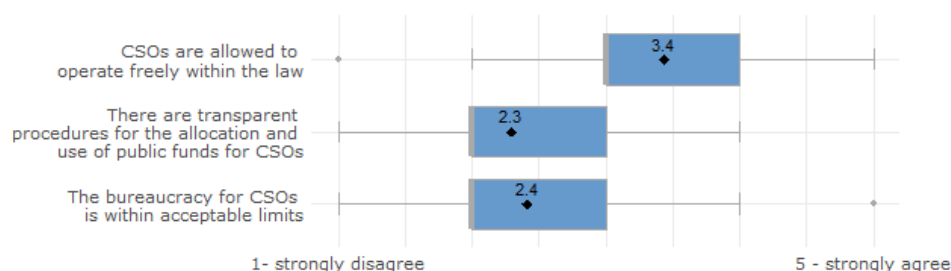
FIGURE 14-1: ROMANIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 57 to 58

CSOs are mostly critical of the lack of transparency for procedures for the allocation and use of public funds and of the extent of bureaucratic responsibilities for CSOs (see Figure 14-2). They are however slightly more positive about their freedom to operate within the law. With an average of 3.4 on a 1-5 scale, this indicates that the dissatisfaction is mostly related to the setup of the legal framework and less to the freedom within this framework.

FIGURE 14-2: ROMANIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOs



Source: Civil Society Survey, 2018, n = 57 to 58

The legal frameworks for CSOs are perceived as rather impeding for the work of the organizations. Taxation and labor legislation are perceived as most problematic, followed closely by procurement and association legislation (see Figure 14-3). As one respondent explains, Romanian CSOs have to fulfil the same obligations as for-profits when it comes to tax, labor, procurement laws, work and environment protection standards, GDPR, etc., although their resources are significantly more limited and any changes in these frameworks are costlier than for larger organizations (Civil Society Survey, 2018).

FIGURE 14-3: ROMANIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW

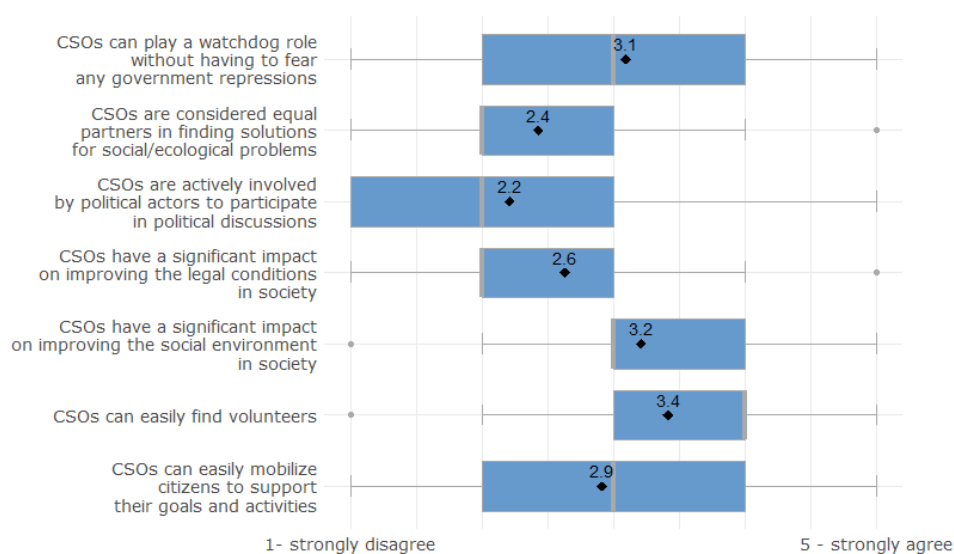


Source: Civil Society Survey, 2018, n = 54 to 57

The CSOs' representatives also provided a wide range of suggestions for the improvement of these legislative frameworks in order to respond to their needs in a better way. Overall, the respondents wish for less bureaucratic arrangements regarding the foundation and running of an NGO, as well as changes in the tax law and the various financial stipulations that CSOs need to comply to. The general request is to differentiate between nonprofit organizations and other private entities from a fiscal perspective and to facilitate national and international funding for NGOs. The income tax return legislation and overall fiscal legislation (beyond the VAT exemption) should be differentiated for NGOs, and the fiscal benefits for the protected social inclusion units for people with disabilities should be reintroduced and improved. The Social Economy Law that was passed in 2014 was also mentioned as having no real fiscal advantage for CSOs apart from categorizing them differently in the sector. The changes in the social security payments are considered harmful and in need of reversing, as NGOs cannot retain employees and support the costs: "The obligation to pay social security for part-time employees at the minimum wage level (full-time) has greatly affected nongovernmental organizations" (Civil Society Survey, 2018). CSO experts also want more flexibility for part-time and freelance activities, better stipulations for contracting external expertise and improvement of the volunteering and internship laws (Civil Society Survey, 2018).

Romanian CSOs are generally interested in contributing to policy debates around these necessary changes, but they are not actively engaged by political actors. The CSO representatives surveyed do not feel that they are considered equal partners, or that they are actively involved in political discussions (see Figure 14-4). They are rather skeptical of their capacity to improve legal conditions in the country, but feel that they can contribute to improving social conditions. Finding volunteers is also not seen as particularly easy, but it is perceived as being easier than engaging citizens more broadly. Still, looking at the significant civic mobilization in Romania through street protests since 2010 (Sandu, 2017), there is clearly potential for the engagement of an active segment of the broader Romanian civil society. Nevertheless, this segment is probably the one already engaging with CSOs, and the challenge that respondents reflect in their answers is for organizations to address an audience unfamiliar with their work so far. Finally, the opinions around their role of a watchdog without fear of repression are split, with some NGOs experiencing this more strongly than others.

FIGURE 14-4: ROMANIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



Source: Civil Society Survey, 2018, n = 53 to 55

Along these lines, another study conducted among the NGO leaders in Romania in 2016 (FDSC, 2017) revealed that 70% of the respondents believe that if they criticize the authorities, they risk losing their support. The same study reveals that the NGOs themselves rather than the public authorities organize public consultations, and this leads to some successful advocacy initiatives. For instance, in 2018, the law on violence against women was passed and restriction orders were introduced for victims of domestic violence (Law 174/2018).

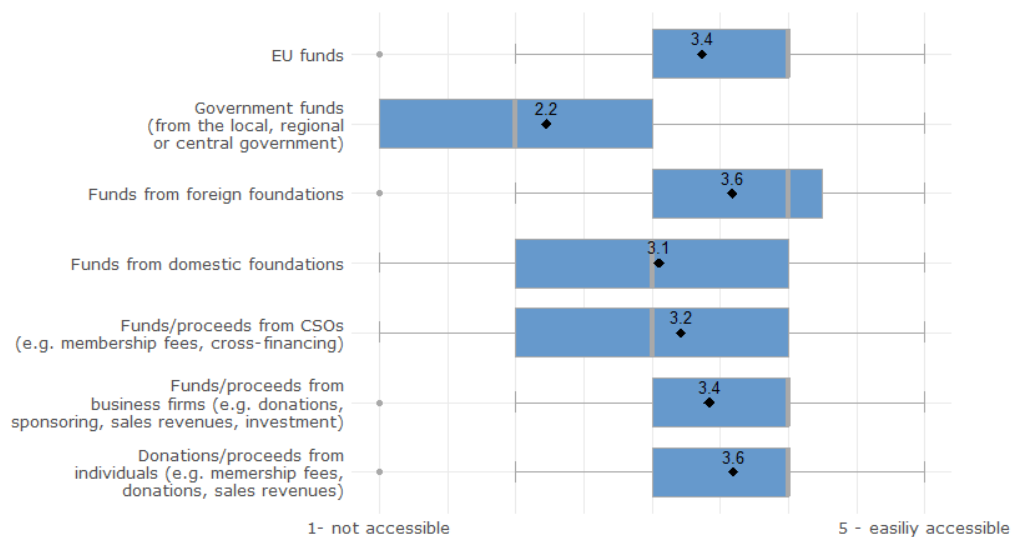
Other instances reflect the tensions between the current Romanian government and civil society around the freedom of expression. Such an instance was the protest organized on August 10th 2018 in Bucharest with the purpose of expressing dissatisfaction with government measures. The protesters were met with tear gas and violence despite their largely peaceful attitude. An investigation is still pending, with several CSOs launching a petition, asking for help at the UN (Stan, 2018). The government has also made further changes in the approval procedure for public protests and it used legislative loopholes to prevent these manifestations from happening (USAID, 2018).

A further instance of restricting the influence of civil society are the changes that the Government has implemented in relation to the Economic and Social Council, a body meant to consult the Parliament and the Government on civil society matters. The Prime Minister replaced government-critical organizations in the Council with other representatives, with no transparency regarding the selection criteria and process.

14.3. RESOURCES

The surveyed CSOs report that the most easily accessible sources of funding are funds from foreign foundations, donations from individuals and funds from business firms. Funds from domestic foundations, from CSOs (such as membership fees) and from the EU are relatively easily accessible, while the government funds are most difficult to access (see Figure 14-5).

FIGURE 14-5: ROMANIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOs



Source: Civil Society Survey, 2018, n = 54 to 58

The 2015 overview of Romanian CSOs (FDSC, 2017) supports this view. The main funding source for CSOs across the country are individual donations from the 2% income tax redistribution (65% of the organizations) followed by other individual donations (54%). Once again, this depicts the gravity of the recent change in the legislation for CSO funding, as the new GO 25/2018 restricts individuals to redirecting part of their income tax solely to state-approved NGOs from the social sector. Companies are another big funder for 45% of the organizations, and EU grants for 36% of the respondents. 22% get money from public authorities, 23% from international foundations, and only 9% from local foundations. 31% of the respondents also register income from their own revenue-generating activities. This is an increasing trend due to changing international funding possibilities for CSOs, and also due to the emergence of more local players encouraging this type of activity. Between 2010 and 2016, there was an overall positive trend in the involvement of companies supporting CSOs and a decrease in the involvement of foreign foundations.

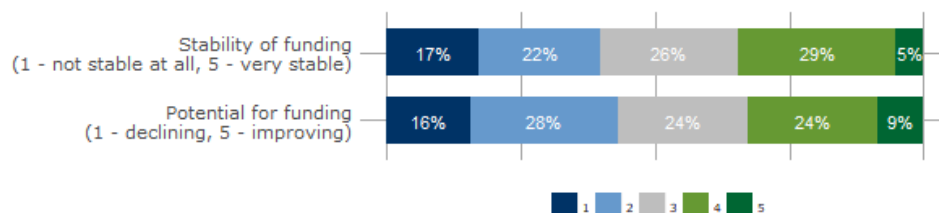
An additional challenge currently faced by CSOs regarding their financial viability and security arises from another recent change in the legislation. Firstly, the GO 4/2017 stipulates that employers need to pay social security and health insurance for their employees based on the full-time minimum wage, even for part-time employees. This also applies to NGOs and significantly increases staff costs (USAID, 2018). In addition, the changes in the public sector's salary framework affect CSOs, although these measures are not directly aimed at them. These changes have caused an increase of 24% of the salaries in the public sector in 2017, which has led to a significant staff turnover among CSOs, with professionals switching to public sector jobs (USAID, 2018). This development, together with the issue of increased migration and the fiscal changes regarding employees, poses further significant staffing issues for CSOs.

Another important characteristic of the availability of financial resources in Romania is the fact that only 7.9% of all organizations gain 82% of the total income in the sector (FDSC, 2017), which indicates the great difference in incomes between organizations and the centralization of funds among some key players.

When asked about the stability of funding throughout the past 3 years, most of the organizations surveyed (39%) perceive it as not stable at all or not stable. 34% of the respondents see funding as stable or very stable, and 26% of the respondents see it as neither stable nor unstable. When think-

ing about the potential for funding in the next 3 years, most respondents (44%) see this potential declining, while only 33% see the possibility of improvement. 24% of the respondents think there will be no change in the funding available for CSOs (see Figure 14-6).

FIGURE 14-6: ROMANIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 58

Therefore, the overall perception of the financial prospects of CSOs is rather negative, which can most probably be linked to the various fiscal changes directly affecting the organizations. At a broader societal level, the perceived level of trust in economic stability from internal, as well as external political, social and economic actors affects the perspectives of the practitioners in civil society. As there have been significant economic and fiscal changes, the interest, access, and commitment of potential funders of civil society is perceived as undergoing changes and not as very reliable (Civil Society Survey, 2018).

14.4. FUTURE PROSPECTS AND OUTLOOK

The years ahead will remain challenging for Romanian civil society. Opinions among the respondents of the survey are split: While some emphasize the legal and financial difficulties for CSOs in the coming years, some predict the CSOs will be growing and developing, despite governmental constraints on the sector. Some describe this situation as civil society becoming more dynamic, but at the same time, frustrations are increasing because of the instability under the present circumstances.

There are various trends identified by the respondents for the next 5 years:

- **Relationship with authorities** – the relationships with public authorities will continue to be tense and problematic. There will be a reduction in the number of social services provided by CSOs, as the government will decrease procurement of these services. Governmental financial restrictions will continue to negatively affect organizations.
- **Funding** – while some representatives predict that funding will become more difficult, with a decreased access to EU funds and an unequal distribution of funds to the advantage of big players, others foresee an increase of individual donations and corporate support. Crowd-funding and international funding are also seen as sources that will gain in importance in the coming years. More and more CSOs are expected to develop a revenue-generating activity to compensate for financial difficulties.
- **Labor market** – the increased migration in Romania will continue to pose challenges to the CSOs due to a lack of qualified labor force. At the same time, experts think that more young people will identify CSOs as good opportunities to start their careers.
- **Civic engagement and professional CSOs** – grassroots civic engagement, especially on behalf of young people, will continue to increase in the coming years, also as a reaction to the

current government policies. In consequence, experts see a risk of further separation between this civic energy and professional CSOs.

- **Relationship with the media** – experts see the public discourse deteriorating further in the coming years, in particularly in relation to NGOs. This raises the need for an increased investment in visibility, reaching out to media outlets, but also for developing closer collaboration with independent and investigative journalists.
- **Social sectors at the forefront** – the respondents identify a few sectors that will attract the attention of civil society in the coming years: education and health, social services and social justice, women and LGBTQI rights, artificial intelligence and technology in everyday life, democracy and civic engagement.
- **Overall civil society space** – the current political environment and media representation will maintain and perhaps even further enhance the vulnerability and the shrinking space for civil society. This leads to an increased polarization between rural and urban areas in the country and creates the space for politically affiliated NGOs to develop and to mimic a real civil society. This will generate a reduction of activity and advocacy efforts of independent NGOs. In this context, they will have to professionalize even further to ensure their survival.

Civil society in Romania will continue to undergo pressures in the coming years, as the democratic situation in the country and in Central and Eastern Europe will continue its instability. While we can expect further constraining legislative changes for CSOs and preferential government treatment of the CSOs that are supportive of its policies, we can also expect a further mobilization of organizations and informal initiatives against these measures. There are already clear connections between this civic mobilization and the development of political alternatives through the emergence of new parties. This could in turn influence the election outcomes in 2019 and 2020. The strong migration characterizing Romania will probably continue its trend, but so will the CSOs' awareness of the need to mobilize and connect to the diaspora and vice-versa (Ioan, 2019). Overall, the coming years will be a test of resilience for active CSOs and a test of creativity for emerging ones, as the struggle between constraining government policies and the survival of independent CSOs keeps unfolding.

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15. Serbia

Dušan Spasojević

Civil society in Serbia is working under difficult circumstances due to the ongoing political crisis and the decline of the democratic standards, especially regarding advocacy, watchdog initiatives and media freedom. At the same time, many CSOs are dependent on international funds and political support from the international community. In terms of freedom of operation, the CSOs' independence and influence are questionable because of unfavourable tax laws, complicated bureaucratic procedures, restricted access to the decision-making process and constant attacks from governing political actors. A new negative trend in Serbia is the massive proliferation of GONGOs and their growing visibility and social influence. Nevertheless, based on previous experiences under similar conditions and expected positive perspectives linked to the EU accession process, civil society representatives are optimistic regarding future developments.

15.1. INTRODUCTION

Similar to the previous years, 2018 was marked by an intense political debate between the ruling party and the opposition in Serbia. The two main issues are still related to the future status of Kosovo's and Serbia's accession to the EU. At the beginning of the year, the assassination of Oliver Ivanović, a Kosovo Serb opposition politician was a major topic in the public discussion (and still, no one has been arrested or indicted for this crime). This was followed by an extremely passionate and antagonistic campaign for the local elections in Belgrade. Finally, it ended with large protests on the streets of Belgrade against the violence in politics (ignited by the assault on one of the opposition representatives).

Serbia: Key facts

Population: 7,001,444 (Statistical Office, 2017)

EU membership status: candidate country (since 2012)

GDP per capita: 7,530 USD (IMF, 2019)

Number of CSOs: 53,000 (SBRA, 2017)

Number of active CSOs: 38,000 (SBRA, 2017)

Number of active CSOs/1000 citizens: 5.4 (Statistical Office, 2017; SBRA, 2017)

Most developed fields of activity: social services; law; advocacy and politics; education and research

Population share engaging in volunteering: 6% (CAF, 2018)

In contrast to this perception of instability and conflict, Serbian politics are currently under the control and absolute majority rule of the Serbian Progressive Party (SNS – Srpska napredna stranka), the party of the state president Aleksandar Vučić. The SNS dominance started to endanger the democratic process and to capture democratic institutions, leading to the lowest democracy scores of Serbia since 2003, the year the Prime Minister Đinđić was assassinated (Damjanović, 2018: 2). Illiberal tendencies and the decline of democratic standards have already started in 2014, when the SNS took the lead in the government, and were most visible in relation to media freedom and the access to public information.

Under these circumstances, civil society found itself in an unfavourable position. One part of the civil society is perceived as the driving force behind the protests and as the main contestant of the totalitarian tendencies of the regime. The other part of the civil society still cooperates with the SNS as part of a broader (e.g. EU integrations) or 'non-political' agenda (e.g. social services). However, it seems that the division between CSOs is growing, while the space for cooperation with the government keeps shrinking.

Which organizations participated in the Civil Society Survey?

Overall, 76 Serbian CSOs participated in the survey. Regarding their founding date, they largely preserve the balance between the four large waves of civil society development - the Milošević era (1996-2000), the democratic optimism (2001-2005), the consolidation (2006-2010) and the post-SNS wave (2011-2015). More specifically, 11% of the organizations were founded before 1995, another 20% between 1996 and 2000, a significant portion of the surveyed CSOs were founded between 2000 and 2005 (23%) and a similar share was established between 2006 and 2010 (24%) as well as after 2011 (23%). In terms of fields of activity, the sample reflects the dominance of law and advocacy, social services, education and research and environmental issues as the most significant fields of work. It also reflects the weak tradition of social clubs and religious CSOs. Concerning the functions of CSOs, Serbia shows a lack of specialization and a strong overlap between providing services, advocacy and community building (74% of the surveyed CSOs), with the latter two not being performed exclusively. This finding also reflects the universal nature of many organizations and their adaptability.

Funding sources represented in the sample are in accordance with previous findings (Građanske Inicijative, 2012): Almost all CSOs name international support as their main funding source (84%), almost 60% rely on EU funding and over one third received funds from the state or local budgets. Business and individual donations are additional funding sources used by 30% and respectively 25% of the surveyed CSOs. In terms of the yearly revenue, almost half of the CSOs have budgets between 100,000 and 1 million EUR, whereas approximately one fifth has yearly budgets between 5,000-50,000 and 50,000-100,000 EUR each. Less than 10% fall into the lowest (yearly revenues up to 5,000 EUR) and largest budget categories (over 1 million per year). Regarding the region of activity, most organizations operate at a national level (57%), while fewer are active on a regional level (36%). Over half of the respondents work in both urban and rural areas, 38% are only active in urban areas, and only 9% of the CSOs exclusively represent rural areas and interests. Finally, in terms of stability and institutionalization of civil society, almost 80% of the included organizations expect to be active for at least three years, which indicates a certain sustainability and continuity of the current civil society.

15.2. POLITICAL AND LEGAL FRAMEWORKS

The current political environment in Serbia remains challenging for CSOs, characterized by intense political competition between the ruling party and the opposition. This polarization also affects CSOs that have to choose between cooperation and confrontation with the government. This can also be attributed to the traditional lack of cooperation and solidarity between Serbian CSOs.

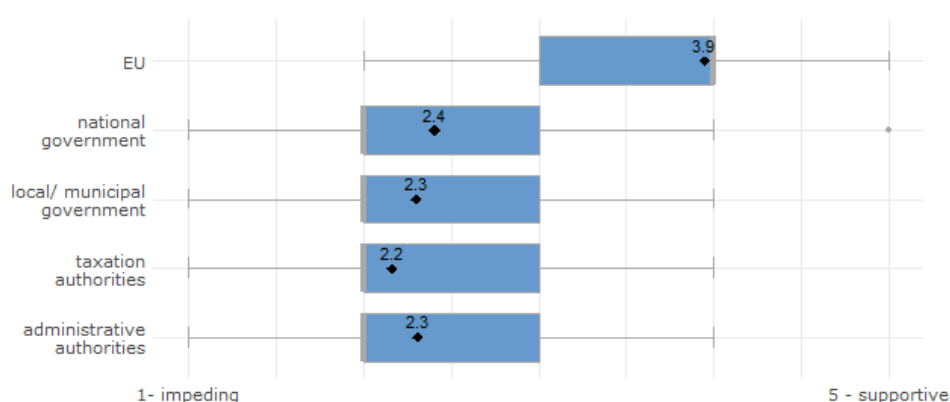
Populist tendencies of the current government (Spasojević, 2019) promoting the “majority rule” limit the space for public debate or advocacy initiatives. Changes in media by-laws and ownership structures strengthen the political influence on the media system (Centre for Media Pluralism and Media Freedom, 2018). Furthermore, a draft version of the new Law on Free Access to Information of Public Importance (No. 120/04; 54/07) represents a potential threat to watchdog CSOs and journalists. The draft law limits the executive decisions of the Commissioner for Information of Public Importance and Personal Data Protection²³ as well as the obligation of public companies to provide information to the public (Poverenik, 2018). In addition, constant political attacks and slandering campaigns by SNS representatives and tabloids addressing the current Commissioner

²³ authority in charge of monitoring the compliance with the Law on Free Access to Information of Public Importance (No. 120/04; 54/07); „The Commissioner's mandate is to protect and promote the right to free access to information of public importance and the right to personal data protection ,and to supervise the lawfulness of personal data processing by public authorities and all other entities that process personal data“ (Commissioner for Information of Public Importance and Personal Data Protection, 2018).

Rodoljub Šabić could undermine public trust in this institution and its authority. Similar mechanisms have been used in the case of Ombudsman Janković, the Protector of Citizens, who resigned in 2017, because of the increased political and media pressure (Protector of Citizens, 2017). However, the significant role of the Commissioner is acknowledged by civil society actors, as a number of CSOs named the Commissioner as a very important asset for exercising the right to obtain public information and for monitoring public institutions²⁴.

The lack of trust is reflected in the results of the Civil Society Study. The respondents assess the national institutions, i.e. the national and local governments, the public authorities and the tax authorities, either as neutral or rather impeding. In contrast, although Serbia is not a member state, our findings (presented in Figure 15-1) show that the EU is perceived as most supportive for the Serbian civil society. In general, the political circumstances did not change dramatically compared to the previous study on civil society in CEE (Spasojević, 2017).

FIGURE 15-1: SERBIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS

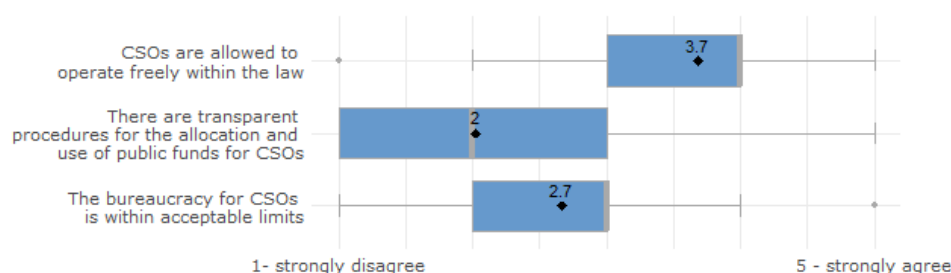


Source: Civil Society Survey, 2018, n = 73 to 76

The data presented in Figure 15-2 provides an insight into more specific dimensions of the CSOs' relations with the national political institutions. CSOs can work freely, e.g. there are no obstacles regarding the formal foundation of CSOs or the cooperation among them. However, there is not enough support provided by the state in terms of financing or bureaucratic procedures. As the surveyed practitioners emphasized, the procedures for the allocation of funds are not transparent and fair (Civil Society Survey, 2018). Furthermore, as some earlier reports also suggest, there is significant misuse of funds intended for the support of civil society. This misuse includes the formation of government-organized non-governmental organizations (GONGOs) that are channelling funds back to the ruling party (Spasojević, 2017: 277) or the restriction of financial support to government-friendly media outlets (Gruhonjić, Šinković & Kleut, 2018).

²⁴ The list of awards given by civil society and international organizations to Rodoljub Šabić (Commissioner between 2004-2018) is available at <https://www.poverenik.rs/sr-yu> (last accessed: 3 April 2019).

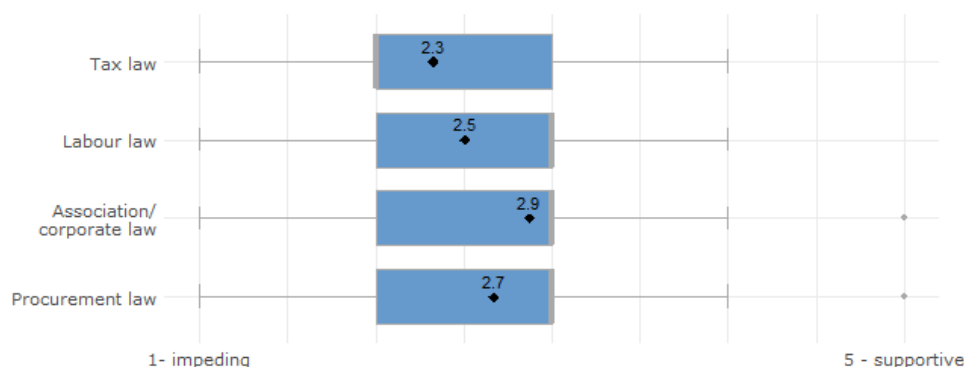
FIGURE 15-2: SERBIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS



Source: Civil Society Survey, 2018, n = 75 to 76

In line with previous studies (Građanske Inicijative, 2012), the respondents to the Civil Society Survey evaluate the legal framework as neither impeding nor particularly supportive (see Figure 15-3). The legal conditions for CSOs are quite stable, as there were no major changes of the legal framework in recent years. CSOs are easy to establish, but they do not benefit from any special treatment in terms of tax-obligations or labor laws (e.g. tax exemptions for donors or different bureaucratic procedures for small organizations). Principally, CSOs can take the legal form of associations or foundations and endowments (legacies), which are regulated by the Law on Associations (No. 51/09, 99/11) and the Law on Endowments and Foundations (No. 88/10, 99/11). In addition, the understanding of the term CSOs also includes trade unions, churches or cooperatives (Spasojević, 2017; Council on Foundations, 2018).

FIGURE 15-3: SERBIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOS, CONCERNING VARIOUS FIELDS OF LAW



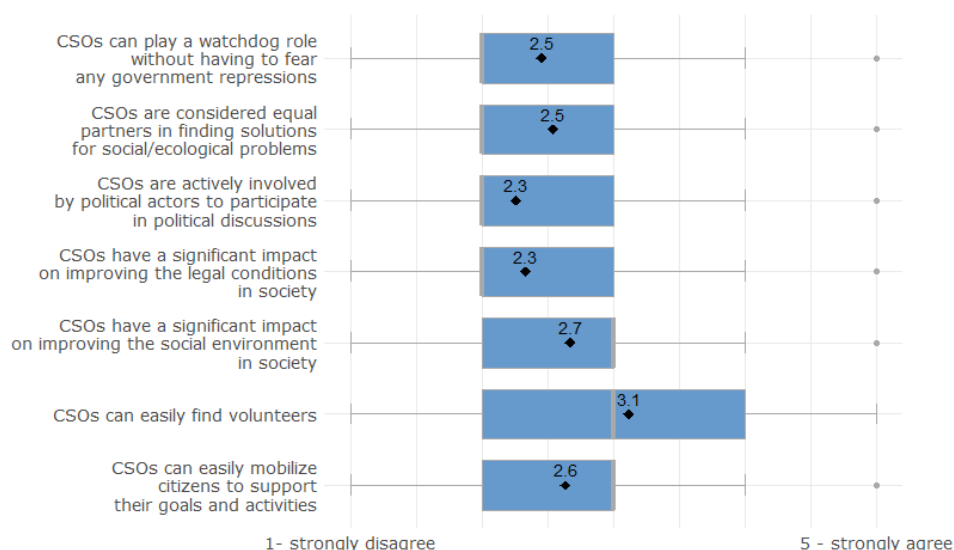
Source: Civil Society Survey, 2018, n = 67 to 73

However, there is an on-going debate about the potential changes of certain laws, and the Civil Society Survey results showed that several laws could be improved in order to increase the CSOs' capacities and influence. As the first choice for improvement, the respondents of the Civil Society Survey (2018) suggested adaptations to the tax law in terms of providing more incentives for philanthropy, tax deductions for companies and individuals supporting civil society as well as tax deductions for CSOs (especially those providing public services). Furthermore, they mentioned new and more precise rules for volunteering or employment in civil society, social entrepreneurship or free legal aid as desirable changes. The bureaucratic rules apply to all CSOs, without any difference between big national NGOs and small local organizations. This puts the latter in an unfair position, according to the surveyed practitioners (Civil Society Survey, 2018).

Although several legal opportunities apply to CSOs (e.g. public hearings or participation of the CSOs' representatives in the work of parliamentary committees), they rarely have the chance to take part in decision-making processes, nor are they treated as equal partners by the government.

Consequently, most CSOs do not feel that they can influence the legal conditions in society (see Figure 15-4). Other studies support the trend of declining advocacy capacities (USAID, 2018: 195) and of a reduced ability of civil society to influence the legislative processes (CRTA, 2017). Important obstacles for advocacy or watchdog initiatives are related to the Law on Free Access to Information of Public Importance (No. 120/04; 54/07) and to the many cases in which state institutions failed to provide citizens with information, regardless of the Commissioner's actions and rulings, as previously mentioned (Poverenik, 2017).

FIGURE 15-4: SERBIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs

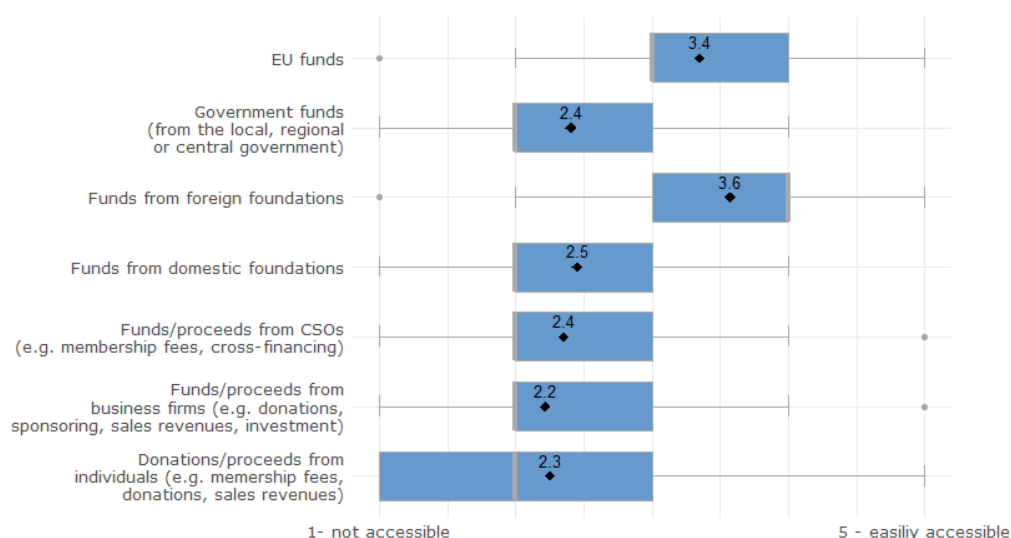


Source: Civil Society Survey, 2018, n =69 to 71

15.3. RESOURCES

The Serbian civil society is dependent on and largely driven by international donors (Vuković, 2015; USAID, 2018), largely because of a lacking tradition of local civil society and CSOs, an unfavourable legal framework for the development of national charities and endowments as well as a lack of tax deductions for companies and the general negative economic situation. Nonetheless, funds from international providers are available, including the EU, foreign governments and private foundations and endowments (Civil Society Survey, 2018). As presented in Figure 15-5, international and EU funds are by far the most attractive financing sources, while domestic funds are less accessible. The least accessible funding sources are the funds from local business and donations from individuals. Furthermore, funds distributed by the national government and local authorities depend on the representation of the interests of these political actors, and therefore, they often lead to cases of censorship of established CSOs and to the creation of GONGOs.

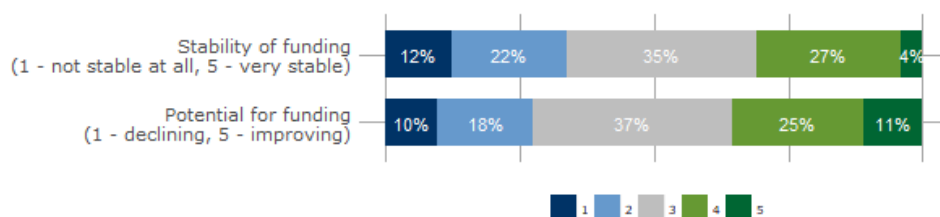
FIGURE 15-5: SERBIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS



Source: Civil Society Survey, 2018, n = 68 to 75

The CSOs' assessment of the stability of funding in the recent past and the near future is quite ambiguous (see Figure 15-6). Based on their opinions, the surveyed CSOs can be divided into three almost equal parts – one third is predominantly dissatisfied with the past, one third gives positive evaluations and another third is placed in the middle. The future is assessed slightly more positively than the recent past. This assessment is not surprising – CSOs have very different experiences depending on their field of work. Most advocacy, democratization and human rights oriented groups solely rely on international funders, while, for example, social services organizations depend on state funding, which is generally marked by a greater extent of uncertainty and instability (Gradjanske inicijative, 2012). Additionally, large national and professional organizations have better access to international and national funds compared to smaller local, activist or volunteer-based CSOs (Civil Society Survey, 2018). The moderately positive evaluation of the future development can be explained by a general optimism related to the EU integration and by the expectation that there will be more funds available for CSOs due to the return of some international donors to Serbia.

FIGURE 15-6: SERBIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 73 to 74

The CSO representatives clearly understand the consequences of relying on dominant funding schemes (i.e. being dependent either solely on international or on domestic actors, a lack of autonomy in terms of program activities) and some of them argue for a further diversification of funding opportunities (Civil Society Survey, 2018). Several fields of activity were perceived as underfunded for various reasons. The CSOs operating in these fields can be divided into two groups. The first group of CSOs are the ones supported in their first transitional years. More recently, some donors evaluated that Serbia had made progress and moved to other locations worldwide, where there is a

greater need for support. These fields include democracy, participation and political education or the support to victims of human trafficking. CSOs in these fields are also complaining about the reduced number of 'institutional grants' or grants that are dedicated to capacity building (Civil Society Survey, 2018). The second group of CSOs with unattended needs is related to the underdeveloped parts of civil society. These CSOs are mostly oriented towards vulnerable, politically and socially marginalized groups and related issues, for instance the Roma population, domestic violence issues, trade unions and labor rights, rights of the unemployed, vulnerable groups in underdeveloped areas, support for rural areas and support for persons with mental health problems. Some of these issues are addressed by state institutions and the state budget (but this is perceived as insufficient and irregular) and very rarely by international funds. Interestingly, the CSO representatives stated that there is a need for more support for environmental issues (Civil Society Survey, 2018), although environmental movements and activism have a solid tradition, which lasted even during the Yugoslav period (Pavlović, 2006). However, it seems that the raised awareness for ecology and the high expectations related to the EU integration could be the reasons behind this impression.

15.4. FUTURE PROSPECTS AND OUTLOOK

In the previous study on civil society in CEE (Spasojević, 2017), four major trends in Serbia were discussed:

- the decline of available funds
- the EU integration process
- the growing influence and the expertise of civil society
- the increased power of the Serbian government

It seems that the negative trends have aggregated and created an unfavourable environment for civil society. Without any doubt, the growing influence of the government and of the Serbian Progressive Party on civil society was the main trend in the recent period. Namely, since 2014, a trend of democratic decline can be observed in Serbia, manifested through the domination of one party and state president Vučić, the marginalization of other institutions (e.g. parliament, regulatory and oversight bodies) and the decline of media and civil liberties (Damjanović, 2018; Spasojević, 2019). Some of our respondents even used the words "authoritarian government" and "dictatorship" to depict the current trends in Serbia. This comes hand in hand with slandering campaigns against independent media outlets and against civil society activists defined as "the fifth column", a narrative used during the Milošević regime to depict civil society activists as the representatives of the international community's interests and to delegitimize them (Damjanović, 2018; Reporters without borders, 2019). The work of advocacy or watchdog organizations is almost impossible under these conditions (USAID, 2018: 191). Simultaneously, it seems that the government is working on the formation of a "shadow civil society" and a number of GONGOs, in order to create the impression of an open debate and of legitimacy.

As a reaction to these generally illiberal tendencies and the weak and divided opposition parties, some parts of the civil society are taking the role of a (social) opposition and act as counterbalance to the government. At the same time, this has a negative effect on their original fields of activity and decreases the civil society's capacities. Additionally, there is a growing division between cooperative and critical CSOs, since many CSOs have on-going projects that require cooperation with the government.

This division is even stronger in the context of the general decline of funds, because the government and local administrations filled part of the gap created when most international donors left Serbia. On the other side, due to the negative trends in relation with democratic standards, some donors

are coming back and/or increasing the available funds for CSOs working in the field of democracy and human rights (Civil Society Survey, 2018).

The EU integration process has multiple effects on the development/condition of civil society. On the one hand, it enables the CSOs to influence state politics (to some extent) and to participate in the preparation of the negotiation with the EU through the National Convention on the European Union²⁵. Participation in the work of the Convention also gives access to analyses on the state of affairs in certain policy fields (e.g. government plans, statistical data, capacity of various sectors). On the other hand, the EU integration process fosters a further centralization of civil society and supports primarily large, capacity-developed organizations from the capital city and other larger cities. During the integration process, the focus of the government is on EU-related issues, while at the same time, some questions remain completely unattended. Finally, there is a general fear that the EU itself could be changed due to populist and right-wing challenges, which can in turn trigger the change of EU priorities in Serbia.

Our respondents also named demographic changes (i.e. brain drain) as a potentially important and emerging trend, because young and educated people often represent the base for civil society and are therefore a very valuable resource (Civil Society Survey, 2018). Brain drain can even further increase in the later stages of the EU integration process because of the streamlined travelling conditions, and it represents one of the most visible issues for countries in similar situations (e.g. Croatia).

Finally, some positive changes are also visible – philanthropy and social entrepreneurship are on the rise and getting more attention. Philanthropy is perceived as a tool that could reduce the negative effects of austerity measures and of the economic crisis. However, it seems that the overall situation is overshadowed by the political events and that, without resolving the current crisis and reversing the trend of democratic decline, there cannot be a significant improvement for and of civil society.

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²⁵ The National Convention on the EU (2019) “is a permanent body for thematically structured debate on Serbian accession into the European Union, between representatives of the governmental bodies, political parties, NGOs, experts, syndicates, private sector and representatives of professional organizations”.

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16. Slovakia

Mária Murray Svidroňová

Although corruption is a long-standing problem for many Slovakian CSOs, the lack of trust and the question of foreign sources have become the most important issues. The level of trust between politicians and the civil society dropped dramatically in view of some major events that impacted civil society in Slovakia in 2018. However, they did not influence the legislative body that brought about several positive acts and reforms for civil society. The financial situation is quite stable and the debt ratio has not changed during the past 5 to 10 years. Despite the relatively high availability of resources, CSOs remain underfunded. The amount of available resources is not enough to satisfy the demand for all the necessary services, especially in the field of social services. The importance and engagement of CSOs in social dialogue and politics is expected to grow. People from CSOs are increasingly involved in local and national politics, which should positively influence the policy-making process.

16.1. INTRODUCTION

In Slovakia, similar to other countries these days, the extreme right is gaining power. In the national election of 2016, 13 members of the political party “Kotleba - Ľudová strana Naše Slovensko” (Kotleba – People’s party Our Slovakia) made it into the parliament (8.7%). Among other issues, they raised the question of foreign funding of the civil society. This poses a challenge, as foreign influences, such as those of the Soros Foundation, aim to destabilize Slovakia. This conflict deepened in 2018 after the murders of the investigative journalist J. Kuciak and his fiancée. Kuciak was the first journalist who was murdered in independent Slovakia, which caused a widespread shock, mass protests and a political crisis. These dreadful events mobilized the civil society, as many CSOs and young activists participated in organizing protests (The Guardian, 2018). In November 2018, members of the main organizer of these protests, the initiative “Za slušné Slovensko” (“For a decent Slovakia”), were suspected of representing and promoting the interests of foreign actors by the National Criminal Agency. The crisis culminated on March 15th with the resignation of Prime Minister Fico and his entire cabinet (Spectator, 2018).

Positive developments occurred regarding the legal environment. Several legislative reform proposals were initiated aiming at a reform of the funding of CSOs from public sources, a definition of charities’ advertising, and a reformation of the Act on public collections and the Act on volunteering. In 2018, a new concept for the education of volunteers was approved, and it is to be implemented at all levels of education in Slovakia. The most significant laws adopted in 2018 affect the social economy and the NGO register.

Slovakia: Key facts

Population: 5,443,120 (Statistical Office of the Slovak Republic, 2017)

EU membership status: member country (since 2004)

GDP per capita: 20,160 USD (IMF, 2019)

Number of CSOs: 64,136 (Statistical Office of the Slovak Republic, 2017)

Number of active CSOs: approx. 46,000 (estimation)

Number of active CSOs/1000 citizens: approx. 8.45 (estimation)

Most developed fields of activity: social services; education; sports and recreation; culture (Statistical Office of the Slovak Republic, 2017)

Population share engaging in volunteering: 4.42% (Statistical Office of the Slovak Republic, 2017)

Which organizations participated in the Civil Society Survey?

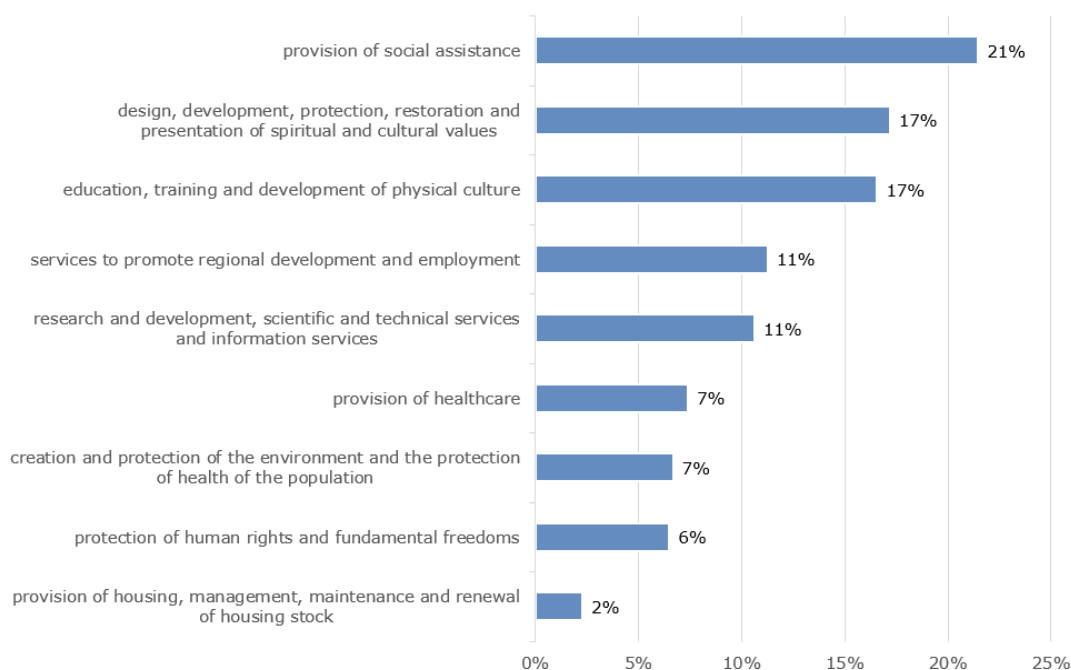
In total, 45 CSOs participated in the Civil Society Survey (2018). The survey was conducted in English, which could be the reason for the large amount of respondents that are active in the field of international activities (20%).

44% of the surveyed CSOs were funded before 2000, another 25% after 2015. The main fields of activity were social services, education and research. This result corresponds with the most developed fields of activities in Slovakia, which are gathered from various research findings on civil society (e.g. Vaceková, Murray Svidroňová, 2016; Brozmanová-Gregorová, 2012; Kuvíková, Stejskal & Svidroňová, 2014; Mesežnikov, Strečanský et al., 2016). Full data on the breakdown of the CSO sector by field of activity is not available, partial data can be obtained from the Statistical Office and the Ministry of Interior that maintains the register of formal NGOs. These data are very often inconsistent, irregular or only include some types of NGOs. Figure 16-1 shows the fields of activity for a legal form of NGOs called “nonprofit organizations providing public benefit services” (i.e. public benefit organizations). This is supposed to change, once the Act on the NGOs register (346/2018 Coll.) (MINV, n.d.) is adopted. Furthermore, all formal organizations will then have to re-register, providing information on their fields of activity or statutory representative. In 2015, 21% of the public benefit organizations mainly provided social assistance, and another 17% were active in the fields of culture and arts as well as education and training.

The size of the participating CSOs, based on their total revenues, was mostly between EUR 100,001 - 1 million (40%). Another 10% have yearly revenues exceeding EUR 1 million. However, smaller organizations prevail in Slovakia, as the sample shows: 8% of the organizations had total revenues between 50,000 and 100,000 EUR in 2017 and 21% had revenues between 5,001 and 50,000 EUR and up to 5,000 EUR each. The main funding sources were government funds (37%), followed by EU funds and foreign funds (22% respectively).

Overall, although the sample of the survey was not a representative one, it can be stated that those CSOs that participated in the research match the overall picture of civil society in Slovakia.

FIGURE 16-1: FIELDS OF ACTIVITY OF THE NONPROFIT ORGANIZATIONS PROVIDING PUBLIC BENEFIT SERVICES IN SLOVAKIA IN 2015



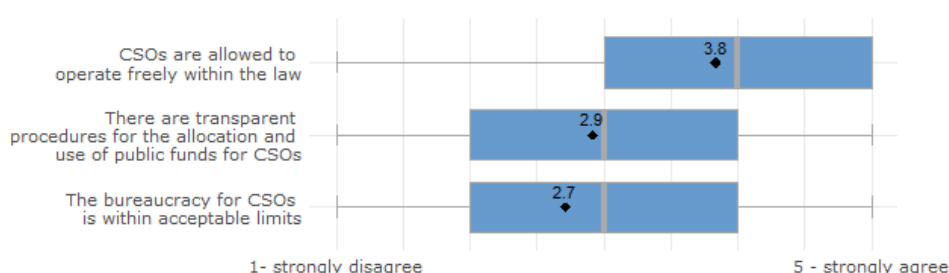
Source: Register of nonprofit organizations of the Slovak Republic (MINV, 2019a)

16.2. POLITICAL AND LEGAL FRAMEWORKS

In Slovakia, the extreme right has been gaining power. As a result of the national elections in 2016, the extreme right party made it into the parliament. This has deepened the polarization of the civil society, which started in 2010 (Strečanský, 2017). Currently, the topic of CSOs funded by foreign actors – for instance the Soros Foundation – is widely discussed in the media (Bloomberg, 2018).

These issues cause lower trust of CSOs in the leading political actors. The relationship between the leading political actors and civil society is very formal, distant and reserved (USAID, 2018). Based on the Civil Society Survey (2018), the respondents agree that CSOs can operate freely within the law (average score of 3.8 out of 5, where 5 means strong agreement), while they evaluate the transparency of procedures and the level of bureaucracy for CSOs (see Figure 16-2) as less favourable.

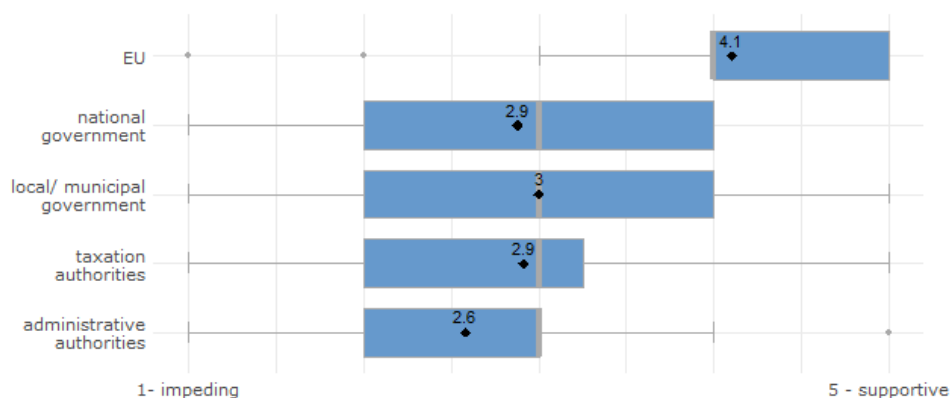
FIGURE 16-2: SLOVAKIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOS



Source: Civil Society Survey, 2018, n = 49

Regarding the political environment, the survey reveals that CSOs believe that the EU institutions create the most supportive environment for civil society. Concerning the national and local governments, the assessment of the respondents is quite diverse, with an average of 2.9, which means that they are not considered to be particularly supportive or impeding. The taxation and administrative authorities are perceived in a similar way (see Figure 16-3).

FIGURE 16-3: SLOVAKIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOS, AS CREATED BY VARIOUS INSTITUTIONS



Source: Civil Society Survey, 2018, n = 48 to 50

In 2018, several legislative reform proposals were initiated, among others, a proposal to reform the funding of CSOs from public sources, a proposal to improve the definition of charities' advertising (so the income from charity advertising would be tax-free), and a proposal to reform the law on volunteering. In addition, a new concept for the education of volunteers was approved and is to be implemented at all levels of education in Slovakia (MINEDU, 2018). The most significant laws adopted in 2018 were:

- Act no. 112/2018 regarding the social economy, which broadens the definition of social enterprises (in the past in Slovakia the concept was limited only to WISEs) and defines the funding of new social enterprises. An increase in the number of social enterprises is expected, also in the legal form of CSOs.
- Act no. 346/2018 Coll. regarding the NGOs' registration, which will facilitate the provision of information on CSOs, including whether they are active or not. The register will be in operation in 2019.

These reforms are implemented mainly through the Office of the Governmental Plenipotentiary for the Development of Civil Society. It organizes regular meetings with civil society actors in order to hear their views. This often leads to work groups with all the stakeholders (government, academia, practitioners) with the aim of developing proposals for public policies and legislation reforms (MINV, 2019d).

In Slovakia, CSOs can be established as civic associations, foundations, public benefit organizations or non-investment funds. Each of these corporate forms has their own rules of establishment. All of them are registered at the Ministry of Interior, but in four different registers. The registration process takes a maximum of 30 days. The major change is the adoption of a new law that will establish a single, reliable, and up-to-date register of non-governmental organizations.

The establishment of civic associations requires a minimum of 3 persons, of whom at least one must be of full legal age. Public benefit organizations can be founded by a natural person, a legal entity or the state. Neither of these two types of organization requires any starting capital, in contrast to foundations and non-investment funds. The latter two can be set up by a natural person or a legal entity (MINV, 2019b).

The legal framework for civil society is stable and considered positive and slightly improving (USAID 2018). According to the Income Tax Law (595/2003 Coll.), a company can assign 2% of its tax obligations to CSOs, if it donates funds amounting to 0.5% of its paid taxes during the year. If a company donates less than 0.5% of its paid taxes, it can still assign 1% of its tax obligations. Individual persons can assign 2% of their income tax to CSOs, and if they volunteered at least 40 hours in the given year, they can assign 3%. CSOs do not benefit from any other tax incentives or deductions, but the income tax on earnings generated from their main (statutory) activities is tax-exempt.

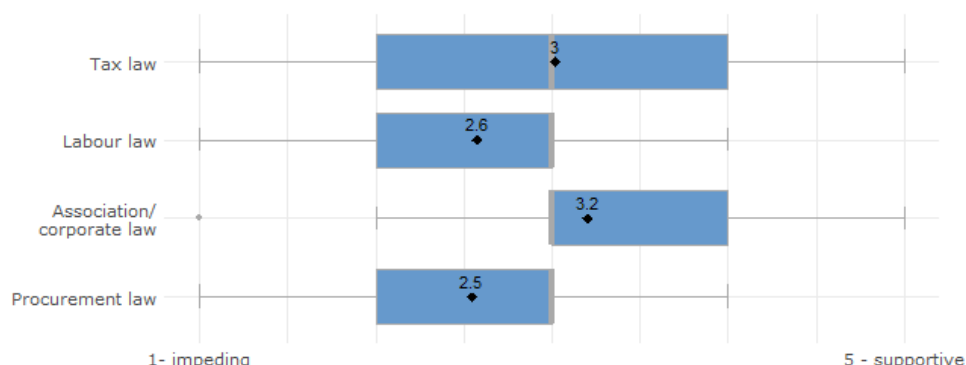
There are no specific regulations for the employment of paid staff in CSOs. The rules defined in the Labor Code (National Council, 2012) apply to CSOs as well as to other companies. Volunteering is mostly regulated by Act 406/2011 on Volunteering (National Council, 2011), which defines who is a volunteer and who can be beneficiary of voluntary activities. An amendment is being prepared, because two other laws, namely the Act on Employment no. 5/2004 (National Council, 2004) and the Coll. and Act on Sport no. 440/2015 Coll. (National Council, 2015) define special types of paid volunteering, which contradict the definition of volunteering as such.

There are no special regulations for CSOs concerning the participation in public procurement, which is regulated by the Public Procurement Law (343/2015). However, due to the character of the Slovak CSOs (mostly small to medium-sized volunteer-based organizations), they rarely participate in calls for tenders, because they are usually unable to meet the conditions and rarely succeed. The CSOs' participation in public tenders usually takes place in the field of services such as education and research. The Office of the Plenipotentiary of the Government for the Development of Civil Society stated that, due to the complicated rules of public procurement, it is easier to cooperate with individuals (experts) than with organizations.

According to the Civil Society Survey (2018), CSOs see a need for improvement in the legislative areas of taxation (incentives for businesses, donors), association law (this issue is already solved

by the Act no. 346/2018 Coll. on the NGOs register), labor law (health and social policy) and procurement law (overview in Figure 16-4).

FIGURE 16-4: SLOVAKIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW

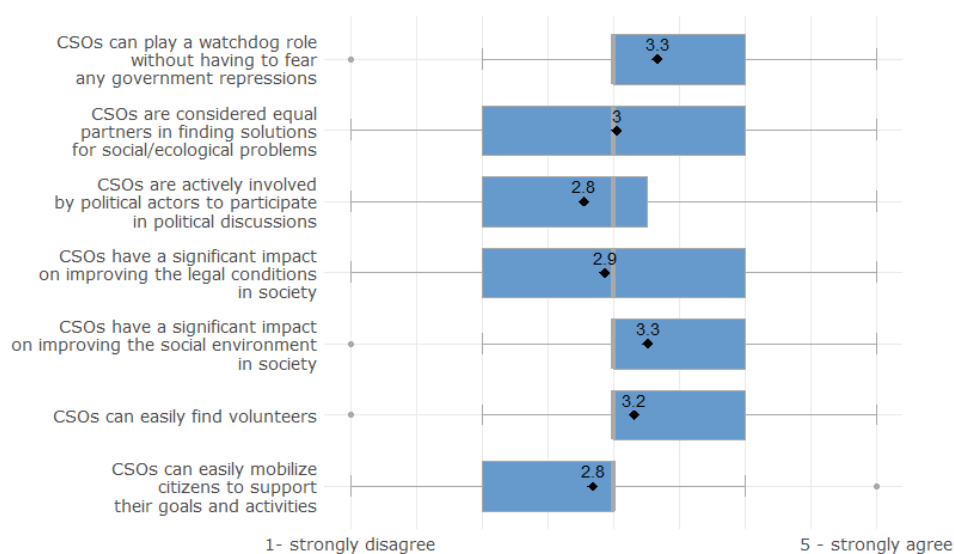


Source: Civil Society Survey, 2018, n = 44 to 48

The position of the leading political actors towards the involvement of CSOs in politics is rather impeding. On the one hand, the government does not regard civil society as an equal partner. On the other hand, civil society does not involve itself directly in political matters, only when invited to comment on reforms or new legislation or when asked for an expert opinion in specific areas (e.g. social and health services). The central and local governments rely on the CSOs as community resources and a source of expertise and credible information. Generally, the government often takes advantage of the CSOs' expertise, for example by expecting experts in working groups to provide their services free of charge or for minimal fees. CSOs often provide pro bono services that benefit the state, for example, creating public policies and legislative acts. This leads to a perpetuation of the government's practice of not remunerating them for their participation in working groups (Strečanský, 2017; USAID, 2018). The respondents of the Civil Society Survey tend to perceive CSOs as partners in finding solutions for various problems in society. Furthermore, the respondents appreciate the CSOs' considerable impact on improving the legal conditions in society. However, these views are rather ambivalent, as demonstrated by the high level of scatter of the answers (see Figure 16-5).

There are several watchdog organizations (Via Iuris, Alliance for the Family, Fair Play Alliance etc.), which are driven by a public interest that supports their mission by allowing the citizens to participate in the decision-making process. Overall, the possibilities of mobilizing citizens to participate in public issues and political matters are rather limited, as shown in the survey. However, acting as watchdogs and finding volunteers proved to be easier for CSOs (see Figure 16-5).

FIGURE 16-5: SLOVAKIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



Source: Civil Society Survey, 2018, n = 42 to 46

16.3. RESOURCES

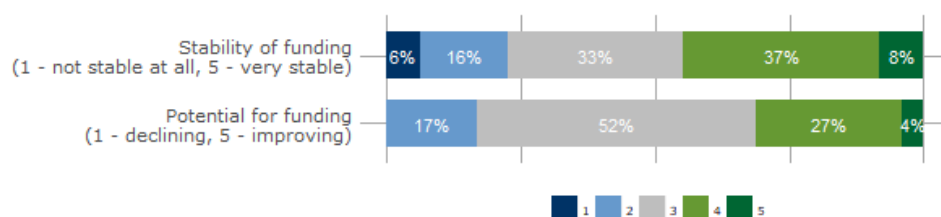
The ability of the Slovak CSOs to provide services and deal with socio-economic problems is impeded by underfunding, which affects the CSOs' organizational development and capacity. In terms of structure, the funding sources of the Slovak CSOs are almost equally divided among public, private and own income sources (approximately a third each). In 2013, approximately 225 million EUR were provided by public funding sources and 225 million EUR by the CSOs' own income; and a slightly higher amount of approx. 250 million EUR came from private sources such as tax assignments, individuals, companies or foreign investors. Approximately 10% of the public sources come from government funds, the rest from transfers and subsidies at all levels (local, regional, national) and income from lotteries (according to the Gambling Act no. 171/2005 Coll., the gambling operator is required to deduct a share from the gambling games for the benefit of the public budget - state or municipal). Foreign sources amount to 5% of the total income of the CSOs (Strečanský, Bútora, et al., 2017)²⁶.

The most important foreign fund is the EEA Grants & Norway Grants program, which has been the only significant source of funding available to CSOs active in the areas of social inclusion, anti-xenophobia and human rights as well as anti-corruption and good governance (Mesežnikov et al., 2016). Politicians, who do not approve of the CSOs' tackling of these issues, spread the rumors of "Sorosian funding".

Although the data is quite scarce, the CSOs' financial situation has not changed much, and this structure has been quite stable for many years. The stability of funding for the previous and future 3 years was also assessed by the CSOs participating in the survey. They consider the past as quite stable and the future development as more insecure (see Figure 16-6).

²⁶ More recent data is not available in the required structure and does not allow for comparisons.

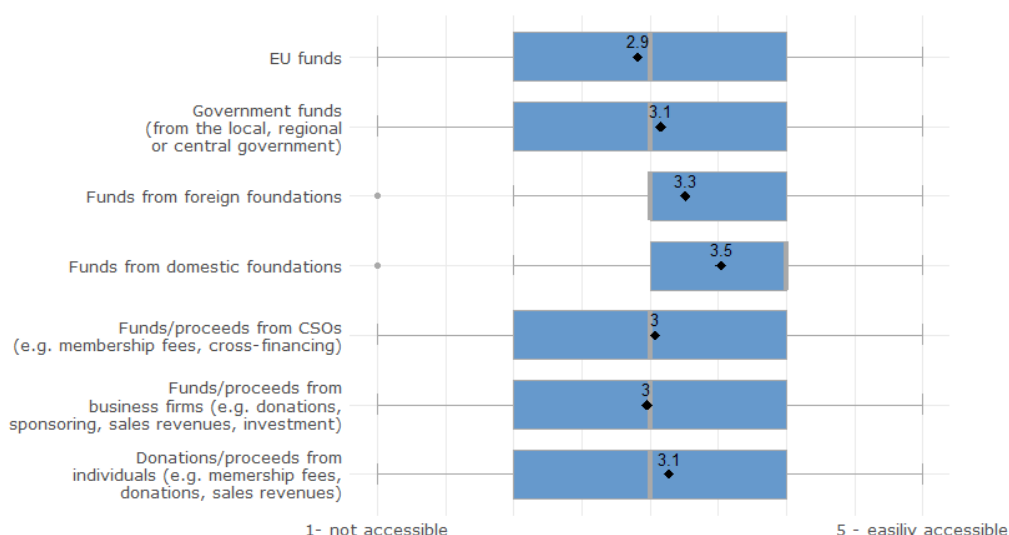
FIGURE 16-6: SLOVAKIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 48 to 49

The practitioners who participated in the Civil Society Survey (2018) assessed the accessibility of funding opportunities for CSOs in Slovakia (Figure 16-7). Foreign and domestic funds from foundations are easiest to access. Funding from private sources (individuals, businesses and own income) and public sources was regarded as quite easily accessible. However, the larger spread of the data indicates divergent opinions among the respondents. EU funds were slightly more difficult to access.

FIGURE 16-7: SLOVAKIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOS



Source: Civil Society Survey, 2018, n = 46 to 50

Additional funding opportunities for CSOs are created for instance by the Active Citizens Fund (2019), a grant program financed through the EEA/Norway Financial Mechanism and managed by a consortium of three foundations (Ekopolis, Open Society Foundation and Carpathian Foundation). This program launched a call for proposals at the end of 2018 and is expected to allocate 7.7 million EUR in support of the Slovak civil society by 2023. A number of Slovak foundations provide grants to CSOs mainly through funding from domestic sources, including tax assignments. Local community foundations provide grants funded through both locally raised funds and international donor resources.

In the past, EU funds were difficult to access for CSOs, however, lately there was a significant increase in funding available to CSOs through the EU Structural Funds. Six calls for proposals were issued in May 2017 as part of the EU-funded Effective Public Administration program. These were the first EU-funded calls for proposals in Slovakia in which CSOs were the only eligible applicants. Through these calls for proposals, the CSOs were able to apply for a total of 15 million EUR for pro-

jects focused on improving public policy, civic awareness and participation, the fight against corruption and transparency in the public administration (USAID, 2018). More than half of the applicant CSOs were successful in these calls (MINV, 2019c).

Individual and business donations did not change much. Since 2014, they have been between 250 – 300 million EUR (USAID, 2018). Both in-person fundraising and online collections are used to obtain donations. Crowdfunding platforms, such as Dobrakrajina.sk, Dakujeme.sk, Ludialudom.sk, startlab.sk are gaining more and more popularity.

Because most of the CSOs' funding is project-based, CSOs do not have sufficient reliable resources to ensure their long-term sustainability, and they often diverge from their original mission and pursue the aims of the available calls (from domestic and foreign foundations, from ministries and local governments). This is even more visible on crowdfunding platforms, where either big, well-known CSOs or popular topics succeed. The USAID report (2018) states that crowdfunding is not effective for initiatives involving complicated or controversial topics, such as legislative amendments, LGBTI projects or Roma community projects. In addition, based on the practitioners' opinions (Civil Society Survey, 2018), many needs remain unanswered. The most typical responses named the following unanswered needs:

- The development of civil society in general and of advocacy at the local/community level;
- The development of social housing;
- The necessity to raise awareness of global needs among the general population, as Slovaks tend to be very local in their world-view;
- The provision of health care for the homeless and socially excluded persons and families.
- Social services (mainly community social services, not only for excluded communities such as Roma, but also for people living in areas distant from the large cities).

Despite the strong engagement of CSOs in these areas (health care, social services, education), with the CSOs' services sometimes replacing or complementing state-provided care, demand still sometimes exceeds supply.

16.4. FUTURE PROSPECTS AND OUTLOOK

Civil society faces the challenge of maintaining a positive public image, as a result of the continuous polarization in society marked by increasing tensions, hate speech and the rise of populism. In addition, there is the fear that Slovakia will follow the path of Poland and Hungary, where the state increasingly attacks the civil society. The “anti-Soros” rhetoric, which is prevalent in Hungary and Poland, is increasingly emulated in Slovakia as well (USAID, 2018). The surveyed practitioners also expressed this fear; several experts stated that in the next five years the CSOs in civil society might be affected by populist and radical politics, hate speech, fake news and unfair propaganda in the social media. The CSOs will also have to face an “uncivil” society that jeopardizes democratic principles through hate and racism and seeks to limit the principles of human rights. Besides their traditional roles (advocacy, public oversight, social innovations and provision of services), it will be increasingly important for CSOs to justify their merit and existence to the media and politicians on both sides of the political aisle and to strengthen the support of the public. One of the respondents remarked: “In the context of Central and Eastern Europe, the major trends in civil society are closely connected with the influence of government on civil society. As we can actually see in Hungary and Poland, civil society is under strong attack by national governments (and on liberal democracy as such)” (Civil Society Survey, 2018).

For the next five years, the practitioners perceive an increased need for education regarding human rights and rights of different minorities, including the more vulnerable ones. There is also a

rise in the pressure on civil society regarding the maintenance of human rights and especially the rights of people with special needs. Simultaneously, more so-called political CSOs will be established, whose role will be to protect and strengthen the democratic values across society. There is an “expected growth of the importance and engagement of CSOs in social dialogue - depending on the result of national parliamentary elections – a watchdog role in the case of more authoritarian government or partner role in the case of democratic government” (Civil Society Survey, 2018). Another visible trend is the increased move of the CSOs’ employees into local and national politics, which should positively influence the policy-making process (Civil Society Survey, 2018).

Other practitioners expressed an increased need for social services: “We are living longer and thousands of additional senior citizens will need to be taken care of, approx. 500 senior homes need to be built and we happily ignore it. Even in the event that somebody builds them, there will be no one working unless there is an economic immigration to Slovakia” (Civil Society Survey, 2018). There is a lack of providers of social services. CSOs are categorized as private providers, and citizens have to pay higher fees for their services and therefore generally prefer the cheaper, public alternatives; but the public providers of social services are running out of capacity (USAID, 2018). Another future trend addressed here is the negative impact of the brain drain phenomenon on the local labor market. Indeed, based on qualitative research, only 19% of respondents agreed on the Slovak economy’s need to employ legal immigrants (Strečanský et al., 2017).

Several responses dealt with the increasing dominance of social media and internet in advocacy and the huge influence of social media in general. Another practitioner expressed “I am afraid that civil society is more and more influenced by digital culture and most activists will be replaced by “clicktivists”. CSOs have to be more professional to provide services for self-sustainability.” (Civil Society Survey, 2018). Already in 2011, Bútorá, Bútorová et al., (2011) observed the tendency of younger civil society groups to organize informally on an ad hoc basis, avoiding the traditional institutionalism of CSOs, because of the growing influence of social media and digital communication. However, as qualitative research shows, digital activism does not always lead to the mobilization of citizens (Bútorá et al., 2011). On the other hand, active participation and initiatives, volunteering and participation at the local level take place in parallel to the newly emerged phenomena of the far right and anti-politics movements. In 2018, many protests were organised in Slovakia, and attendance was high, thanks to the publicly shared events on social media.

Despite the problematic political context and problems with funding, there has been a growth in the quantity and quality of CSOs in the last 10 years. However, the professionalization of the management in CSOs is still lagging behind, especially in the small and medium-sized CSOs that are volunteer-based. The last few years also brought about a visible growth in urban community organizing, neighbourhood initiatives and public space rehabilitation by civic initiatives (USAID, 2018). CSOs are lacking behind the many social innovations in the fields of urban development and housing, healthcare, social services, education and environment protection (Nemec et al., 2015).

There are positive signs of growth in private giving and volunteering as well as in cross-sector collaboration. Several practitioners expect a rise in the number of social enterprises. They believe that social entrepreneurs might have a more significant impact on society, and that hybrid models of businesses and CSOs will be deployed more often (Civil Society Survey, 2018). This is in line with the expectations from the new law on social economy.

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17. Slovenia

Meta Novak, Danica Fink-Hafner

The Slovenian CSOs have a long tradition, but the level of their professionalization has generally remained low. However, the changes that were made in the legal framework in 2018 are supposed to facilitate the future activities of CSOs. Many organizations in Slovenia rely on voluntary work and operate with small budgets. The most accessible sources of funding for CSOs are EU funds, membership fees and governmental funds. The bureaucracy requirements represent an excessive burden for the operation of CSOs. Among the most important developments of 2018 were the adoption of the Non-governmental Organisation Act that defines NGOs. In addition, the rule for obtaining the status of an NGO in public interest was updated, which should ensure more justice in this area. Furthermore, the strategy for the development of NGOs and volunteering was adopted, which, among other objectives, intends to establish long-term funding for NGOs and to strengthen the role of NGOs in the planning and implementation of public policies at the local and national level. CSOs are mainly concerned about the rising populism of the right-wing parties and the anti-migration rhetoric that could weaken the role of CSOs and their image, especially in the area of human rights and environmental protection. Some CSOs remain positive about the near future and rely on the solidarity among organizations.

17.1. INTRODUCTION

The political situation in Slovenia in 2018 was marked by elections. The early parliamentary elections in June, the subsequent period of government formation as well as the local elections in November have brought major policy changes, such as the negotiations between trade unions of the public sector and the government standstill of 2018. In autumn, the negotiations were renewed and the new government and trade unions managed to finalize the agreement that raised the salaries of most employees and increased some of the supplements. By the end of 2018, the new government also ended the ongoing strike of police officers and signed an agreement with the police trade unions to improve pay and working conditions.

Slovenia: Key facts

Population: 2,070,050 (SURS, 2018)

EU membership status: member country (since 2004)

GDP per capita: 26,620 USD (IMF, 2019)

Number of CSOs: 27,789 (CNVOS, 2018a)

Number of active CSOs: 7,500 (CNVOS, 2018a)

Number of active CSOs/1000 citizens: 3.62 (SURS, 2018; CNVOS, 2018a)

Most developed fields of activity: social politics (in particular trade unions)

Population share engaging in volunteering: 14.07% (MJU, 2018a)

With increasing economic growth, further measures were already taken in 2017 in order to improve the social transfers (USAID, 2018). In 2018, the government adopted a higher minimum wage as well as a higher financial social assistance (MDDSZ, 2019). The Slovenian civil society organizations (CSOs) supported the increase in the minimum wage, which had a direct effect on their employees.

Another significant development for CSOs in Slovenia was the adoption of the Non-governmental Organizations Act in the spring of 2018 (Civic Space Watch, 2019).

Which organizations participated in the Civil Society Survey?

The sample of the Slovenian CSOs was recruited from various data sources. It includes CSOs identified by academic experts in the first study of Civil Society in Central and Eastern Europe (CEE) in 2017 (Fink-Hafner, Novak, 2017), the most active CSOs as identified by Fink-Hafner, Lajh, Hafner-Fink et al., (2012), CSOs present in the media and registered in the European Transparency Register. 172 CSOs active at a local, national or supranational level within various areas of activity were identified. In total, practitioners from 45 organizations participated in the Civil Society Survey.

Although the Slovenian civil society flourished in particular after the independence achieved in the year 1991, many CSOs and movements had already existed before, during socialist time, especially during the 1980s (Novak, Fink-Hafner, 2019). Some of the most active organizations today have a long tradition. More than 40% of the practitioners in our survey represent organizations established before 1991. Despite their tradition, the Slovenian CSOs remain under-professionalised, with a total share of 40% having low professionalization and another 36% reporting a medium degree of professionalization. Still, the findings suggest that predominantly larger, well-established organizations participated in the survey, when considering their yearly budget. While for more than 40% of the Slovenian CSOs organized on a national level (national CSOs) the budget size is less than EUR 10,000 per year (Fink-Hafner, Hafner-Fink, Novak et al., 2016), the sample of the Civil society survey does not include any organizations with yearly budgets below EUR 5,000, and 13% of the respondents declare budgets between EUR 5,000 and EUR 50,000. Actually, 70% of the surveyed CSOs reported yearly budgets between EUR 100,000 and EUR 1 million.

According to the surveyed practitioners, the main source of funding are governmental funds (77%), which are important for the stability of the organization and ensure a higher level of activity, followed by donations from individuals, a funding source acquired by 56% of the respondents. For more than half of the organizations, EU funds represent an important source of funding. Most Slovenian CSOs are active in the fields of education and research as well as that of law, advocacy and politics (13% each), which is in line with the results of the survey from 2016 on the national population of Slovenian CSOs (Fink-Hafner et al., 2016). For almost 85% of the CSOs, the national level (84%) represents the main impact region.

17.2. POLITICAL AND LEGAL FRAMEWORKS

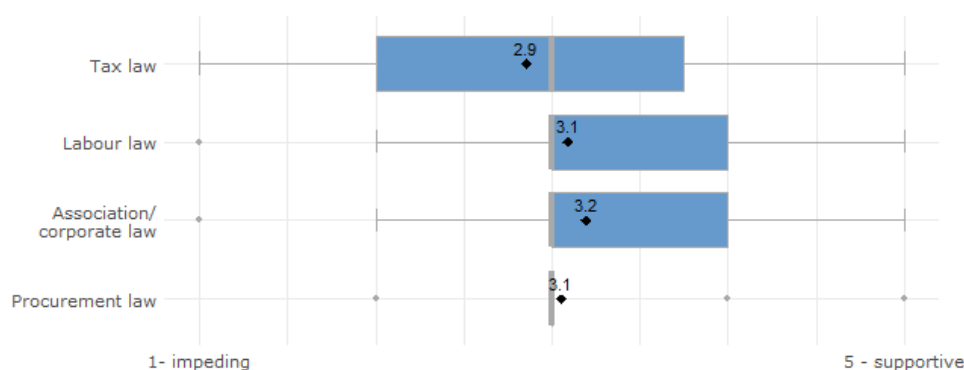
The Slovenian CSOs take different legal forms: associations represent 87% of all Slovenian CSOs (CNVOS, 2018a), institutes and foundations. Each legal form is regulated by a different act: The Societies Act, the Institutes Act and the Foundations Act. These acts did not change during the last years. Regardless of the legal form of the CSOs, all of them are defined as not-for-profit organizations. While associations have members, institutes and foundations are without members. The main characteristics of foundations are their charitable activity and the gathering of funds for these activities. On the other hand, institutes do not require a focus on charitable work and can have various other functions. They can be founded either privately, by the state or by local communities (Novak, 2017). The establishment of new CSOs is reasonably easy in Slovenia. This is also demonstrated by the constant growth of the number of CSOs. Mainly the number of associations and institutes is increasing, while the number of foundations remains somewhat the same in recent years (CNVOS, 2018a).

Since the majority of the CSOs in Slovenia are membership based and take the form of associations, we will focus on the establishment of new associations. Associations can be established by a minimum of three members, either individual persons or legal entities, who organize a founding assembly where they adopt a resolution on the establishment and the basic act of the association and elect a representative of the association. The association needs to be registered at the administrative unit. Electronic registration can be submitted (ZDru, 2011).

The activity of CSOs is also regulated by the Volunteering Act that has been adopted in 2011 and amended in 2015 (ZProst, 2015). Volunteering has a long tradition in Slovenia and the number of volunteers is growing (MJU, 2018a). Furthermore, the legal framework for employment has registered several improvements recently, such as a higher minimum wage and a higher financial social assistance, which affect employees in the public, private and civil society sector (MDDSZ, 2019).

The biggest change in the legal framework in 2018 was the adoption of the Non-Governmental Organizations Act that came into force in April 2018 (ZNOrg, 2018). The new act specifies which organizations are non-governmental organizations (NGOs) and replaces the status of “organization in the public interest” (Novak, 2017) with “NGO in the public interest”. The status is important for CSOs, as it makes them a priority receiver of national funds and gives them the opportunity to receive funding of 0.5% of the income tax (tax assignment). The adoption of the new law, which was a result of a long process, was eagerly awaited and assisted by the CSOs and, which possibly explains their relative satisfaction with the association law (see Figure 17-1).

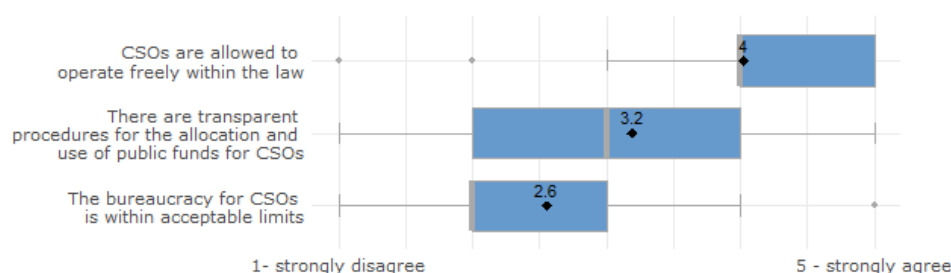
FIGURE 17-1: SLOVENIA - ASSESSMENT OF THE LEGAL ENVIRONMENT FOR CSOs, CONCERNING VARIOUS FIELDS OF LAW



Source: Civil Society Survey, 2018, n = 37 to 43

Contrary to the relatively easy establishment of CSOs, the actual activities of CSOs bring about a considerable bureaucratic burden, as reflected in Figure 17-2. The practitioners from the organised civil society assess the bureaucracy burdens as quite demanding. This is probably connected with the required annual reporting to the Agency of the Public Legal Records and the statistical office, to the financial administration, and in some cases (especially for larger organizations), also to an audit (Novak, 2017). The bureaucratic burdens are also connected with financing. CSOs normally have to report to the funders on their expenses as well as on the activities undertaken. When an organization is funded by different sources and projects, this might lead to additional bureaucratic requirements. Furthermore, the respondents of the survey mentioned the burden of organising calls for tenders and the obligation to consider at least three offers before buying a product or a service (Civil Society Survey, 2018). The Public Procurement Act defines that CSOs are obliged to conduct public tenders when more than 50% of the service or merchandise are co-financed by public bodies, local self-government bodies or other bodies governed by public law, and when the amount for which applications are invited accounts for at least EUR 40,000 (ZJN-3, 2018).

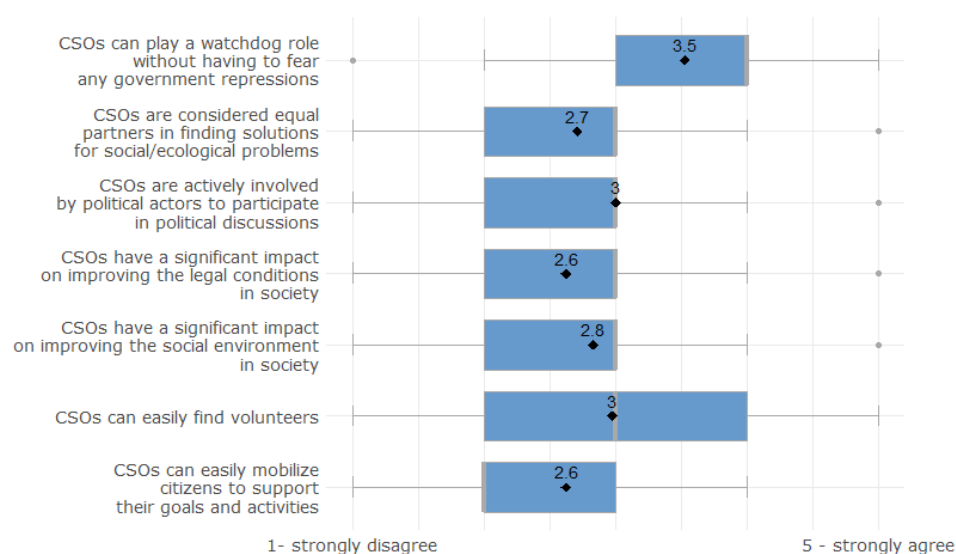
FIGURE 17-2: SLOVENIA - ASSESSMENT OF VARIOUS ASPECTS OF LEGAL CONDUCT FOR CSOs



Source: Civil Society Survey, 2018, n = 41 to 43

While the political framework is favourable for the establishment of CSOs, the day-to-day policy-making remains relatively closed to the involvement of CSOs. However, the CSOs can operate freely within the law, as illustrated in Figure 17-2. Some CSOs actively perform a watchdog function (see Figure 17-3), for instance by regularly publishing the number of violations of the resolution on normative activity, which prescribes that a public debate for a new regulation should take at least 30 days. During the last government (between 2014 and 2018), the resolution was violated in 55% of all cases (CNVOS, 2018b). The high number of violations demonstrates that CSOs are not understood as equal partners in the policy-making process.

FIGURE 17-3: SLOVENIA - ASSESSMENT OF THE FREEDOM OF EXPRESSION IN TERMS OF ADVOCACY FOR CSOs



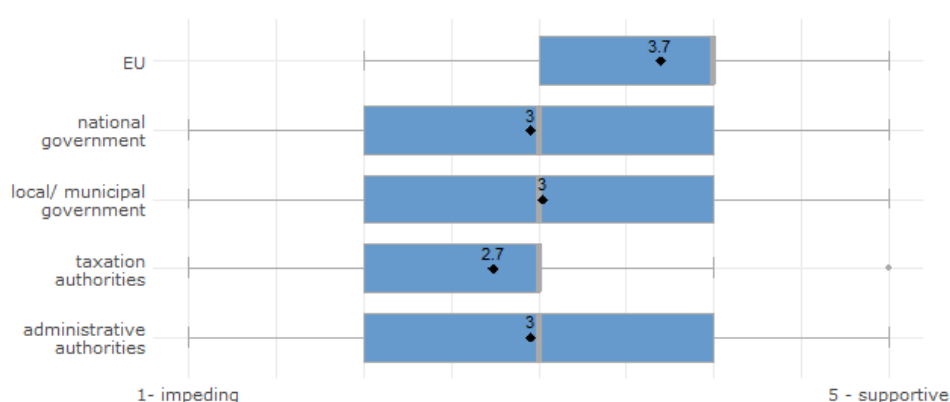
Source: Civil Society Survey, 2018, n = 40 to 41

The Slovenian CSOs recognise the executive government as the most influential actor. Unfortunately, this actor is less accessible for collaborations in the policy-making process. On the other hand, the legislative power (National Assembly) is more accessible for the CSOs, but also less influential when it comes to achieving political changes. Local and regional state authorities are most accessible; however, they possess almost no recognised political influence (Fink-Hafner et al., 2012). The impact of the political actors is also dependent on their role in the policy-making process. The ministries and the government have roles that are more important in the agenda setting and policy-making stage, when CSOs can also influence most of the changes, while the municipal government mostly has power over the distribution of public funds and over the local policy-making process. The relationship between the government and the CSOs is defined in the Rules of Procedure of the Government of the Republic of Slovenia (Poslovnik Vlade Republike Slovenije, 2014). For the cooperation with

CSOs, the government establishes government councils that are composed of representatives of ministries and government services and representatives of CSOs. Likewise, the Rules of Procedure of the National Assembly (PoDZ-1, 2017) define the relationship between CSOs and the National Assembly.

In general, the CSOs participating in the survey evaluated the role of the national and local political actors as equally supportive. However, the opinions of the respondents diverge quite considerably, as demonstrated by the large spread of the data (see Figure 17-4). They perceive them as neither impeding nor supportive. They regard tax authorities as less supportive and EU institutions as more supportive. Although the majority of Slovenian CSOs is not active in the EU policy-making process (Fink-Hafner et al., 2016), the positive assessment might refer to the EU institutions' support through opportunities for funding. Furthermore, the EU organizes open consultations as well as consultations with the public in form of stakeholder meetings, which might also be considered as supportive by the respondents of the Civil Society Survey (2018).

FIGURE 17-4: SLOVENIA - ASSESSMENT OF THE OVERALL POLITICAL ENVIRONMENT FOR CSOs, AS CREATED BY VARIOUS INSTITUTIONS

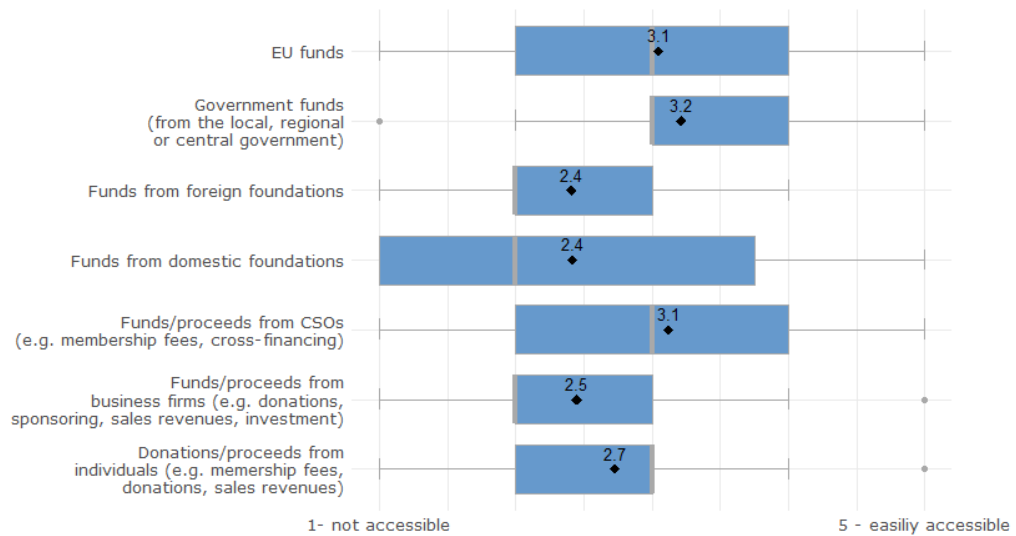


Source: Civil Society Survey, 2018, n = 42 to 44

17.3. RESOURCES

The economic situation has been improving during the last years. With the increasing economic growth, the CSOs' revenue has also been increasing (CNVOS, 2018a; USAID, 2018). The Slovenian CSOs are financed by different sources. However, CSOs financed primarily by membership fees have the most stable source of funding, which allows them to sustain more stable activities and consequently to achieve more influence (Novak, Fink-Hafner, 2019). For 30% of Slovenia's national CSOs membership fees represent their sole source of income (Fink-Hafner et al., 2016). This could explain why the CSOs evaluated membership fees from other organizations as one of the more accessible sources of funding; however, this is not reflected in the comparably poor assessment of accessibility of membership fees from individuals. A possible reason for this result is the composition of the sample, where larger organizations with access to multiple financing sources are overrepresented (see Figure 17-5). Another important source of income are government funds.

FIGURE 17-5: SLOVENIA - ACCESSIBILITY OF FUNDING OPPORTUNITIES FOR CSOs



Source: Civil Society Survey, 2018, n = 38 to 42

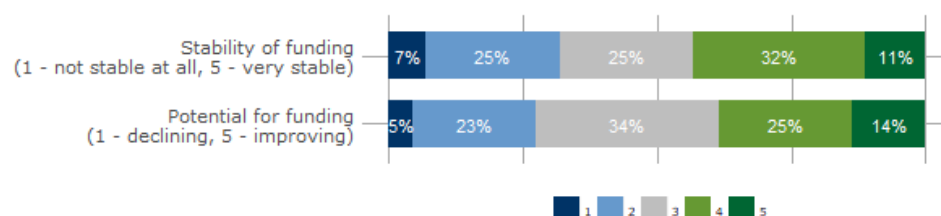
EU funds are becoming more and more important. 30% of the Slovenian national CSOs receive funds from EU projects and programs (Fink-Hafner et al., 2016). However, applying for EU funds demands sources for co-financing as well as skills of writing a good project proposal that must succeed in a very competitive environment. These burdens were also mentioned by the respondents of the Civil Society Survey (2018). Especially if CSOs engage in more than one EU project simultaneously, it becomes very difficult to meet the co-financing obligations, particularly since EU funding rules do not allow a co-financing of EU projects by other EU projects (European Commission, 2017).

On the other hand, the national government supports the CSOs' financing by the EU. During the economic crisis, the government openly encouraged CSOs as well as research institutes to apply for more EU funding, due to the austerity measures and cut downs in the financing of the civil society sector. The Ministry for Public Affairs and the national government continue to support the CSOs' applications for funding through EU projects and programs. In line with the strategy for the development of NGOs and volunteering adopted in May 2018, for the period of 2018 until 2023, an additional 1 million EUR has been relocated to the CSOs for co-financing projects that were successful in calls for EU projects and programs. The strategy sets six main goals, which include the establishment of a supportive environment for the work and development of CSOs as well as long-term funding for CSOs and the strengthening of the role of CSOs in the planning and implementation of public policies. Furthermore, the strengthening of the cooperation between CSOs and the economy and the establishment of cross-sectoral partnerships, the promotion of transparency, integrity and accountability of CSOs as well as the promotion of solidarity quality volunteering and the development of various forms of volunteering are listed among the goals of the strategy (MJU, 2018b).

Funds from foreign foundations remain largely inaccessible for CSOs, as compared to other sources of funding, which is also confirmed by the results depicted in Figure 17-5. In contrast with many other post socialist countries from CEE, the development of the Slovenian CSOs was not supported by external funds, because they were already quite developed in the 1980s. However, most of the Slovenian CSOs operate with a very scarce budget (Fink-Hafner et al., 2016). This also explains the low levels of professionalization, the high share of part time jobs in the civil society sector, the high fluctuation of staff as well as the higher reliance on voluntary work and the lower level of activity. The low level of activity is evident in the rare contacts with decision-makers that are limited to national actors (Fink-Hafner et al., 2016).

The surveyed practitioners named the lack of stable funding as a major problem. Some experts also notice a lack of professionalization due to the lack of funds (Civil Society Survey, 2018). However, some organizations are quite optimistic about their ability to access sufficient financial sources: 43% of the surveyed CSOs have stable funds and 39% regard the potential for improving their funding over the next years as promising (see Figure 17-6).

FIGURE 17-6: SLOVENIA - ASSESSMENT OF THE STABILITY OF FUNDING IN THE RECENT PAST (PREVIOUS 3 YEARS) AND OF THE POTENTIAL FOR FUTURE FUNDING (NEXT 3 YEARS)



Source: Civil Society Survey, 2018, n = 44

For small, less professionalized CSOs, a simplification of the application process is of great importance when applying for funds. This should reduce the administrative burden during reporting and allow recipients of smaller grants to receive higher shares of the project value in advance (USAID, 2018).

17.4. FUTURE PROSPECTS AND OUTLOOK

The civil society sector in Slovenia is shaped by the various developments currently underway in society or will be shaped by future ones. The CSOs participating in the Civil Society Survey (2018) identified different future prospects. Most CSOs reflected on the recent rise of populist, extreme right-wing parties in Europe, the anti-migration rhetoric and more precisely, on the campaign for the national parliamentary elections, where the populist Slovenian Democratic Party had accused the CSOs of not fulfilling their mission in spite of receiving public funding. With the increasing resistance to organizations and policies that offer support to migrants and refugees, there is a reasonable fear that hate speech against CSOs in the area of human rights but also in the area of environmental protection will increase. However, the current prime minister clearly condemned hate speech (Vrabec, 2018) and a similar attitude has been noticed from the president of the National Assembly (STA, 2018).

A further problem is the high dependency of Slovenian CSOs on government funding, which limits their activities that would potentially criticize governmental decisions (Lundberg, Sedelius, 2014). On the one hand, some CSOs stress that a close relationship with the government might damage the CSOs' autonomy. On the other hand, with an increasing number of CSOs, even more competition for resources is expected. Presently, the struggle for obtaining enough financial resources limits the activities of some CSOs to primarily writing project applications, which does not leave them enough time and resources for their advocacy and representation activities (Civil Society Survey, 2018).

On a more positive note, some very good examples of the CSOs' networking and coalition building have continued. In 2018, collaborations among CSOs as well as between CSOs and individual political parties (especially the Left) revolved around several issues, such as hate speech, anti-migration policies, social events and the attacks of the Slovenian Democratic Party (an ally of Orban's party and a receiver of Hungarian funding) (Mirovni inštitut, n.d.; CNVOS, 2018c; STA, 2018). The CSOs have co-formed a strong opposition against the 'Orbanization' of Slovenia. Indeed, in view of

the overall presidentialization²⁷ of politics and the political destabilization in Slovenia, particularly since the 2008 economic crisis (Fink-Hafner, Krašovec, 2019), the CSOs have become an increasingly important linkage between the citizens and the state.

In addition, the Slovenian CSOs appear to be aware of current major global and domestic social changes, such as demographic changes, immigration, environmental problems and issues of technological developments. The awareness of the challenges brought about by an aging society was also raised by the Slovenian national CSOs (Fink-Hafner et al., 2016). Among other factors, demographic changes will negatively affect the number of members in trade unions. Although trade unions are not obliged to report on their membership size, public opinion data clearly show that their membership size is indeed decreasing. Additionally, younger populations are less likely to become members of trade unions (Broder, 2016). Considering the aging society, the members of trade unions will become even older. However, due to neo-corporatism in Slovenia, trade unions remain powerful actors in the political field. The ageing population will also result in more health issues, a shortage of health staff and more people requiring support from CSOs, and subsequently, in the CSOs' need to adapt to the new social conditions.

Media and technology developments will probably also bring changes in the behaviour of the civil society sector, with an increase in the role of e-democracy, e-governance as well as the growth of the importance of social media and online donations that come along with the use of internet platforms or mobile phones. These changes are likely to increase the number of supporters of CSOs, since participation will be easier, less demanding and less bureaucratic. However, supporters will probably get increasingly involved in individualistic activities, while the role of community building of CSOs will further decrease (Maloney, 2009).

Although the respondents of the Civil Society Survey (2018) identified many challenges that CSOs might face in the following years, some respondents are quite optimistic about the future role of CSOs. With climate change, environmental pollution, problems in the health sector, an ageing population and the use of new technologies, further policy problems will arise that will demand a greater need for the involvement of CSOs in policy-making activities and require a better relationship with decision-makers.

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²⁷ Presidentialization of politics is a process of centralisation of the leadership (Passarelli, 2015: 8).

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18. Appendix

Based on the collected data, two composite indices of the CSOs' degree of professionalization and functions were constructed. A detailed description of the indices can be found below.

Degree of professionalization

The survey respondents evaluated the following nine practices as to whether and how frequent these are applied within their organizations, ranging from *1 – never*, to *3 – frequently*²⁸:

1. Developing strategy papers
2. Investing in training/qualification programs for the management
3. Investing in training for the staff
4. Professional financial management
5. Professional management for volunteers
6. Developing and nurturing relationships with the beneficiaries and donors
7. Activity on social media
8. Taking measures concerning privacy/data protection compliance
9. Collaborating with external professionals (e.g. legal experts, consultants/ advisors)

The average of these nine items was computed for every organization. Subsequently, the results were standardized over the whole sample of 875 organizations (i.e. with a mean of zero and a standard deviation of one). The median is 0.03, hence, the distribution shows some negative skewness. Organizations with values below -0.5 were considered as exhibiting a low degree of professionalization, organizations scoring between -0.5 and 0.5 were categorized as medium professionalized, and organizations scoring above 0.5 as highly professionalized.

Organization's functions: Service providing, advocacy and community-building

The survey participants were asked to assess the centrality of the following activities to their organization's mission on a scale from *1- not important at all* to *5 – very important*²⁹:

1. Offering programs that respond to the needs of your organization's beneficiaries
2. Providing services
3. Influencing government policy
4. Working to change public opinion or create awareness
5. Representing the interests of particular individuals, groups or organizations
6. Community-building

Organizations indicating items (1) or (2) to be important or very important are categorized as *service providing*. Organizations stating that items (3), (4) or (5) are (very) important for their mission are categorized as fulfilling an *advocacy*-function. If item (6) was mentioned as (very) important to the organization's mission, the organization is included to the group of *community-building* organizations. In order to determine which organizations have a multipurpose function, combinations of the three main functions were performed, by following the same allocation principles as described below.

²⁸ It was possible to answer with *does not apply*.

²⁹ It was possible to answer with *does not apply*.

TABLE 18-1: OVERVIEW TABLE CONTAINING KEY INFORMATION ABOUT THE SURVEYED PRACTITIONERS IN EACH COUNTRY

		ALB	AUT	BIH	BGR	HRV	CZE	HUN	UNK	MKD	MDA	MNE	ROU	SRB	SVK	SVN
Founding year	Before 1991	0.0%	30.0%	4.3%	5.1%	2.9%	23.1%	11.4%	2.5%	7.3%	2.4%	6.5%	1.9%	5.6%	11.6%	41.9%
	Between 1991 and 1995	15.1%	15.0%	14.9%	17.9%	8.6%	15.4%	25.0%	2.5%	5.5%	2.4%	3.2%	11.5%	5.6%	18.6%	14.0%
	Between 1996 and 2000	17.0%	7.5%	25.5%	17.9%	22.9%	21.2%	22.7%	9.9%	12.7%	29.4%	12.9%	9.6%	19.7%	14.0%	7.0%
	Between 2001 and 2005	22.6%	5.0%	21.3%	23.1%	25.7%	15.4%	11.4%	33.3%	21.8%	22.4%	14.5%	19.2%	22.5%	23.3%	18.6%
	Between 2006 and 2010	15.1%	15.0%	23.4%	10.3%	20.0%	15.4%	15.9%	19.8%	21.8%	24.7%	24.2%	26.9%	23.9%	7.0%	16.3%
	Between 2011 and 2015	18.9%	12.5%	8.5%	23.1%	17.1%	7.7%	13.6%	19.8%	18.2%	14.1%	33.9%	28.8%	19.7%	20.9%	2.3%
	After 2015	11.3%	15.0%	2.1%	2.6%	2.9%	1.9%	0.0%	12.3%	12.7%	4.7%	4.8%	1.9%	2.8%	4.7%	0.0%
	<i>Total</i>	<i>100%</i> <i>(n=53)</i>	<i>100%</i> <i>(n=40)</i>	<i>100%</i> <i>(n=47)</i>	<i>100%</i> <i>(n=39)</i>	<i>100%</i> <i>(n=35)</i>	<i>100%</i> <i>(n=52)</i>	<i>100%</i> <i>(n=44)</i>	<i>100%</i> <i>(n=81)</i>	<i>100%</i> <i>(n=55)</i>	<i>100%</i> <i>(n=85)</i>	<i>100%</i> <i>(n=62)</i>	<i>100%</i> <i>(n=52)</i>	<i>100%</i> <i>(n=71)</i>	<i>100%</i> <i>(n=43)</i>	<i>100%</i> <i>(n=43)</i>
ICNPO - all fields of activity	Culture and arts	24.1%	12.8%	31.5%	11.9%	29.7%	18.5%	32.7%	21.2%	17.2%	9.0%	22.1%	15.5%	14.5%	17.6%	22.2%
	Sports and recreation	12.1%	12.8%	7.4%	4.8%	5.4%	5.6%	14.3%	9.4%	3.4%	6.7%	19.1%	13.8%	6.6%	9.8%	13.3%
	Social clubs (e.g. country clubs, men's and women's clubs, touring clubs, leisure clubs)	6.9%	8.5%	3.7%	9.5%	13.5%	13.0%	14.3%	8.2%	3.4%	7.9%	10.3%	0.0%	3.9%	11.8%	13.3%
	Education and research	63.8%	44.7%	77.8%	64.3%	67.6%	68.5%	49.0%	64.7%	51.7%	51.7%	66.2%	60.3%	68.4%	39.2%	48.9%
	Health	13.8%	26.0%	23.2%	15.9%	2.5%	30.4%	10.0%	15.9%	18.3%	22.7%	28.4%	16.7%	11.7%	5.7%	17.0%
	Social services	58.6%	42.6%	42.6%	31.0%	45.9%	37.0%	22.4%	29.4%	39.7%	51.7%	48.5%	41.4%	31.6%	41.2%	24.4%
	Environment and animal protection	25.9%	19.1%	7.4%	11.9%	13.5%	29.6%	20.4%	15.3%	25.9%	14.6%	16.2%	25.9%	25.0%	17.6%	17.8%
	Development and housing	15.5%	14.9%	7.4%	4.8%	8.1%	9.3%	12.2%	3.5%	12.1%	6.7%	16.2%	8.6%	13.2%	5.9%	6.7%
	Law, advocacy and politics	50.0%	21.3%	50.0%	42.9%	24.3%	33.3%	20.4%	51.8%	32.8%	44.9%	42.6%	36.2%	47.4%	17.6%	42.2%
	Philanthropic intermediaries	5.2%	8.5%	13.0%	9.5%	27.0%	9.3%	8.2%	9.4%	12.1%	9.0%	10.3%	13.8%	7.9%	11.8%	11.1%
	International activities (e.g. development cooperation/ assistance)	19.0%	27.7%	38.9%	33.3%	24.3%	33.3%	26.5%	20.0%	22.4%	19.1%	30.9%	27.6%	39.5%	19.6%	24.4%
	Religion	8.6%	4.3%	9.3%	0.0%	0.0%	5.6%	14.3%	1.2%	1.7%	5.6%	0.0%	1.7%	2.6%	7.8%	0.0%
	Business and professional associations (e.g. labor unions, organizations promoting, regulating and protecting professionals)	6.9%	4.3%	7.4%	0.0%	2.7%	7.4%	2.0%	10.6%	17.2%	5.6%	2.9%	10.3%	7.9%	2.0%	24.4%
	Other	24.1%	19.1%	27.8%	23.8%	35.1%	14.8%	20.4%	23.5%	20.7%	19.1%	14.7%	29.3%	19.7%	21.6%	11.1%
	<i>Total</i>	<i>n=58</i>	<i>n=47</i>	<i>n=54</i>	<i>n=42</i>	<i>n=37</i>	<i>n=54</i>	<i>n=49</i>	<i>n=85</i>	<i>n=58</i>	<i>n=89</i>	<i>n=68</i>	<i>n=58</i>	<i>n=76</i>	<i>n=51</i>	<i>n=45</i>

		ALB	AUT	BIH	BGR	HRV	CZE	HUN	UNK	MKD	MDA	MNE	ROU	SRB	SVK	SVN
ICNPO - main field of activity	Culture and arts	1.8%	6.4%	9.3%	4.8%	5.4%	5.7%	14.3%	8.4%	8.6%	2.2%	4.4%	1.7%	5.3%	7.8%	15.6%
	Sports and recreation	3.6%	4.3%	0.0%	0.0%	0.0%	1.9%	4.1%	1.2%	1.7%	0.0%	2.9%	0.0%	1.3%	3.9%	6.7%
	Social clubs (e.g. country clubs, men's and women's clubs, touring clubs, leisure clubs)	1.8%	4.3%	0.0%	0.0%	0.0%	3.8%	2.0%	0.0%	0.0%	3.4%	1.5%	0.0%	1.3%	2.0%	0.0%
	Education and research	17.9%	14.9%	27.8%	28.6%	27.0%	26.4%	24.5%	20.5%	17.2%	18.0%	27.9%	19.0%	22.4%	21.6%	13.3%
	Health	0.0%	8.5%	3.7%	2.4%	0.0%	3.8%	0.0%	2.4%	8.6%	4.5%	4.4%	6.9%	3.9%	3.9%	4.4%
	Social services	26.8%	25.5%	18.5%	16.7%	29.7%	20.8%	6.1%	12.0%	17.2%	29.2%	26.5%	13.8%	13.2%	17.6%	11.1%
	Environment and animal protection	7.1%	10.6%	0.0%	9.5%	0.0%	9.4%	10.2%	2.4%	6.9%	5.6%	5.9%	12.1%	9.2%	5.9%	11.1%
	Development and housing	5.4%	2.1%	0.0%	2.4%	0.0%	0.0%	4.1%	0.0%	0.0%	0.0%	1.5%	1.7%	1.3%	2.0%	0.0%
	Law, advocacy and politics	19.6%	4.3%	18.5%	14.3%	10.8%	7.5%	10.2%	30.1%	12.1%	22.5%	16.2%	13.8%	25.0%	11.8%	13.3%
	Philanthropic intermediaries	0.0%	4.3%	1.9%	4.8%	5.4%	1.9%	4.1%	1.2%	0.0%	1.1%	0.0%	6.9%	2.6%	5.9%	2.2%
	International activities (e.g. development cooperation/ assistance)	0.0%	4.3%	1.9%	0.0%	0.0%	5.7%	0.0%	2.4%	1.7%	3.4%	0.0%	6.9%	6.6%	3.9%	2.2%
	Religion	3.6%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	2.0%	0.0%
	Business and professional associations (e.g. labor unions, organizations promoting, regulating and protecting professionals)	0.0%	0.0%	1.9%	0.0%	0.0%	3.8%	2.0%	1.2%	8.6%	1.1%	1.5%	3.4%	3.9%	0.0%	15.6%
	Other	12.5%	10.6%	16.7%	16.7%	21.6%	9.4%	16.3%	18.1%	17.2%	6.7%	7.4%	13.8%	3.9%	11.8%	4.4%
	<i>Total</i>	<i>100% (n=56)</i>	<i>100% (n=47)</i>	<i>100% (n=54)</i>	<i>100% (n=42)</i>	<i>100% (n=37)</i>	<i>100% (n=53)</i>	<i>100% (n=49)</i>	<i>100% (n=83)</i>	<i>100% (n=58)</i>	<i>100% (n=89)</i>	<i>100% (n=68)</i>	<i>100% (n=58)</i>	<i>100% (n=76)</i>	<i>100% (n=51)</i>	<i>100% (n=45)</i>
Multipurpose functions	Only services	0.0%	2.6%	0.0%	0.0%	0.0%	9.4%	2.4%	0.0%	0.0%	0.0%	3.1%	3.8%	2.8%	2.3%	2.3%
	Only advocacy	1.9%	5.3%	0.0%	5.3%	2.7%	3.8%	2.4%	2.4%	1.9%	1.1%	1.5%	3.8%	0.0%	0.0%	0.0%
	Only community building	0.0%	0.0%	0.0%	0.0%	0.0%	1.9%	0.0%	0.0%	1.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Services & advocacy	13.0%	18.4%	14.3%	18.4%	8.1%	32.1%	22.0%	13.4%	11.1%	12.6%	4.6%	9.4%	15.3%	27.9%	22.7%
	Services & community building	1.9%	5.3%	2.0%	0.0%	2.7%	0.0%	7.3%	2.4%	0.0%	2.3%	0.0%	3.8%	4.2%	2.3%	2.3%
	Advocacy & community building	1.9%	2.6%	2.0%	5.3%	5.4%	3.8%	12.2%	2.4%	3.7%	1.1%	4.6%	5.7%	4.2%	4.7%	11.4%
	Services, advocacy & community building	81.5%	65.8%	81.6%	71.1%	81.1%	49.1%	53.7%	79.3%	81.5%	82.8%	86.2%	73.6%	73.6%	62.8%	61.4%
	<i>Total</i>	<i>100% (n=54)</i>	<i>100% (n=38)</i>	<i>100% (n=49)</i>	<i>100% (n=38)</i>	<i>100% (n=37)</i>	<i>100% (n=53)</i>	<i>100% (n=41)</i>	<i>100% (n=82)</i>	<i>100% (n=54)</i>	<i>100% (n=87)</i>	<i>100% (n=65)</i>	<i>100% (n=53)</i>	<i>100% (n=72)</i>	<i>100% (n=43)</i>	<i>100% (n=44)</i>

		ALB	AUT	BIH	BGR	HRV	CZE	HUN	UNK	MKD	MDA	MNE	ROU	SRB	SVK	SVN
All functions	Service provision	94.7%	85.4%	96.0%	87.2%	91.9%	90.6%	83.7%	95.2%	90.9%	97.7%	93.9%	91.1%	95.9%	95.7%	88.6%
	Advocacy	96.5%	87.8%	98.0%	97.4%	97.3%	88.7%	88.1%	97.6%	96.4%	97.7%	96.9%	92.6%	93.1%	95.3%	95.5%
	Community building	85.7%	70.0%	84.3%	74.4%	89.2%	54.7%	69.8%	84.3%	85.5%	86.2%	91.0%	81.8%	81.9%	69.6%	75.0%
	Total	n=56	n=40	n=51	n=39	n=37	n=53	n=43	n=83	n=55	n=87	n=67	n=55	n=72	n=46	n=44
Professionalization	Low degree of professionalization	27.6%	25.0%	22.6%	38.1%	24.3%	26.4%	51.1%	31.0%	35.1%	23.6%	29.9%	45.6%	38.2%	35.4%	40.0%
	Medium degree of professionalization	32.8%	31.8%	37.7%	38.1%	45.9%	50.9%	24.4%	39.3%	31.6%	36.0%	29.9%	31.6%	30.3%	41.7%	35.6%
	High degree of professionalization	39.7%	43.2%	39.6%	23.8%	29.7%	22.6%	24.4%	29.8%	33.3%	40.4%	40.3%	22.8%	31.6%	22.9%	24.4%
	Total	100% (n=58)	100% (n=44)	100% (n=53)	100% (n=42)	100% (n=37)	100% (n=53)	100% (n=45)	100% (n=84)	100% (n=57)	100% (n=89)	100% (n=67)	100% (n=57)	100% (n=76)	100% (n=48)	100% (n=45)
Funding source	EU funds	70.7%	37.0%	39.6%	48.8%	75.7%	56.6%	41.7%	55.4%	70.7%	38.9%	54.4%	43.1%	59.2%	50.0%	51.1%
	Government funds (from the local, regional or central government)	20.7%	82.6%	43.4%	24.4%	91.9%	83.0%	43.8%	33.7%	25.9%	20.0%	61.8%	34.5%	36.8%	62.0%	77.8%
	Funds from foreign foundations	81.0%	19.6%	84.9%	56.1%	32.4%	37.7%	31.3%	80.7%	63.8%	80.0%	47.1%	56.9%	84.2%	46.0%	13.3%
	Funds from domestic foundations	20.7%	30.4%	7.5%	26.8%	43.2%	47.2%	20.8%	12.0%	12.1%	17.8%	13.2%	32.8%	17.1%	46.0%	28.9%
	Funds/proceeds from CSOs (e.g. membership fees, cross-financing)	17.2%	43.5%	22.6%	12.2%	29.7%	37.7%	27.1%	14.5%	24.1%	28.9%	17.6%	32.8%	19.7%	20.0%	46.7%
	Funds/proceeds from business firms (e.g. donations, sponsoring, sales revenues, investment)	17.2%	60.9%	17.0%	39.0%	32.4%	60.4%	39.6%	20.5%	29.3%	18.9%	23.5%	62.1%	25.0%	46.0%	33.3%
	Donations/proceeds from individuals (e.g. membership fees, donations, sales revenues)	27.6%	78.3%	32.1%	58.5%	51.4%	83.0%	70.8%	14.5%	31.0%	43.3%	27.9%	74.1%	30.3%	66.0%	55.6%
	Other	15.5%	13.0%	15.1%	17.1%	13.5%	18.9%	4.2%	9.6%	5.2%	7.8%	7.4%	13.8%	17.1%	12.0%	15.6%
	Total	n=58	n=46	n=53	n=41	n=37	n=53	n=48	n=83	n=58	n=90	n=68	n=58	n=76	n=50	n=45
Total revenues 2017	Up to EUR 5,000	10.7%	9.1%	3.8%	11.9%	0.0%	5.7%	37.5%	12.2%	15.8%	8.1%	18.2%	10.5%	9.2%	20.8%	0.0%
	EUR 5,001 – 50,000	16.1%	4.5%	22.6%	28.6%	18.9%	11.3%	27.1%	23.2%	31.6%	34.9%	43.9%	22.8%	19.7%	20.8%	13.6%
	EUR 50,001 – 100,000	25.0%	4.5%	20.8%	26.2%	21.6%	13.2%	12.5%	22.0%	15.8%	14.0%	12.1%	15.8%	21.1%	8.3%	2.3%
	EUR 100,001 - 1 million	44.6%	31.8%	47.2%	23.8%	56.8%	47.2%	22.9%	35.4%	31.6%	40.7%	22.7%	40.4%	42.1%	39.6%	70.5%
	Greater than EUR 1 million	3.6%	50.0%	5.7%	9.5%	2.7%	22.6%	0.0%	7.3%	5.3%	2.3%	3.0%	10.5%	7.9%	10.4%	13.6%
	Total	100% (n=56)	100% (n=44)	100% (n=53)	100% (n=42)	100% (n=37)	100% (n=53)	100% (n=48)	100% (n=82)	100% (n=57)	100% (n=86)	100% (n=66)	100% (n=57)	100% (n=76)	100% (n=48)	100% (n=44)

		ALB	AUT	BIH	BGR	HRV	CZE	HUN	UNK	MKD	MDA	MNE	ROU	SRB	SVK	SVN
Main area of operations	Rural area	12.7%	12.2%	4.2%	2.6%	8.6%	9.6%	22.7%	9.8%	7.4%	15.1%	0.0%	3.8%	8.5%	15.9%	2.3%
	Urban area	12.7%	43.9%	14.6%	48.7%	34.3%	48.1%	43.2%	18.3%	27.8%	15.1%	23.4%	51.9%	38.0%	31.8%	46.5%
	Equally urban and rural	74.5%	43.9%	81.3%	48.7%	57.1%	42.3%	34.1%	72.0%	64.8%	69.8%	76.6%	44.2%	53.5%	52.3%	51.2%
	Total	100% (n=55)	100% (n=41)	100% (n=48)	100% (n=39)	100% (n=35)	100% (n=52)	100% (n=44)	100% (n=82)	100% (n=54)	100% (n=86)	100% (n=64)	100% (n=52)	100% (n=71)	100% (n=44)	100% (n=43)
Main impact region	Local/ regional	41.8%	47.5%	29.8%	17.9%	42.9%	25.0%	56.8%	43.9%	27.3%	30.6%	25.4%	34.6%	36.6%	47.7%	9.1%
	National	58.2%	37.5%	68.1%	74.4%	57.1%	57.7%	34.1%	51.2%	60.0%	65.9%	69.8%	57.7%	57.7%	45.5%	84.1%
	Other (European, worldwide etc.)	0.0%	15.0%	2.1%	7.7%	0.0%	17.3%	9.1%	4.9%	12.7%	3.5%	4.8%	7.7%	5.6%	6.8%	6.8%
	Total	100% (n=55)	100% (n=40)	100% (n=47)	100% (n=39)	100% (n=35)	100% (n=52)	100% (n=44)	100% (n=82)	100% (n=55)	100% (n=85)	100% (n=63)	100% (n=52)	100% (n=71)	100% (n=44)	100% (n=44)
Future prospects	1 - not at all confident that the organization will still exist in 3 years	6.9%	6.7%	4.0%	2.4%	2.7%	0.0%	4.2%	0.0%	1.7%	1.1%	4.5%	7.0%	3.9%	0.0%	0.0%
	2	3.4%	2.2%	8.0%	7.3%	8.1%	1.9%	6.3%	3.7%	1.7%	5.7%	0.0%	8.8%	2.6%	4.0%	0.0%
	3	10.3%	11.1%	8.0%	14.6%	8.1%	7.5%	25.0%	12.3%	12.1%	13.6%	10.6%	7.0%	14.5%	6.0%	13.3%
	4	22.4%	15.6%	18.0%	31.7%	35.1%	18.9%	8.3%	25.9%	27.6%	27.3%	25.8%	36.8%	30.3%	24.0%	17.8%
	5 - very confident that the organization will still exist in 3 years	56.9%	64.4%	62.0%	43.9%	45.9%	71.7%	56.3%	58.0%	56.9%	52.3%	59.1%	40.4%	48.7%	66.0%	68.9%
	Total	100% (n=58)	100% (n=45)	100% (n=50)	100% (n=41)	100% (n=37)	100% (n=53)	100% (n=48)	100% (n=81)	100% (n=58)	100% (n=88)	100% (n=66)	100% (n=57)	100% (n=76)	100% (n=50)	100% (n=45)

Source: Civil Society Survey, 2018

19. About the research team

Danijel Baturina, Ph.D., is an assistant professor at the University of Zagreb, Faculty of Law, Institute of Social Policy. His research interests include civil society and the third sector, social policy, social innovations and social entrepreneurship.

Gojko Bežovan is a professor of social policy at the Faculty of Law, Department of Social Work, University of Zagreb. His research interests include housing and housing policy, social policy, civil society and welfare mix development. He is also the founder and president of CERANEO.

Flavia-Elvira Bogorin is a researcher at the Competence Center for Nonprofit Organizations and Social Entrepreneurship at the Vienna University of Economics and Business. Her main research interests include civil society and volunteering as well as topics related to the social sector, such as youth and family, health promotion, prevention and elderly care.

Tatiana Cernomorit has been involved in various programs and activities of national and international NGOs aiming at promoting equal opportunities for all. She is a strongly committed human rights activist and highly experienced in conducting research in the areas of human rights, social services and education.

Elona Dhëmbo is a lecturer of research methods and social policy at the Department of Social Work and Social Policy, University of Tirana. In 2002, she graduated as a social worker, and she has been a member of the Department of Social Work and Social Policy since 2005. Her further studies in comparative social policy combine her main areas of interest – research methods, social policy, and gender issues.

Danica Fink-Hafner is a professor of political parties, interest groups and policy analysis in the Faculty of Social Sciences at the University of Ljubljana. She is also the head of the Political Science Research Programme (P5-0136) as well as the co-leader of various European projects in this research area.

Alexandra Ioan's long-term commitment is to develop effective solutions to social issues through multi-sectoral collaboration. Currently, she is establishing and managing a European research center on social innovation at Ashoka (Germany), and she is researching civic engagement in Central and Eastern Europe as a Fellow of the German Marshall Fund.

Valmir Ismaili is the cofounder of Democracy Plus (D+) and the current executive director. He has more than 14 years of experience in civil society in Kosovo, having worked with different organizations and institutes and having managed projects to improve the civic oversight of the Kosovo Parliament and the municipal assemblies.

Nikica Kusinikova is the executive director of Association Konekt. Her fields of expertise and research include sustainability of CSOs, corporate social responsibility, philanthropy and social entrepreneurship. She has been actively engaging in the civil society sector in the Balkans as a professional and an activist for more than 25 years, and she serves on the board of a number of North Macedonian CSOs.

Julia Litofcenko is a university assistant at the Institute for Nonprofit Management at the Vienna University of Economics and Business. The primary focus of her work is on the role of civil society

organizations in ideologically polarized societies. She has a strong background in quantitative empirical research with micro-data.

Jelena Matančević is an assistant professor at the University of Zagreb, Faculty of Law, Department of Social Policy. She holds a Ph.D. in social policy. Her fields of interest as a researcher include civil society, the third sector and its role in the welfare mix, social innovation and social policy.

Michael Meyer is a professor at the Institute for Nonprofit-Management at the Vienna University of Economics and Business. His current research focuses on managerialism, leadership and governance in NPOs as well as civic participation (volunteering, giving) and social entrepreneurship.

Eva More-Hollerweger is a senior researcher at the Competence Center for Nonprofit Organizations and Social Entrepreneurship at the Vienna University of Economics and Business. Civil society and volunteering/civic engagement as well as nonprofit management and related topics have been her key research area for many years.

Mária Murray Svidroňová is an assistant professor at the Faculty of Economics, Matej Bel University in Banská Bystrica, Slovakia. She engages in both teaching and research activities, with a focus on nonprofit and nongovernmental organizations, public services and social innovations, and has taken part in several international projects in these areas.

Jiří Navrátil focuses on the study of political protest, civic engagement and political networks. He completed his Ph.D. in political science at Masaryk University in 2012. He is an assistant professor at the Faculty of Economics and Administration, Masaryk University.

Meta Novak is an assistant professor at the Faculty of Social Sciences at the University of Ljubljana. She has been an active researcher in the framework of several European projects on the topics of interest group politics, political participation and policymaking processes in the EU.

Aleka Papa is a policy researcher and works as a manager of the Research and Development Center of the Institute for Democracy and Mediation (IDM) in Tirana. Her areas of expertise include civil society development and public administration reform. Since 2015, she has been authoring the reports for Albania of the USAID's CSO Sustainability Index for Central and Eastern Europe and Eurasia.

Jakub Pejcal's research focuses on the funding, economics, accounting and taxation of nonprofit nongovernmental organizations. He is a Ph.D. candidate at the Faculty of Economics and Administration, Masaryk University, and a researcher at the Centre for Nonprofit Sector Research at Masaryk University.

István Sebestény works in the Central Statistical Office, where he is involved in nonprofit statistics and research. He participated in several international projects, established the Civitalis Association, a think tank for young nonprofit researchers, and he is a member of the editorial board of Civil Review.

Ruth Simsa is an assistant professor at the Department of Socioeconomics and the director of the Institute for Nonprofit-Organizations and Social Entrepreneurship, both at the Vienna University of Economics and Business. She is the editor-in-chief of *Voluntas*, *International Journal of Voluntary and Nonprofit Organizations*. Her research focuses on civil society, social movements and leadership.

Ruzha Smilova is a senior assistant professor at the Political Science Department of Sofia University, where she teaches history of political ideas and contemporary political philosophy. She is also a program director at the Centre for Liberal Strategies. Her academic research is focused on such issues as the authority of democracy, normative and positive theories of democracy, and the relation between the media and democracy.

Zilka Spahić Šiljak holds a PhD in gender studies, and her scope of work includes addressing cutting-edge issues involving human rights, politics, religion, education and peace building. She has more than fifteen years of experience in academic teaching and in working in governmental and non-governmental sectors.

Dušan Spasojević is an assistant professor at the Faculty of Political Sciences, University of Belgrade. He is a researcher at the Center for Democracy at FPS, and he works with other research and educational institutions in Serbia and the region. His main fields of interest are political parties, populism, civil society and post-communist democratization processes.

Ivana Vujović is the executive director at the NGO Juventas from Montenegro. She has been active in the NGO sector since 1996. Ivana has been a member of Juventas since 2000. She has coordinated or participated in the realization of more than 100 projects related to capacity building, research, policy, advocacy, direct assistance and several publications in these fields.

List of Abbreviations

AJN	Public Procurement Agency BiH
ALB	Albania
AMSHC	National Agency for Civil Society Albania
ANO	Action of Dissatisfied Citizens Movement, Czech Republic
approx.	approximately
AUT	Austria
BAM	Bosnia and Herzegovina convertible mark
BCNL	Bulgarian Center for Non-Profit Law
BCSDN	Balkan Civil Society Development Network
BD	Brčko District, BiH
BGR	Bulgaria
BiH	Bosnia and Herzegovina
BIHAS	Agency for Statistics of Bosnia and Herzegovina
BTI	Bertelsmann Stiftung's Transformation Index
CAF	Charities Aid Foundation
CEE	Central and Eastern Europe
CIK	Central Election Commission of Bosnia and Herzegovina
CNVOS	Center for information, cooperation and development of non-governmental organizations
CPCD	Centre for Promotion of Civil Society BiH
CRJM	Center of Legal Resources Moldova
CRNVO	Center for the Development of Non-Governmental Organizations, Montenegro
CSO	civil society organization
CSS	Civil Society Survey
CZE	Czech Republic

CZK	Czech koruna
CZSO	Czech Statistical Office
DPS	Democratic Party of Socialists, Montenegro
DZS	Croatian Bureau of Statistics
EaSI	EU Programme for Employment and Social Innovation
e.g.	for example
EC	European Commission
EIF	European Investment Fund
EP	European Parliament
ESF	European Social Fund
EU	European Union
EUR	Euro
FBiH	Federation of Bosnia and Herzegovina
FDSC	Foundation for the Development of Civil Society, Romania
FIDESZ-MPP	Alliance of Young Democrats-Civic Union Hungary
FPÖ	Austrian Freedom Party
GCNNO	Non-Governmental Nonprofit Organization
GDP	Gross Domestic Product
GERB	Citizens for European Development of Bulgaria Party Bulgaria
GO	Government Ordinance
GONGO	government-organized non-governmental organization
HRV	Croatia
HUF	Hungarian forint
HUN	Hungary
ICNPO	International Classification of Nonprofit Organizations
IFES	Institut for Empirical Social Research Austria
IMF	International Monetary Fund
INSTAT	Institute of Statistics Albania

IPA	EU Instrument for Pre-Accession Assistance
JUST	Ministry of Justice, Romania
KCSF	Kosovo Civil Society Foundation
KDNP	People's Christian Democratic Party, Hungary
KSH	Central Statistics Office, Hungary
LGI	local level governmental institution
MDA	Moldova
MDDSZ	Ministry of Labor, Family, Social Affairs and Equal Opportunities
MINEDU	Ministry of Education, Science, Research and Sport of the Slovak Republic
MINV	Ministry of Interior
MJU	Ministry of Public Administration Slovenia
MKD	North Macedonia
MNE	Montenegro
N/A	not available
n.d.	no date
NATO	North Atlantic Treaty Organization
NBS	National Bureau of Statistics of the Republic of Moldova
NCA	National Civil Fund, Hungary
NEA	National Cooperation Fund, Hungary
NEET	Person not in education, employment or training
NGO	Non-governmental organization
NPLE	Nonprofit Legal Entities
NPO	Nonprofit organization
NSI	National Statistical Institute, Bulgaria
OSI	Open Society Institute, Bulgaria
ÖVP	Austrian People's Party
PBO	public benefit organization
PNADO	National Human Rights Action Plan Moldova

RIA	Regulatory Impact Assessment, North Macedonia
R(N)M	Republic of (Northern) Macedonia
ROU	Romania
RS	Republika Srpska BiH
RTCG	National Broadcaster Radio Television of Montenegro
SBRA	Serbian Business Register Agency
SNS	Srpska napredna stranka (Serbian Progressive Party)
SPÖ	Social Democratic Party Austria
SRB	Serbia
SURS	Republic of Slovenia Statistical Office
SVK	Slovakia
SVN	Slovenia
TASCO	Technical Assistance for Civil Society Organizations in the IPA Countries
UN	United Nations
UNDP	United Nations Development Program
Uprava	Ministry of Public Administration, Croatia
UNK	Kosovo
URA	United Reform Action, Montenegro
USAID	United States Agency for International Development
USD	United States Dollar
VAT	value-added tax
VMBiH	Council of Ministers of BiH
WU Vienna	Vienna University of Economics and Business

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